



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



2016  
INTERIM 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 (appointed on 7 June 2016)  
Mr. Kwok Chi Sun, Vincent (retired on 7 June 2016)

### Company Secretary

Mr. Li Wai Leung

### Authorised Representatives

Mr. Chan Yuk Ming  
Mr. Li Wai Leung

### Audit Committee

Mr. Ng Wing Fai (*Chairman*) (appointed on 7 June 2016)  
Mr. Fong Wo, Felix  
Mr. Cheng King Hoi, Andrew  
Mr. Kwok Chi Sun, Vincent (retired on 7 June 2016)

### Remuneration Committee

Mr. Cheng King Hoi, Andrew (*Chairman*)  
Mr. Fong Wo, Felix  
Mr. Ng Wing Fai (appointed on 7 June 2016)  
Mr. Kwok Chi Sun, Vincent (retired on 7 June 2016)

### Nomination Committee

Mr. Fong Wo, Felix (*Chairman*)  
Mr. Cheng King Hoi, Andrew  
Mr. Ng Wing Fai (appointed on 7 June 2016)  
Mr. Kwok Chi Sun, Vincent (retired on 7 June 2016)

### Share Award Plan Committee

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

### Registered Office

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

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

18/F–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

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

### Hong Kong Share Registrar

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

### Principal Bankers

Agricultural Bank of China Limited  
Bank of China Limited  
Bank of China (Hong Kong) Limited  
Chong Hing Bank Limited  
Hang Seng Bank Limited  
Ping An Bank Co., Limited  
Shanghai Commercial Bank Limited  
Shanghai Pudong Development Bank Company Limited  
The Hongkong and Shanghai Banking Corporation Limited

### Auditors

Ernst & Young, Certified Public Accountants

### Legal Advisor

MinterEllison

### Investor Relations

iPR Ogilvy Ltd.

### Stock Code

00238.HK

### Company's Website

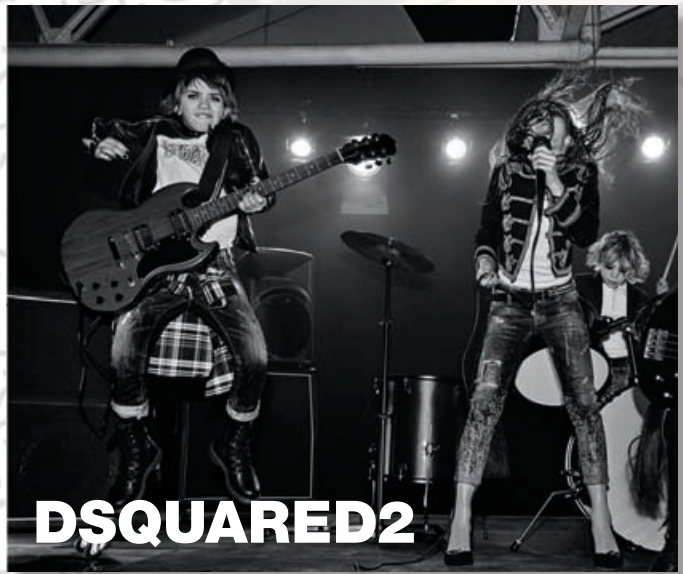
[www.evergreen-intl.com](http://www.evergreen-intl.com)



V.E. DELURE



*Testantin*  *Collection*





# Evergreen Children's Wear and Accessories Shops

## Chengdu IFS



## The Promenade Shops, Galaxy Macau



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# Evergreen Children's Wear and Accessories Shops

Qingdao Hisense Plaza



Qingdao MixCity



Shanghai Kerry Centre



Hangzhou MixCity



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Hangzhou Tower



Shenzhen MixCity



Guangzhou La Perle



Hong Kong Harbour City



Hong Kong Sogo Causeway Bay





# Financial Highlights

For the six months ended 30 June

	Six months ended 30 June		
	2016 RMB'million	2015 RMB'million	Change %
Revenue	<b>197.6</b>	230.0	-14.1%
Gross profit	<b>120.6</b>	165.3	-27.0%
Loss attributable to ordinary equity holders of the Company	<b>(38.7)</b>	(34.6)	11.6%
Basic and diluted loss per share (RMB cents) (Note 1)	<b>(4.1)</b>	(3.7)	10.8%
Gross profit margin	<b>61.1%</b>	71.9%	
Net loss margin	<b>-19.6%</b>	-15.0%	
Effective tax rate	<b>-6.0%</b>	-10.4%	

	As at 30 June 2016	As at 31 December 2015
Inventory turnover days (Note 2)	<b>576</b>	688
Trade receivables turnover days (Note 3)	<b>74</b>	72
Trade payables turnover days (Note 4)	<b>29</b>	47

Notes:

1. Basic and diluted loss per share = loss attributable to the ordinary equity holders of the Company/weighted average number of ordinary shares in issue
2. Inventory turnover days = Average of the opening and closing balances on inventory/cost of inventories sold for the period x number of days for the period
3. Trade receivables turnover days = Average of the opening and closing balances on trade receivables/revenue from sale of goods for the period x number of days for the period
4. Trade payables turnover days = Average of the opening and closing balances on trade payables/cost of inventories sold for the period x number of days for the period

# Management Discussion and Analysis

## Market Review

In the first half of 2016, the economy in the People's Republic of China (the "PRC", "Mainland China" or "China") continued to be volatile. According to the National Bureau of Statistics of China, the growth rate of gross domestic product ("GDP") of China slowed down to 6.7% in the first half of 2016, with GDP reaching RMB34.1 trillion, marking the slowest economic growth since 2009. Despite this, the figure showed that the economic deceleration was stabilised and was within the target growth rate ranging from 6.5%-7% as estimated by the PRC government.

According to the statistics from the China National Commercial Information Center, retail sales of the top 100 domestic retailing enterprises fell by 3.2% in the first half of 2016, compared to the same period of last year. The retail sales of apparel products decreased by 3.3%, compared to the same period of last year. The retail market remained sluggish and lacked momentum.

In view of the challenging economic and market environment, Evergreen International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") continued to adjust its strategies in response to the changes in the market in order to enhance the demand from customers who purchased for their own use. During the period, the Group continued to invest resources in refining its marketing strategy in brand building, reinforcing customer loyalty by organising marketing events, consolidating the network of self-operated retail stores. It also organised various training to its distributors and strived to improve operational efficiency and business

infrastructure. Such efforts were aimed at maintaining the Group's financial position at a healthy level to achieve a sustainable development of the Group in the long run. On the other hand, the Group has been actively expanding its children's wear business and looking for other investment opportunities so as to diversify its income and returns.

## Financial Review

During the six months ended 30 June 2016, the Group recorded an aggregate turnover of approximately RMB197,550,000 (six months ended 30 June 2015: RMB230,002,000), representing a decrease of approximately 14.1% compared to the same period of last year. Gross profit for the period decreased from RMB165,339,000 for the six months ended 30 June 2015 to RMB120,644,000, representing a decrease of about 27.0%, and gross profit margin decreased from 71.9% for the six months ended 30 June 2015 to 61.1% for the same period of 2016. The Group recorded a loss attributable to ordinary equity holders of the Company of RMB38,666,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB34,633,000) and net loss margin for the six months ended 30 June 2016 of 19.6% as compared to a net loss margin of 15.0% for the six months ended 30 June 2015. The loss was mainly attributable to the decrease in revenue in our proprietary brands of menswear segment and the operating loss incurred for the Group's new high-end children's wear and accessories product segment, which was in the investment stage.

# Management Discussion and Analysis

## Turnover

	Six months ended 30 June				
	2016		2015		Change
	RMB'000	% of turnover	RMB'000	% of turnover	%
<b>V.E. DELURE</b>					
Self-operated stores	126,039	63.8%	159,232	69.2%	-20.8%
Distributors	29,174	14.8%	31,785	13.8%	-8.2%
Corporate sales	-	0.0%	71	0.1%	-100.0%
	155,213	78.6%	191,088	83.1%	-18.8%
<b>TESTANTIN</b>					
Self-operated stores	13,373	6.8%	20,638	9.0%	-35.2%
Distributors	1,059	0.5%	2,105	0.9%	-49.7%
	14,432	7.3%	22,743	9.9%	-36.5%
Licensed brands	27,905	14.1%	16,171	7.0%	72.6%
	197,550		230,002		-14.1%

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The total turnover of the Group for the six months ended 30 June 2016 decreased by 14.1% to approximately RMB197,550,000 (six months ended 30 June 2015: RMB230,002,000). The decrease in turnover was mainly due to the decrease in sales of **V.E. DELURE** and **TESTANTIN** as the Group offered more discounts to customers to boost the sales of the products, in particularly the aged products, amidst the overall weak and sluggish retail market.

Turnover of the Group for the six months ended 30 June 2016 comprised sales from self-operated stores of about RMB139,412,000 (six months ended 30 June 2015: RMB179,870,000), sales to distributors of RMB30,233,000 (six months ended 30 June 2015: RMB33,890,000), corporate sales of nil (six months ended 30 June 2015: RMB71,000)

and sales from the licensed brands business of RMB27,905,000 (six months ended 30 June 2015: RMB16,171,000).

The aggregate sales from self-operated stores for the six months ended 30 June 2016 decreased by 22.5% as compared to the same period of last year, and accounted for about 70.6% (six months ended 30 June 2015: 78.2%) of the total turnover under the current challenging retail environment. The aggregate sales to distributors for the six months ended 30 June 2016 also decreased by 10.8% as compared to the same period of last year and accounted for about 15.3% (six months ended 30 June 2015: 14.7%) of the total turnover, as the distributors remained uncertain and cautious towards the retail market in the PRC.

# Management Discussion and Analysis

## Turnover by Region

	Six months ended 30 June				
	2016		2015		Change
	RMB'000	% of turnover	RMB'000	% of turnover	
<b>V.E. DELURE</b>					
Central China	8,975	5.8%	20,847	10.9%	-56.9%
North Eastern China	9,125	5.9%	16,143	8.5%	-43.5%
Eastern China	22,333	14.4%	23,886	12.5%	-6.5%
North Western China	22,600	14.6%	26,743	14.0%	-15.5%
Northern China	28,970	18.7%	35,558	18.6%	-18.5%
South Western China	20,677	13.3%	23,604	12.4%	-12.4%
Southern China	40,379	26.0%	41,742	21.8%	-3.3%
Hong Kong and Macau	2,154	1.3%	2,565	1.3%	-16.0%
Total	155,213		191,088		-18.8%

	Six months ended 30 June				
	2016		2015		Change
	RMB'000	% of turnover	RMB'000	% of turnover	
<b>TESTANTIN</b>					
Central China	1,913	13.3%	2,971	13.0%	-35.6%
North Eastern China	1,450	10.0%	2,586	11.4%	-43.9%
Eastern China	774	5.4%	1,483	6.5%	-47.8%
North Western China	2	0.0%	2,742	12.0%	-99.9%
Northern China	506	3.5%	501	2.2%	1.0%
South Western China	2,887	20.0%	4,565	20.1%	-36.8%
Southern China	5,547	38.4%	6,494	28.6%	-14.6%
Hong Kong and Macau	1,353	9.4%	1,401	6.2%	-3.4%
Total	14,432		22,743		-36.5%

The sales from **V.E. DELURE** in the Eastern, North Western, Northern and Southern China for the six months ended 30 June 2016 accounted for 73.7% (six months ended 30 June 2015: 66.9%) of the total revenue generated by the brand, which was mainly attributable to the fact that **V.E. DELURE** retail stores were located in major cities such as Shanghai, Beijing and Guangzhou, where the targeted **V.E. DELURE** customers are relatively more affluent with strong purchasing power.

The sales from **TESTANTIN** in the Central, North Eastern, South Western and Southern China for the six months ended 30 June 2016 accounted for 81.7% (six months ended 30 June 2015: 73.1%) of the total revenue generated by the brand, as most of the **TESTANTIN** retail stores are situated in the second-tier and third-tier cities of these regions.

# Management Discussion and Analysis

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
<b>V.E. DELURE</b>		
Apparel <sup>(1)</sup>	120,810	153,519
Accessories <sup>(2)</sup>	5,229	5,713
	<b>126,039</b>	159,232
<b>TESTANTIN</b>		
Apparel <sup>(1)</sup>	12,989	20,056
Accessories <sup>(2)</sup>	384	582
	<b>13,373</b>	20,638

	Six months ended 30 June	
	2016 Unit sold (pcs)	2015 Unit sold (pcs)
<b>Sales Volume</b>		
<b>V.E. DELURE</b>		
Apparel <sup>(1)</sup>	91,344	82,704
Accessories <sup>(2)</sup>	19,163	13,871
<b>TESTANTIN</b>		
Apparel <sup>(1)</sup>	29,799	19,583
Accessories <sup>(2)</sup>	2,583	4,493

	Six months ended 30 June	
	2016 RMB	2015 RMB
<b>Average Selling Price</b>		
<b>V.E. DELURE</b>		
Apparel <sup>(1)</sup>	1,323	1,856
Accessories <sup>(2)</sup>	273	412
<b>TESTANTIN</b>		
Apparel <sup>(1)</sup>	436	1,024
Accessories <sup>(2)</sup>	149	129

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 18.9% during the six months ended 30 June 2016 to approximately RMB76,906,000 (six months ended 30 June 2015: RMB64,663,000), which was in line with the increase in sales volumes of the menswear and children's wear products during the period. During the period, the Group continued to outsource the production process of most of the apparel and accessories products. The Group also purchased products under the licensed brand, **CARTIER** and purchased children's wear and accessories from the Group's licensed international fashion brands. The Group performed sampling, packaging and post-finish processing of the apparel products produced by outsourced manufacturers, and manufactured a small portion of the apparel products in its own plant.

## Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by RMB44,695,000 or 27.0%, from RMB165,339,000 for the six months ended 30 June 2015 to RMB120,644,000 for the same period of 2016.

During the six months ended 30 June 2016, due to the implementation of various measures to boost the sales of aged inventories and as a result of weak consumer sentiment, more discounts were granted to the customers, which resulted in a decrease of 10.8 percentage points in gross profit margin from 71.9% for the six months ended 30 June 2015 to 61.1% for the same period of 2016.

## Other Income and Gains

During the six months ended 30 June 2016, other income and gains mainly consisted of foreign exchange gains of RMB6,473,000 (six months ended 30 June 2015: Nil) and bank interest income of RMB4,819,000 (six months ended 30 June 2015: RMB6,032,000).

## Selling and Distribution Expenses

For the six months ended 30 June 2016, selling and distribution expenses primarily represented concessionaire commission to shopping malls and department stores of approximately RMB56,660,000 (six months ended 30 June 2015: RMB66,752,000), advertising and promotion expenses of approximately RMB5,824,000 (six months ended 30 June 2015: RMB9,461,000), and staff costs of approximately RMB30,075,000 (six months ended 30 June 2015: RMB38,065,000). During the six months ended 30 June 2016, the total selling and distribution expenses represented about 67.1% (six months ended 30 June 2015: 60.8%) of the total turnover, representing an increase of 6.3 percentage points, which was mainly due to the increase in the operating expenses incurred in the investment stage for the Group's high-end children's wear and accessories business.

# Management Discussion and Analysis

## Administrative Expenses

For the six months ended 30 June 2016, administrative expenses decreased from RMB38,062,000 for the six months ended 30 June 2015 to RMB33,886,000, representing a decrease of RMB4,176,000 or 11.0% as compared to the same period of last year. The decrease in administrative expenses was mainly due to the decrease in staff costs as a result of the Group's cost control measures. During the six months ended 30 June 2016, administrative expenses accounted for 17.2% (six months ended 30 June 2015: 16.5%) of turnover.

## Finance Costs

Finance costs for the six months ended 30 June 2016 mainly represented interest expenses on interest-bearing bank and other borrowings.

## Effective Tax Rate

During the six months ended 30 June 2016, the effective tax rate of the Group amounted to -6.0% (six months ended 30 June 2015: -10.4%).

## Loss Attributable to Ordinary Equity Holders of the Company

The Group recorded a loss attributable to ordinary equity holders of the Company of RMB38,666,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: loss attributable to ordinary equity holder of the Company of RMB34,633,000) and net loss margin for the six months ended 30 June 2016 of 19.6% as compared to a net loss margin of 15.0% for the six months ended 30 June 2015. Basic and diluted loss per share of RMB4.1 cents was recorded for the six months ended 30 June 2016 (six months ended 30 June 2015: basic and diluted loss per share of RMB3.7 cents). The loss was mainly attributable to the decrease in revenue and operating loss incurred in the investment stage for the Group's high-end children's wear and accessories product segment.

## Business Review Proprietary Brands

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

The Group's two proprietary brands, **V.E. DELURE** and **TESTANTIN**, recorded negative same store sales growth for the self-operated stores business of 13.7% and 23.4%, respectively, for the first half of 2016.

## Retail and Distribution Network

Number of stores of proprietary brands by region

	As at 30 June 2016	As at 31 December 2015
Central China	22	26
North Eastern China	20	24
Eastern China	29	40
North Western China	24	28
Northern China	45	49
South Western China	29	35
Southern China	43	60
Hong Kong and Macau	2	2
	<b>214</b>	264

# Management Discussion and Analysis

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

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

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As at 30 June 2016, the Group had a total of 214 stores in 27 provinces and autonomous regions, covering 124 cities in China. There were 88 self-operated stores of **V.E. DELURE** in 37 cities in China whilst there were 9 self-operated stores of **TESTANTIN** in 8 cities in China.

In addition, the total number of distributors of the Group amounted to 50, which operated 115 franchised stores of **V.E. DELURE** in 86 cities and 2 franchised stores of **TESTANTIN**, in 2 cities, respectively.

Number of stores of proprietary brands by city tier

	As at 30 June 2016	As at 31 December 2015	Changes
<b>V.E. DELURE</b>			
<b>Self-operated stores</b>			
First-tier	13	19	-6
Second-tier	54	60	-6
Third-tier	18	22	-4
Fourth-tier	3	3	-
	88	104	-16
<b>Franchised stores</b>			
First-tier	-	-	-
Second-tier	19	19	-
Third-tier	73	79	-6
Fourth-tier	23	26	-3
	115	124	-9
	203	228	-25
<b>TESTANTIN</b>			
<b>Self-operated stores</b>			
First-tier	2	6	-4
Second-tier	4	6	-2
Third-tier	2	4	-2
Fourth-tier	1	1	-
	9	17	-8
<b>Franchised stores</b>			
First-tier	-	-	-
Second-tier	-	1	-1
Third-tier	1	10	-9
Fourth-tier	1	8	-7
	2	19	-17
	11	36	-25
<b>TOTAL</b>	<b>214</b>	264	-50

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

# Management Discussion and Analysis

**FENDI**

simonetta

roberto cavalli  
junior

**DSQUARED2**

Paul Smith  
JUNIOR

SONIA RYKIEL  
PARIS

**KENZO** PARIS  
KIDS

TRUSSARDI  
JUNIOR

**DIESEL**

As at 30 June 2016, the number of **V.E. DELURE** self-operated stores decreased from 104 as at 31 December 2015 to 88 as a result of the consolidation of inefficient stores. Franchised stores operated by the distributors of the Group decreased from 124 as at 31 December 2015 to 115. As at 30 June 2016, the total area of self-operated stores of **V.E. DELURE** was approximately 15,166 square meters (31 December 2015: 17,889 square meters), representing a decrease of 15.2% as compared to the total area of self-operated stores as at 31 December 2015.

As at 30 June 2016, the number of **TESTANTIN** self-operated stores decreased from 17 as at 31 December 2015 to 9 whilst the number of franchised stores decreased from 19 as at 31 December 2015 to 2. As at 30 June 2016, the total area of self-operated stores of **TESTANTIN** was approximately 1,271 square meters (31 December 2015: 1,915 square meters), representing a decrease of 33.6% as compared to the total area of self-operated stores as at 31 December 2015.

## Licensed International brands

Apart from licensed brand business of **CARTIER**, the Group commenced the new business segment of high-end children's wear and accessories products in August 2014. As at 30 June 2016, the Group has secured distribution rights for the following 9 international fashion brands:

## Brand portfolio

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

As at the date of this report, the Group has opened 13 mono-brand retail stores in Hong Kong, Macau and Mainland China.

In addition, to cater to the consumer appetite and preference, especially those of the growing number of middle-class couples, the Group has invented and launched its new lifestyle concept store, **Kissocool**. This new concept store served as a one-stop platform offering children's wear and accessories 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 opened 5 **Kissocool** concept stores in the PRC and Hong Kong as at the date of this report.



# Management Discussion and Analysis

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

Brands	Shops Location	Brands	Shops Location
Diesel Kids	Hong Kong Sogo Causeway Bay <b>(Kissocool)</b> China Qingdao MixCity China Shanghai Kerry Centre <b>(Kissocool)</b> China Hangzhou MixCity <b>(Kissocool)</b> China Guangzhou La Perle <b>(Kissocool)</b>	Roberto Cavalli Junior	Hong Kong Harbour City Hong Kong Sogo Causeway Bay <b>(Kissocool)</b> The Promenade Shops, Galaxy Macau China Chengdu IFS China Hangzhou MixCity China Qingdao Hisense Plaza <b>(Kissocool)</b> China Shanghai Kerry Centre <b>(Kissocool)</b> China Guangzhou La Perle <b>(Kissocool)</b>
Dsquared2	Hong Kong Sogo Causeway Bay <b>(Kissocool)</b> The Promenade Shops, Galaxy Macau China Shanghai Kerry Centre <b>(Kissocool)</b> China Hangzhou MixCity <b>(Kissocool)</b> China Guangzhou La Perle <b>(Kissocool)</b>	Sonia Rykiel Paris	Hong Kong Sogo Causeway Bay <b>(Kissocool)</b> China Qingdao Hisense Plaza <b>(Kissocool)</b> China Shanghai Kerry Centre <b>(Kissocool)</b> China Hangzhou MixCity <b>(Kissocool)</b> China Guangzhou La Perle <b>(Kissocool)</b>
Fendi Kids	The Promenade Shops, Galaxy Macau China Shenzhen MixCity China Hangzhou MixCity China Qingdao Hisense Plaza <b>(Kissocool)</b> China Shanghai Kerry Centre <b>(Kissocool)</b> China Guangzhou La Perle <b>(Kissocool)</b>	Simonetta	Hong Kong Sogo Causeway Bay <b>(Kissocool)</b> The Promenade Shops, Galaxy Macau China Chengdu IFS China Qingdao Hisense Plaza <b>(Kissocool)</b> China Shanghai Kerry Centre <b>(Kissocool)</b> China Hangzhou MixCity <b>(Kissocool)</b> China Guangzhou La Perle <b>(Kissocool)</b>
Kenzo Kids	Hong Kong Sogo Causeway Bay	Trussardi Junior	Hong Kong Sogo Causeway Bay <b>(Kissocool)</b> China Shanghai Kerry Centre <b>(Kissocool)</b> China Hangzhou MixCity <b>(Kissocool)</b> China Guangzhou La Perle <b>(Kissocool)</b>
Paul Smith Junior	Hong Kong Sogo Causeway Bay <b>(Kissocool)</b> China Hangzhou Tower China Hangzhou MixCity <b>(Kissocool)</b> China Qingdao Hisense Plaza <b>(Kissocool)</b> China Shanghai Kerry Centre <b>(Kissocool)</b> China Guangzhou La Perle <b>(Kissocool)</b>		

# Management Discussion and Analysis

For the six months ended 30 June 2016, the Group's high-end children's wear and accessories product segment recorded a revenue of RMB16,363,000 and a net loss of RMB15,782,000, as the business is still in investment stage.

## Sales Fair

**V.E. DELURE** 2016 Fall and Winter collections sales fair was held in February 2016. The total order amount from franchised stores operated by the distributors of the Group decreased by 57.9% as compared to that of last year. Delivery of the orders commenced in August 2016.

**V.E. DELURE** 2017 Spring and Summer collections sales fair was held in August 2016. The total order amount from franchised stores operated by the distributors of the Group decreased by 25% as compared to that of last year, mainly because the distributors remained uncertain and cautious towards the retail market. Delivery of the orders will commence in January 2017.

## 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. As at 30 June 2016, the inventory turnover days of the Group decreased from 688 days as at 31 December 2015 to 576 days. The decrease in the inventory turnover days was achieved through various effective inventory management measures to boost the sales of aged inventory in such channels as outlets, temporary promotional sales fair and online business platform. The inventory balance decreased from RMB263,683,000 as at 31 December 2015 to RMB222,812,000 as at 30 June 2016. The Group will continue to implement a series of measures to speed up the process to sell the aged inventories.

## Marketing and Promotion

The Group has a dedicated marketing team to organise and execute the marketing and promotional activities of **V.E. DELURE** and **TESTANTIN**. The Group focuses on the long-term development of its brands. Various types of marketing and promotion activities of the Group not only strengthen the brand recognition and value, but also advocates its brand theme.

In the first half of 2016, the total expenditure of the Group in marketing and promotion activities amounted to approximately RMB5,824,000 (six months ended 30 June 2015: RMB9,461,000), which accounts for approximately 2.9% (six months ended 30 June 2015: 4.1%) of the total turnover of the Group. The Group will strive to maintain the ratio within 5% whilst promoting the brands in an effective approach.

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

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

The Group continues to be the exclusive sponsor of the formal attire of the PRC national table tennis team and badminton team and it will last till 2020. In addition, the Group started to supply the formal attire to the men's and women's national soccer team in 2016 and it will last till 2019.

## Product Design and Development

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

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

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

# Management Discussion and Analysis

## 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 576 days as at 30 June 2016, representing a decrease of 112 days as compared to 688 days as at 31 December 2015. The inventory enhancement was achieved gradually through various effective inventory management and selling measures to boost the sales of aged inventory.

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 74 days as at 30 June 2016 which was similar to 72 days as at 31 December 2015.

Trade payables represented payables to suppliers and outsourced manufacturers. Trade payables turnover days decreased from 47 days as at 31 December 2015 to 29 days as at 30 June 2016.

## 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. 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 2016, the unused proceeds were deposited in licensed banks in Hong Kong and Mainland China.

## Use of funds raised

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	Percentage to total amount	Net proceeds RMB'million	Utilised amount (as at 30 June 2016) RMB'million	Unutilised amount (as at 30 June 2016) RMB'million
Expansion and improvement of retail network	45%	457.8	457.8	–
Developing independent lines of branded apparels and accessories under <b>V.E. DELURE</b> brand	10%	101.7	101.7	–
Acquisitions or licensing of additional brands	20%	203.5	–	203.5
Marketing and promotional activities	7%	71.2	70.5	0.7
Upgrade of ERP system and database management system	5%	50.9	4.3	46.6
Hiring international design talent and design consultant firms, expanding the Group's existing design team and establishing the Group's own research and design centre	5%	50.9	4.4	46.5
General working capital	8%	81.4	81.4	–
	100%	1,017.4	720.1	297.3

# Management Discussion and Analysis

## Liquidity and Financial Resources

As at 30 June 2016, the Group had cash and cash equivalents of RMB496,882,000 (31 December 2015: RMB548,875,000). In addition, the Group had pledged deposits of RMB24,500,000 (31 December 2015: RMB145,572,000). During the period, the Company issued unlisted corporate bonds with an aggregate principal amount of HK\$43,000,000 (equivalent to approximately RMB36,855,000) which will mature on the date immediately following 12 months to 96 months after the first issue date unless early redemption requested by the Company. The bonds bear coupon rate ranging from 4.00% to 6.75% per annum, payable semi-annually in arrears. As at 30 June 2016, the interest-bearing bank and other borrowings amounted to RMB214,473,000 (31 December 2015: RMB349,767,000), which were denominated in RMB, Hong Kong dollars and Euros, with maturity from one year to eight years or on demand and bore effective interest rate ranging from 2.00% to 12.85% per annum (31 December 2015: 1.89% to 6.30% per annum). The gearing ratio, calculated as total bank and other borrowings divided by equity attributable to ordinary equity holders of the Company, amounted to 18.0% as at 30 June 2016 (31 December 2015: 28.4%).

## Contingent Liabilities

As at 30 June 2016, the Group had no material contingent liabilities.

## Pledge of Assets

As at 30 June 2016, pledged deposits of RMB24,500,000 (31 December 2015: RMB145,572,000) 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 Hong Kong dollars and Renminbi. As a result, the Group did not have significant foreign currency exposure and did not have any significant impact from the depreciation of Renminbi. Nevertheless, the Group purchases some raw materials and outsourced products in Euros and depreciation of Renminbi against these foreign currencies may increase the cost of sales of the Group, the Group considered that it has insignificant impact on the results of operation of the Group for the six months ended 30 June 2016.

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

## Employee's Benefits

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

During the period, the Group continued to organise various staff leisure, welfare and charity activities so as to help the staff to maintain work-life balance and enhance a sense of belongings within the Group.

As at 30 June 2016, the total number of full-time employees of the Group was 809. The total staff costs for the six months ended 30 June 2016 amounted to approximately RMB44,642,000 (six months ended 30 June 2015: RMB57,634,000).

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.

# Management Discussion and Analysis

## Prospects

In view of the persistent economic restructuring and reform in China, the outlook of retail sector in the second half of 2016 still remains uncertain and tough. It is expected that the operating environment, in particular the menswear market, will remain weak and lack of momentum in the second half of 2016.

In response to the challenging business and retail environment, the Group will enhance its retail network prudently to prepare for the long-term development. The Group plans to open approximately 5 new self-operated stores for menswear business in the second half of 2016. On the other hand, the Group will continue to consolidate inefficient stores in order to improve the overall operation efficiency. In addition, inventory control continued to be a key focus by the Group in times of weak retail environment. Our effort on inventory management in the first half of 2016 brought the stock level down from RMB263.7 million as at 31 December 2015 to RMB222.8 million as at 30 June 2016 and the turnover days was lowered to 576 days as at 30 June 2016 from 688 days as at 31 December 2015. 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 the domestic consumption will remain as the core contributor to GDP growth and 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 execute 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 China, especially the mid-end to high-end segments in the long run.

Starting from 1 January 2016, the Chinese government has allowed all couples in China to have two children. The expected large and growing number of babies and children in the future can lead to strong growth in China's children's wear and accessories market. To capitalise on this growing market, the Group has secured the distribution rights in Hong Kong, Macau and Mainland China with 9 international brand owners for its new business segment of high-end children's wear and accessories products. The Group will continue to look for investment opportunities in other children's wear brands with a view to continuing to add new brands to the Group's portfolio. As at the date of this report, the Group has opened 13 retail stores and 5 *Kissocool* in Hong Kong, Macau 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 China and extends its retail network in China in the second half of 2016.

The Group believes that the new business segment of high-end children's wear and accessories will enable the Group to diversify its business, product and brand portfolio in the apparel and accessory product industries and will create synergy with the existing menswear business of the Group. The Group aspires to be a leading brand operator in the high-end children's wear and accessories product industry in China and consider that the new business segment is beneficial to the Group and its shareholders as a whole in the long run.

On the other hand, further to the establishment of Shenzhen Fosun Ellassay Fashion Fund LLP investment fund on 4 March 2016 (details of which are set out in the announcement of the Company dated 4 March 2016) and an investment in a 20% interest in an online apparel project company in Hangzhou during the current period, the Group will continue to look for other new investment opportunities in the apparel industry, accessory product industry and the online business industry for development and expansion.

# Other Information

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

As at 30 June 2016, the interests or short positions of the directors (the "Directors"), the chief executives (the "Chief Executives") of the Company and their associates in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of Director	Long/ Short position	Type of interest	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Company
Chan Yuk Ming	Long position	Founder of a discretionary trust ( <i>Note 1</i> )	483,934,814	51.00%
	Long position	Beneficial owner ( <i>Note 2</i> )	1,736,000	0.18%
Chen Yunan	Long position	Beneficial owner ( <i>Note 3</i> )	5,000,000	0.53%
	Long position	Beneficiary of a trust ( <i>Note 1</i> )	483,934,814	51.00%
Chen Minwen	Long position	Beneficial owner ( <i>Note 3</i> )	5,000,000	0.53%
	Long position	Beneficiary of a trust ( <i>Note 1</i> )	483,934,814	51.00%
Cheng King Hoi, Andrew Fong Wo, Felix	Long position	Beneficial owner ( <i>Note 3</i> )	5,000,000	0.53%
	Long position	Beneficial owner ( <i>Note 4</i> )	900,000	0.09%
	Long position	Beneficial owner ( <i>Note 4</i> )	900,000	0.09%

### Notes:

- 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.
- These 1,736,000 Shares were held directly by Mr. Chan Yuk Ming.
- Each of Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen was interested in 5,000,000 underlying Shares in respect of share options granted under the new share option scheme adopted on 6 January 2014 (the "New Share Option Scheme").
- Each of Mr. Cheng King Hoi, Andrew and Mr. Fong Wo, Felix was interested in 900,000 underlying Shares in respect of share options granted under the New Share Option Scheme.

Save as disclosed above, as at 30 June 2016, none of the Directors, the Chief Executives nor their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its Associated Corporations that would have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, or which were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

# Other Information

## Share Option Scheme

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

### (a) Purpose

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

### (b) Participants

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

### (c) Total number of Shares available for issue

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

### (d) Maximum entitlement of each participant

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

### (e) Option period

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

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

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

### (g) Consideration on acceptance of the option

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

# Other Information

## Share Option Scheme (Continued)

### (h) Basis of determining the subscription price

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

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of offer which must be a business day;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and
- (iii) the nominal value of the Shares.

### (i) Remaining life of the New Share Option Scheme

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

Particulars and movements of share options granted under the New Share Option Scheme during the six months ended 30 June 2016 were as follows:

Name or Category of Grantees	Date of grant	Exercise price per Share (HK\$)	Exercise period	Number of share options							Closing price of the Shares immediately before the grant date (HK\$ per share)	
				Outstanding as at 1 January 2016	Granted during the six months ended 30 June 2016	Exercised during the six months ended 30 June 2016	Transferred to other category during the six months ended 30 June 2016	Transferred from other category during the six months ended 30 June 2016	Lapsed/ forfeited during the six months ended 30 June 2016	Outstanding as at 30 June 2016		
<b>Executive Directors:</b>												
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	2,000,000	-	-	-	-	-	-	2,000,000	0.78
	23/01/2015	0.78	30/04/2018–30/04/2023	2,000,000	-	-	-	-	-	-	2,000,000	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	2,000,000	-	-	-	-	-	-	2,000,000	0.78
	23/01/2015	0.78	30/04/2018–30/04/2023	2,000,000	-	-	-	-	-	-	2,000,000	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	2,000,000	-	-	-	-	-	-	2,000,000	0.78
	23/01/2015	0.78	30/04/2018–30/04/2023	2,000,000	-	-	-	-	-	-	2,000,000	0.78



# Other Information

## Share Option Scheme (Continued)

Name or Category of Grantees	Date of grant	Exercise price per Share (HK\$)	Exercise period	Number of share options							Closing price of the Shares immediately before the grant date (HK\$ per share)	
				Outstanding as at 1 January 2016	Granted during the six months ended 30 June 2016	Exercised during the six months ended 30 June 2016	Transferred to other category during the six months ended 30 June 2016	Transferred from other category during the six months ended 30 June 2016	Lapsed/forfeited during the six months ended 30 June 2016	Outstanding as at 30 June 2016		
<b>Independent non-executive Directors:</b>												
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
Kwok Chi Sun, Vincent (Note)	23/01/2015	0.78	30/04/2015–30/04/2020	900,000	-	-	(900,000)	-	-	-	-	0.78
Subtotal				17,700,000	-	-	(900,000)	-	-	-	16,800,000	
<b>Employees (in aggregate)</b>												
	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	8,000,000	-	-	-	-	-	-	8,000,000	0.78
			30/04/2018–30/04/2023	7,000,000	-	-	-	-	-	-	7,000,000	0.78
Subtotal				19,450,000	-	-	-	-	-	-	19,450,000	
<b>Other Grantees (Note)</b>	23/01/2015	0.78	30/04/2015–30/04/2020	-	-	-	-	900,000	-	-	900,000	0.78
<b>Total</b>				<b>37,150,000</b>	<b>-</b>	<b>-</b>	<b>(900,000)</b>	<b>900,000</b>	<b>-</b>	<b>-</b>	<b>37,150,000</b>	

### Note:

Mr. Kwok Chi Sun, Vincent was retired as an independent non-executive Director on 7 June 2016. The share options granted to Mr. Kwok remain exercisable following his retirement were re-classified to the category "Other Grantees" during the six months ended 30 June 2016.

The vesting period of the share options is from the date of grant until the commencement of the exercise period of five years. The share options granted to the executive Directors and the employees shall vest on 30 April 2016, 2017 and 2018 subject to the fulfillment of the performance targets that a 15% increase in net profit for the financial year ended 31 December 2015 and financial years ending 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 and other comprehensive income. 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.

# Other Information

## Share Award Plan

The share award plan (the “Share Award Plan”) was adopted by the Board on 27 August 2013. Under the Share Award Plan, the Share Award Plan Committee may, at any time and at its discretion, make an award to any executive or employee of any member of the Group, but excluding a director of any member of the Group and any other connected person (as defined in the Listing Rules) of the Company (“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 adoption of the Share Award Plan, a total of 10,250,000 share awards had been granted under the Share Award Plan.

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 awards were vested. Details of the share awards granted were set out in the Company’s announcement dated 23 January 2015.

Details of the awarded Shares awarded under the Share Award Plan and their movements during the six months ended 30 June 2016 are set out below:

	Award date	Vesting period	Outstanding as at 1 January 2016	Awarded during six months ended 30 June 2016	Lapsed/ forfeited during six months ended 30 June 2016	Vested during six months ended 30 June 2016	Outstanding as at 30 June 2016
Employees (in aggregate)	23/01/2015	23/01/2015–30/04/2016	3,620,000	-	-	(3,620,000)	-

# Other Information

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

At 30 June 2016, 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 ( <i>Note 1</i> )	483,934,814	51.00%
	Long position	Beneficial owner ( <i>Note 2</i> )	1,736,000	0.18%
	Long position	Beneficial owner ( <i>Note 3</i> )	5,000,000	0.53%
Chen Yunan	Long position	Beneficiary of a trust ( <i>Note 1</i> )	483,934,814	51.00%
	Long position	Beneficial owner ( <i>Note 3</i> )	5,000,000	0.53%
Chen Minwen	Long position	Beneficiary of a trust ( <i>Note 1</i> )	483,934,814	51.00%
	Long position	Beneficial owner ( <i>Note 3</i> )	5,000,000	0.53%
Chen Mianna	Long position	Beneficial owner ( <i>Note 4</i> )	45,543,636	4.80%
	Long position	Beneficial owner ( <i>Note 3</i> )	5,000,000	0.53%
Evisu	Long position	Trustee of a trust ( <i>Note 1</i> )	483,934,814	51.00%
Pacific Success	Long position	Beneficial owner ( <i>Note 1</i> )	483,934,814	51.00%
New Horizon Capital III, L.P. ("New Horizon")	Long position	Interest in a controlled corporation ( <i>Note 5</i> )	123,096,677	12.97%
Admiralfly Holdings Limited ("Admiralfly")	Long position	Beneficial owner ( <i>Note 5</i> )	123,096,677	12.97%

### Notes:

- 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 Evisu, 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.
- These 1,736,000 Shares were held directly by Mr. Chan Yuk Ming.
- Each of Mr. Chan Yuk Ming, Mr. Chen Yunan, Mr. Chen Minwen and Ms. Chen Mianna was interested in 5,000,000 underlying Shares in respect of share options granted under the New Share Option Scheme.
- These 45,543,636 Shares were held directly by Ms. Chen Mianna.
- The entire issued share capital of Admiralfly was owned by New Horizon. New Horizon was deemed to be interested in 123,096,677 Shares which were beneficially owned by Admiralfly.

Save as disclosed above, as at 30 June 2016, 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.

# Other Information

## Interim Dividend

No interim dividend was proposed by the Board for the six months ended 30 June 2016.

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2016, except that the trustee of the Share Award Plan, pursuant to the terms of the trust deed of the Share Award Plan, purchased a total of 650,000 Shares on the Stock Exchange at a total consideration of HK\$494,000.

## Corporate Governance

In the opinion of the Directors, during the six months ended 30 June 2016, the Company has complied with all the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules.

## Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by Directors. Specific enquiry has been made to all the Directors and all the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2016.

No incident of non-compliance of the written guidelines governing the securities transactions by employees who are likely to be in possession of inside information of the Company by the employees was noted by the Company during the six months ended 30 June 2016.

## Change of Director's/Chief Executive's Information

Mr. Fong Wo, Felix, an independent non-executive Director, has ceased to act as an independent non-executive director of China Oilfield Services Limited, whose shares are listed on the Stock Exchange (Stock code: 2883) and the Shanghai Stock Exchange (stock code: 601808) with effect from 1 June 2016.

## 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. Ng Wing Fai (Chairman), Mr. Fong Wo, Felix and Mr. Cheng King Hoi, Andrew, all are independent non-executive Directors. The interim results of the Group for the six months ended 30 June 2016 have been reviewed by the Audit Committee.

## Forward Looking Statements

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

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

Hong Kong  
30 August 2016

# 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”) set out on pages 29 to 48, which comprise the interim condensed consolidated statement of financial position as at 30 June 2016, and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “*Interim Financial Reporting*” (“IAS 34”) issued by the International Accounting Standards Board.

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

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## 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

30 August 2016

# Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>REVENUE</b>	4	<b>197,550</b>	230,002
Cost of sales		<b>(76,906)</b>	(64,663)
Gross profit		<b>120,644</b>	165,339
Other income and gains	4	<b>11,731</b>	6,624
Selling and distribution expenses		<b>(132,576)</b>	(139,974)
Administrative expenses		<b>(33,886)</b>	(38,062)
Other expenses		<b>(293)</b>	(22,793)
Finance costs	6	<b>(6,738)</b>	(9,786)
<b>LOSS BEFORE TAX</b>	5	<b>(41,118)</b>	(38,652)
Income tax credit	7	<b>2,452</b>	4,019
<b>LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>		<b>(38,666)</b>	(34,633)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted	8	<b>RMB(4.1) cents</b>	RMB(3.7) cents

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	<b>(38,666)</b>	(34,633)
<b>OTHER COMPREHENSIVE LOSS TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:</b>		
Exchange differences on translation of operations outside Mainland China	<b>(7,469)</b>	(115)
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<b>(7,469)</b>	(115)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(46,135)</b>	(34,748)

# Interim Condensed Consolidated Statement of Financial Position

30 June 2016

	<i>Notes</i>	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	<b>390,810</b>	398,385
Available-for-sale investment	11	<b>36,800</b>	–
Investment in an associate		<b>6,800</b>	–
Goodwill		<b>1,880</b>	1,880
Other intangible asset		<b>3,943</b>	3,855
Long term lease prepayment		<b>64,969</b>	65,760
Deferred tax assets		<b>21,571</b>	17,945
Prepayment for non-current assets	15	<b>–</b>	51,100
Prepaid land lease payment	12	<b>46,567</b>	–
Total non-current assets		<b>573,340</b>	538,925
<b>CURRENT ASSETS</b>			
Inventories	13	<b>222,812</b>	263,683
Trade receivables	14	<b>75,440</b>	84,900
Prepayments, deposits and other receivables	15	<b>56,997</b>	60,364
Pledged deposits	16	<b>24,500</b>	145,572
Cash and cash equivalents	16	<b>496,882</b>	548,875
Total current assets		<b>876,631</b>	1,103,394
<b>CURRENT LIABILITIES</b>			
Trade payables	17	<b>7,040</b>	17,576
Other payables and accruals	18	<b>39,004</b>	40,425
Interest-bearing bank and other borrowings	19	<b>188,444</b>	349,767
Tax payable		<b>442</b>	1,397
Total current liabilities		<b>234,930</b>	409,165
<b>NET CURRENT ASSETS</b>		<b>641,701</b>	694,229
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,215,041</b>	1,233,154
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	19	<b>26,029</b>	–
Total non-current liabilities		<b>26,029</b>	–
Net assets		<b>1,189,012</b>	1,233,154
<b>EQUITY</b>			
<b>Equity attributable to ordinary equity holders of the Company</b>			
Issued capital	20	<b>829</b>	829
Reserves		<b>1,188,183</b>	1,232,325
Total equity		<b>1,189,012</b>	1,233,154



# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

Notes	Attributable to ordinary equity holders of the Company											
	Issued capital	Share premium account	Shares held for	Acquisition reserve	Merger reserve	Statutory surplus reserve	Capital redemption reserve	Exchange fluctuation reserve	Share option reserve	Share award reserve	Retained profits	Total
			the Share Award Plan									
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016 (audited)	829	671,612	(3,163)	2,639	1,072	78,555	28	(37,541)	2,705	(725)	517,143	1,233,154
Loss for the period	-	-	-	-	-	-	-	-	-	-	(38,666)	(38,666)
Other comprehensive loss for the period:												
Exchange differences on translation of operations outside Mainland China	-	-	-	-	-	-	-	(7,469)	-	-	-	(7,469)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(7,469)	-	-	(38,666)	(46,135)
Equity-settled share option scheme 21	-	-	-	-	-	-	-	-	1,235	-	-	1,235
Equity-settled Share Award Plan 22	-	-	-	-	-	-	-	-	-	1,171	-	1,171
Shares purchase for the Share Award Plan	-	-	(413)	-	-	-	-	-	-	-	-	(413)
Transfer from retained profits	-	-	-	-	-	10	-	-	-	-	(10)	-
At 30 June 2016 (unaudited)	829	671,612*	(3,576)*	2,639*	1,072*	78,565*	28*	(45,010)*	3,940*	446*	478,467*	1,189,012

\* These reserve accounts comprise the consolidated reserves of RMB1,188,183,000 (31 December 2015: RMB1,232,325,000) in the interim condensed consolidated statement of financial position.

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Notes	Attributable to ordinary equity holders of the Company											
	Issued capital	Share premium account	Shares held for	Acquisition reserve	Merger reserve	Statutory surplus reserve	Capital redemption reserve	Exchange fluctuation reserve	Share option reserve	Share award reserve	Retained profits	Total
			the Share Award Plan									
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015 (audited)	829	671,612	(7,892)	2,639	1,072	78,555	28	(23,534)	-	-	592,718	1,316,027
Loss for the period	-	-	-	-	-	-	-	-	-	-	(34,633)	(34,633)
Other comprehensive loss for the period:												
Exchange differences on translation of operations outside Mainland China	-	-	-	-	-	-	-	(115)	-	-	-	(115)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(115)	-	-	(34,633)	(34,748)
Equity-settled share option scheme 21	-	-	-	-	-	-	-	-	2,107	-	-	2,107
Equity-settled Share Award Plan 22	-	-	4,729	-	-	-	-	-	-	(1,361)	-	3,368
Transfer from retained profits	-	-	-	-	-	1,938	-	-	-	-	(1,938)	-
At 30 June 2015 (unaudited)	829	671,612	(3,163)	2,639	1,072	80,493	28	(23,649)	2,107	(1,361)	556,147	1,286,754

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		<b>(41,118)</b>	(38,652)
Adjustments for:			
Finance costs	6	<b>6,738</b>	9,786
Foreign exchange gains		<b>(6,570)</b>	–
Bank interest income	4	<b>(4,819)</b>	(6,032)
(Gain)/loss on disposal of items of property, plant and equipment	5	<b>(36)</b>	193
Depreciation	5	<b>16,862</b>	12,761
Recognition of prepaid land lease payment	5	<b>160</b>	–
Write-down of inventories	5	<b>–</b>	22,335
Amortisation of long term lease prepayment	5	<b>791</b>	743
Equity-settled share option expense	5	<b>1,235</b>	2,107
Equity-settled share award expense	5	<b>1,171</b>	3,368
		<b>(25,586)</b>	6,609
Decrease in inventories		<b>40,871</b>	1,772
Decrease in trade receivables		<b>9,460</b>	28,064
Increase in prepayments, deposits and other receivables		<b>(2,142)</b>	(422)
(Decrease)/increase in trade payables		<b>(10,536)</b>	6,230
(Decrease)/increase in other payables and accruals		<b>(1,445)</b>	4,545
Cash generated from operations		<b>10,622</b>	46,798
Interest received		<b>11,289</b>	6,427
Mainland China corporate income tax paid		<b>(2,129)</b>	(12,681)
Net cash flows from operating activities		<b>19,782</b>	40,544

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Net cash flows from operating activities		19,782	40,544
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(12,321)	(25,310)
Purchase of available-for-sale investment		(36,800)	–
Addition to investment in an associate		(2,000)	–
Decrease in pledged deposits		121,072	70,633
Proceed from government grant		–	2,000
Addition to prepaid land lease payment		(1,389)	–
Net cash flows generated from investing activities		68,562	47,323
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans		111,533	187,803
Proceeds from issue of corporate bonds		34,006	–
Repayment of bank loans		(278,001)	(199,642)
Purchase of shares held under the Share Award Plan		(413)	–
Interest paid		(7,716)	(10,039)
Net cash flows used in financing activities		(140,591)	(21,878)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(52,247)	65,989
Cash and cash equivalents at beginning of the period		548,875	695,591
Effect of foreign exchange rate changes, net		254	(111)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		496,882	761,469
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	16	496,882	761,469

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

## 1. Corporate Information

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

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

In the opinion of the directors of the Company ("the Directors"), the 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").

## 2.1 Basis of Preparation and Changes in Accounting Policies

### Basis of preparation

These unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016 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 IAS 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. These unaudited interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these unaudited 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 2015, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") (which also include IASs and Interpretations) as disclosed in Changes in accounting policies below.

These unaudited interim condensed consolidated financial statements do not include all information and disclosures required in the Group's annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2015.

### Changes in accounting policies and disclosures

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

Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
IFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to IAS 1	<i>Disclosure Initiative</i>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to IAS 27	<i>Equity Method in Separate Financial Statements</i>
Annual Improvements 2012–2014 Cycle	<i>Amendments to a number of IFRSs</i>

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

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

## 2.2 Issued but not yet Effective IFRSs

The Group has not 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 9	<i>Financial Instruments</i> <sup>2</sup>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an investor and its Associate or Joint Venture</i> <sup>4</sup>
IFRS 15	<i>Revenue from Contracts with Customers</i> <sup>2</sup>
IFRS 16	<i>Leases</i> <sup>3</sup>
Amendments to IAS 7	<i>Disclosure Initiative</i> <sup>1</sup>
Amendments to IAS 12	<i>Recognition of Deferred tax assets for Unrealised Losses</i> <sup>1</sup>
Amendments to IFRS 2	<i>Share-based payment: Classification and Measurement</i> <sup>2</sup>
Amendments to IFRS 15	<i>Revenue from Contracts with Customers</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> Originally intended to be effective for annual periods beginning on or after 1 January 2016, which has been deferred/removed by the IASB in December 2015. No mandatory effective date is yet determined.

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 yet 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.

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## 3. Operating Segment Information

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

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

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

## 4. Revenue, Other Income and Gains

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

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

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>Revenue</b>		
Sale of goods	197,550	230,002
<b>Other income and gains</b>		
Foreign exchange gains	6,473	–
Bank interest income	4,819	6,032
Gains on sale of raw materials	30	35
Others	409	557
	<b>11,731</b>	<b>6,624</b>

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

## 5. Loss before Tax

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

	Notes	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Cost of inventories sold		<b>76,906</b>	64,663
Depreciation	10	<b>16,862</b>	12,761
Recognition of prepaid land lease payment	12	<b>160</b>	–
Amortisation of long term lease prepayment		<b>791</b>	743
Operating lease rental expense:			
Minimum lease payments		<b>11,762</b>	8,391
Contingent rents		<b>56,660</b>	66,752
		<b>68,422</b>	75,143
Employee benefit expense:			
Wages and salaries		<b>38,127</b>	47,167
Pension scheme contributions		<b>4,109</b>	4,992
Equity-settled share option expense	21	<b>1,235</b>	2,107
Equity-settled share award expense	22	<b>1,171</b>	3,368
		<b>44,642</b>	57,634
Write-down of inventories*		–	22,335
(Gain)/loss on disposal of items of property, plant and equipment		<b>(36)</b>	193*
Foreign exchange differences, net		<b>(6,473)</b>	5*

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

## 6. Finance Costs

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Interest on:		
Interest-bearing bank and other borrowings	<b>6,738</b>	9,786

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

## 7. Income Tax

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Current — Charge for the period		
Mainland China	1,174	10,262
Deferred	(3,626)	(14,281)
Tax credit for the period	(2,452)	(4,019)

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

No profits tax has been provided for profits derived from the Cayman Islands and the BVI in both the six months ended 30 June 2016 and 2015 since the applicable profits tax rate was zero.

The income tax provision of the Group in respect of its operations in Mainland China has been provided at the rate of 25% on the taxable profits for the six months ended 30 June 2016 and 2015, based on the existing legislation, interpretations and practices in respect thereof.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period.

No provision for Macau profits tax has been made as the Group had no assessable profits arising in Macau during the period.

## 8. Loss per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company, and the weighted average numbers of ordinary shares in issue of 945,615,307 (six months ended 30 June 2015: 941,950,371) during the six months ended 30 June 2016, which reflects the shares held for the share award plan of the Company (the "Share Award Plan") during the period.

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

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2016 in respect of a dilution as the impact of the outstanding share options had an anti-dilutive effect on the basic loss per share amounts presented.

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

## 8. Loss per Share Attributable to Ordinary Equity Holders of the Company (Continued)

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

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>Loss</b>		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	<b>38,666</b>	34,633

	Number of shares	
	2016	2015
<b>Shares</b>		
Weighted average number of ordinary shares in issue	<b>948,825,763</b>	948,825,763
Weighted average number of shares held for the Share Award Plan	<b>(3,210,456)</b>	(6,875,392)
Adjusted weighted average number of ordinary shares in issue used in the basic loss per share calculation	<b>945,615,307</b>	941,950,371
Effect of dilution — weighted average number of ordinary shares:		
Share options	<b>333,422</b>	4,301,064
Adjusted weighted average number of ordinary shares in issue used in the diluted loss per share calculation	<b>945,948,729</b>	946,251,435

## 9. Dividend

The board of directors (“the “Board”) did not recommend the payment of any dividend for the six months ended 30 June 2016 and 2015 to the equity holders of the Company.

## 10. Property, Plant and Equipment

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Opening balance	<b>398,385</b>	391,915
Additions	<b>9,107</b>	36,025
Disposals	<b>(7)</b>	(419)
Depreciation	<b>(16,862)</b>	(29,213)
Exchange realignment	<b>187</b>	77
Closing balance	<b>390,810</b>	398,385



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

## 11. Available-For-Sale Investment

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Unlisted equity investment, at cost: PRC	<b>36,800</b>	–

The Group's available-for-sale investment as at 30 June 2016 represented unlisted equity investment through which the Group subscribed 16% equity interests in an investment fund in the PRC. It was measured at cost because the investment did not have a quoted market price in an active market. In the opinion of the directors, the fair value of such investment cannot be measured reliably and the underlying fair value of the investment was not less than the carrying value of the investment as at 30 June 2016.

## 12. Prepaid Land Lease Payment

	<i>Note</i>	RMB'000
Carrying amount at 1 January 2016		–
Addition		47,689
Recognition		(160)
Carrying amount at 30 June 2016		47,529
Less: Current portion included in prepayments, deposits and other receivables	15	(962)
Non-current portion		46,567

## 13. Inventories

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Raw materials	<b>7,207</b>	9,072
Work in progress	<b>6,851</b>	3,604
Finished goods	<b>208,754</b>	251,007
	<b>222,812</b>	263,683

# Notes to the Interim Condensed Consolidated Financial Statements

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## 14. 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 ageing analysis of the trade receivables as at the end of the period, based on the invoice date, is as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 1 month	38,357	56,645
1 to 3 months	16,970	17,620
3 to 6 months	8,723	7,659
6 months to 1 year	8,873	2,192
Over 1 year	2,517	784
	<b>75,440</b>	84,900

## 15. Prepayments, Deposits and Other Receivables

	<i>Note</i>	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
<b>Non-current</b>			
Prepayment for a land parcel		–	46,300
Prepayment for an equity investment		–	4,800
		–	51,100
<b>Current</b>			
Deposits and other receivables		44,444	54,134
Prepayments		11,591	6,230
Current portion of prepaid land lease payment	12	962	–
		<b>56,997</b>	60,364
		<b>56,997</b>	111,464

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

# Notes to the Interim Condensed Consolidated Financial Statements

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## 16. Cash and Cash Equivalents, Time Deposits and Pledged Deposits

	<i>Note</i>	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Cash at banks and in hand		<b>496,882</b>	548,875
Time deposits with original maturity of over three months when acquired		<b>24,500</b>	145,572
		<b>521,382</b>	694,447
Less: Pledged time deposits for short term bank loans	19	<b>(24,500)</b>	(145,572)
Cash and cash equivalents		<b>496,882</b>	548,875

## 17. Trade Payables

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

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Within 1 month	<b>737</b>	2,566
1 to 3 months	<b>1,085</b>	7,355
3 to 6 months	<b>1,663</b>	5,833
6 months to 1 year	<b>2,236</b>	627
Over 1 year	<b>1,319</b>	1,195
	<b>7,040</b>	17,576

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.

## 18. Other Payables and Accruals

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Other payables	<b>32,742</b>	31,669
Advances from customers	<b>3,618</b>	5,107
Deferred income	<b>2,000</b>	2,000
Accruals	<b>644</b>	1,649
	<b>39,004</b>	40,425

Other payables are non-interest-bearing.

# Notes to the Interim Condensed Consolidated Financial Statements

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## 19. Interest-Bearing Bank and Other Borrowings

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
<b>Current</b>		
Bank loans — secured, on demand	–	98,328
Bank loans — secured, within one year	<b>82,500</b>	40,000
Bank loans — unsecured, on demand	<b>32,527</b>	36,661
Bank loans — unsecured, within one year	<b>69,700</b>	161,987
Other loan — unsecured, within one year	–	12,791
Corporate bonds (note)	<b>3,717</b>	–
	<b>188,444</b>	349,767
<b>Non-current</b>		
Corporate bonds (note)	<b>26,029</b>	–
Total	<b>214,473</b>	349,767

The interest-bearing bank and other borrowings as at 30 June 2016 were denominated in RMB, Hong Kong dollars and Euros, with maturity from one year to eight years or on demand and bore interest at a rate ranging from 2.00% to 12.85% per annum (31 December 2015: 1.89% to 6.30% per annum).

Certain of the Group's bank loans are secured by the pledge of certain of the Group's time deposits amounting to RMB24,500,000 (31 December 2015: RMB145,572,000) as set out in note 16 above.

Note:

During the period, the Company issued unlisted corporate bonds in Hong Kong with an aggregate principal amount of HK\$43,000,000 (equivalent to approximately RMB36,855,000) which will mature on the date immediately following 12 months to 96 months after the first issue date unless earlier redemption of the Group. The bonds bear coupon rate ranging from 4.00% to 6.75% per annum, payable semi-annually in arrears.

# Notes to the Interim Condensed Consolidated Financial Statements

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## 20. Share Capital Shares

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Authorised: 10,000,000,000 ordinary shares of HK\$0.001 each	<b>10,000</b>	10,000
Issued and fully paid: 948,825,763 (31 December 2015: 948,825,763) ordinary shares of HK\$0.001 each	<b>829</b>	829

## 21. Share Option Scheme

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

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

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

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

# Notes to the Interim Condensed Consolidated Financial Statements

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## 21. Share Option Scheme (Continued)

On 23 January 2015, the Company granted share options to certain key management personnel and employees under the New Share Option Scheme adopted on 6 January 2014. The principal terms of the grant of share options under the New Share Option Scheme are as follows:

- (a) the options shall entitle the grantees to subscribe for new shares upon the exercise of the options at an exercise price of HK\$0.78 per Share;
- (b) among the options granted, a total of 2,700,000 options were granted to the independent non-executive directors of the Company which vested on 30 April 2015, one of which entitled to 900,000 options has been retired on 7 June 2016;
- (c) the options granted to the executive directors and the employees shall vest on 30 April 2016, 2017 and 2018 subject to the fulfillment of the performance targets that a 15% increase in net profit for the financial years ended/ending 31 December 2015, 31 December 2016 and 31 December 2017, respectively, when compared to their immediate preceding financial year excluding all exceptional items in the consolidated statement of profit or loss. If the target net profit cannot be achieved in a particular financial year, only 50% of the options granted to the executive directors and the employees shall be vested, 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.

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 life of the options represents period from date of grant to expiry date of share options and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

## 21. Share Option Scheme (Continued)

The following share options were outstanding under the New Share Option Scheme during the six months ended 30 June 2016:

	Six months ended 30 June			
	2016		2015	
	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	<b>0.78</b>	<b>37,150</b>	0.78	52,900
Forfeited during the period	<b>0.78</b>	–	0.78	(3,500)
At 30 June	<b>0.78</b>	<b>37,150</b>	0.78	49,400

During the six months ended 30 June 2016, no share options were exercised or cancelled under the New Share Option Scheme.

The exercise prices and exercise periods of the share options outstanding under the New Share Option Scheme as at 30 June 2016 are as follows:

Number of options '000	Exercise price HK\$ per share	Exercise period
2,700	0.78	30 April 2015 to 30 April 2020
7,450	0.78	30 April 2016 to 30 April 2021
14,000	0.78	30 April 2017 to 30 April 2022
13,000	0.78	30 April 2018 to 30 April 2023
<b>37,150</b>		

The Group recognised a share option expense of RMB1,235,000 (note 5) related to the share options under the New Share Option Scheme for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB2,107,000).

At the date of approval of these interim condensed consolidated financial statements, the Company had 37,150,000 share options outstanding under the New Share Option Scheme, which represented approximately 3.9% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options under the New Share Option Scheme would, under the present capital structure of the Company, result in the issue of 37,150,000 additional ordinary shares of the Company and additional share capital of HK\$37,000 (equivalent to RMB32,000) and share premium of HK\$28,940,000 (equivalent to RMB24,804,000) (before the issue expenses).

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

## 22. Share Award Plan

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 directors 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 Share Award Plan committee (the “Committee”) may, at any time and at its absolute discretion, make an award to any Eligible Person (“Selected Person”) and determine the number of shares to be awarded to him (“Awarded Shares”) on such terms and subject to such vesting conditions, if any, as the Committee thinks fit.

The Committee (or any director so authorised by the Committee) may from time to time instruct the independent trustee (the “Trustee”) to purchase shares on the Stock Exchange at such prices as the Committee (or any director so authorised by the Committee) considers appropriate, and such shares shall be held by the Trustee for the purposes of satisfying any future award(s) to be made by the Committee.

In any given financial year, the maximum number of shares to be purchased by the Trustee 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.

The Board resolved to pay HK\$10,000,000 and HK\$502,000 to the Trustee of the Share Award Plan in October 2013 and May 2016 respectively, so that the Trustee would then purchase and grant relevant shares to certain grantees under the Share Award Plan.

During the six months ended 30 June 2016, 650,000 ordinary shares of the Company on the Stock Exchange were purchased for the Share Award Plan at a consideration of HK\$494,000 (period ended 30 June 2015: Nil).

On 23 January 2015, the 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.

Summary of particulars of the shares granted under the Share Award Plan during the period is as follows:

Date of grant	Number of outstanding Awarded Shares at 31 December 2015	Fair value (RMB)	Vesting date	Number of Awarded Shares	
				Vested during the period	Outstanding Awarded Shares as at 30 June 2016
23 January 2015	3,620,000	2,234,000	30 April 2016	3,620,000	–

The Group recognised a share award expense of RMB1,171,000 (note 5) during the six months ended 30 June 2016.



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

## 23. 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 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Within one year	<b>20,298</b>	18,467
In the second to fifth years, inclusive	<b>22,336</b>	19,835
	<b>42,634</b>	38,302

## 24. Commitments

In addition to the operating lease commitments detailed in note 23 above, the Group had capital commitments as follows:

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Contracted, but not provided for:		
Capital contributions payable to available-for-sale investment	<b>59,200</b>	–
Equity investment	<b>9,200</b>	11,200
Leasehold improvements	<b>475</b>	81
	<b>68,875</b>	11,281

## 25. Related Party Transactions

Compensation of key management personnel of the Group:

	<b>Six months ended 30 June</b>	
	<b>2016 RMB'000 (Unaudited)</b>	2015 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	<b>5,196</b>	6,760
Pension scheme contributions	<b>125</b>	114
Equity-settled share option expense	<b>918</b>	1,036
Equity-settled share award expense	<b>210</b>	564
Total compensation paid to key management personnel	<b>6,449</b>	8,474

## 26. Fair Value of Financial Instruments

Except as disclosed elsewhere in the interim condensed consolidated financial statements, the carrying amounts of other financial assets and liabilities are approximate to their fair value.

## 27. Approval of the Interim Condensed Consolidated Financial Statements

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 30 August 2016.