



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

2014
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. Kwok Chi Sun, Vincent

Mr. Cheng King Hoi, Andrew

Company Secretary

Ms. Chan Sau Ling ACIS, ACS(PE)

Authorized Representatives

Mr. Chan Yuk Ming

Ms. Chan Sau Ling

Audit Committee

Mr. Kwok Chi Sun, Vincent (*Chairman*)

Mr. Fong Wo, Felix

Mr. Cheng King Hoi, Andrew

Remuneration Committee

Mr. Cheng King Hoi, Andrew (*Chairman*)

Mr. Fong Wo, Felix

Mr. Kwok Chi Sun, Vincent

Nomination Committee

Mr. Fong Wo, Felix (*Chairman*)

Mr. Kwok Chi Sun, Vincent

Mr. Cheng King Hoi, Andrew

Share Award Plan Committee

Mr. Chan Yuk Ming (*Chairman*)

Mr. Chen Yunan

Mr. Cheng King Hoi, Andrew

Registered Office

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P.O. Box 1350

Grand Cayman

KY1-1108

Cayman Islands

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Kowloon, Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

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Hong Kong Share Registrar

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Principal Bankers

Agricultural Bank of China

Bank of China (Hong Kong)

Bank of Communications

Chong Hing Bank Limited

Shanghai Commercial Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

Auditors

Ernst & Young, Certified Public Accountants

Legal Advisor

Minter Ellison

Investor Relations

iPR Ogilvy Ltd.

Stock Code

00238.HK

Company's Website

www.evergreen-intl.com

Financial Highlights

For the six months ended 30 June

	2014 RMB'million	2013 RMB'million	Change %
Revenue	297.9	372.7	-20.0%
Gross profit	203.6	251.5	-19.0%
Operating profit	34.4	78.2	-56.0%
Profit attributable to ordinary equity holders	23.8	61.2	-61.1%
Basic and diluted earnings per share (RMB cents) (Note 1)	2.5	6.5	-61.5%
Gross profit margin	68.3%	67.5%	
Operating profit margin	11.6%	21.0%	
Net profit margin	8.0%	16.4%	
Effective tax rate	35.1%	28.0%	

	As at 30 June 2014	As at 31 December 2013	As at 30 June 2013
Inventory turnover days (Note 2)	618	497	454
Trade receivables turnover days (Note 3)	83	81	75
Trade and bills payables turnover days (Note 4)	97	76	102

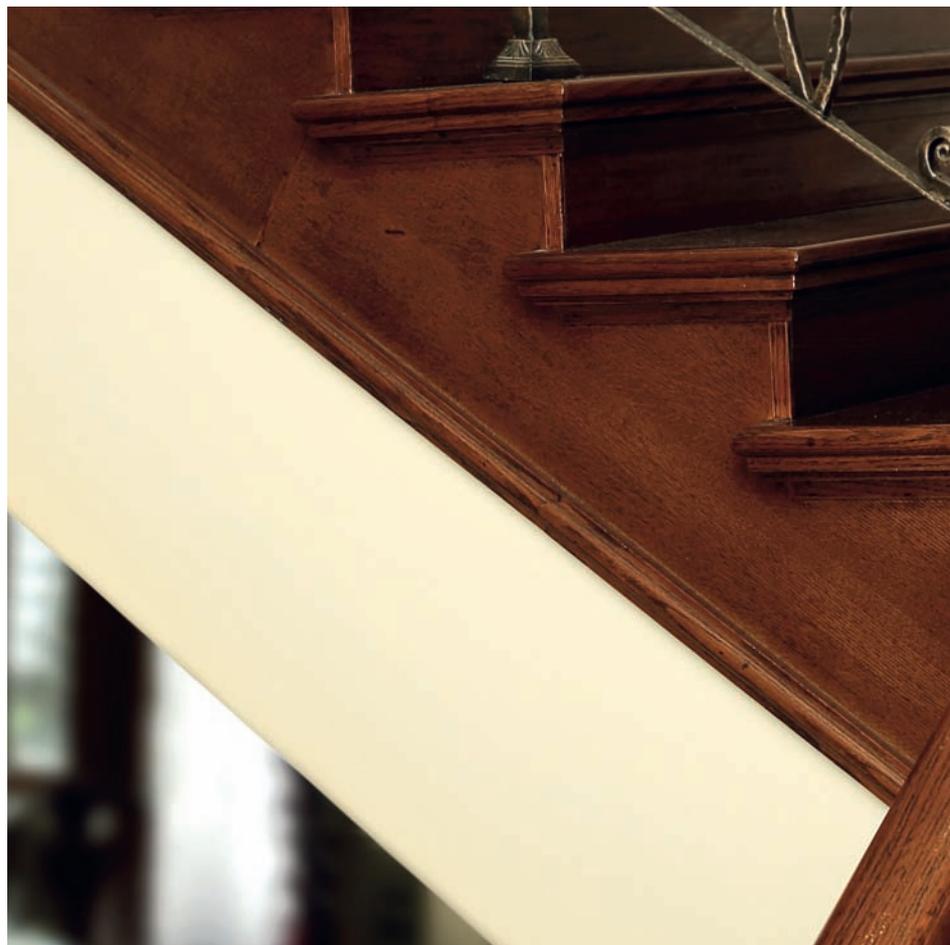
Notes:

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



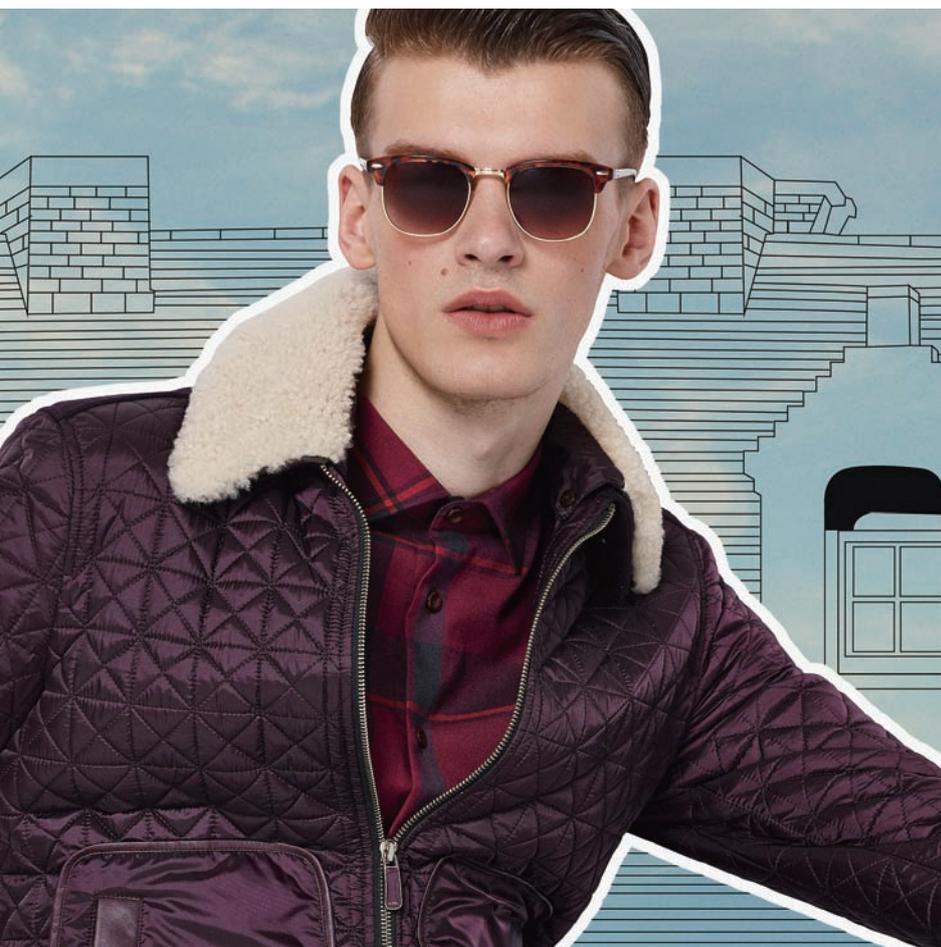


V.E. DELURE





Testantin  *Collection*





Management Discussion and Analysis

Market Review

In the first half of 2014, the economy in the People's Republic of China (the "PRC", "Mainland China" or "China") started to stabilise. The government of the PRC also continued to execute various measures to restructure and reform the economy in Mainland China. According to the National Bureau of Statistics of China, the gross domestic product ("GDP") of China for the first half of 2014 recorded an year-on-year increase of 7.4%. Notwithstanding, the retail market remained weak and sluggish during the period.

In the first half of 2014, the total retail sales of consumer goods in China amounted to RMB12,419.9 billion, representing an increase of 12.1% compared to the same period of last year. The total retail sales of consumer goods realised in urban area and rural area amounted to RMB10,725.3 billion and RMB1,694.6 billion, respectively, representing an increase of 12.0% and 13.2%, respectively, compared to the same period of last year. However, the growth rates were 0.5 percentage points and 1.1 percentage points lower than that in the first half of 2013, respectively. In particular, the total sales of garments, footwear, hats and knitwear in the first half of 2014 amounted to RMB588.6 billion, representing an increase of 10.0% compared to the same period of last year. However, the growth rate was 1.9 percentage points lower than that of 11.9% in the first half of 2013.

The operating environment of the retail sector, in particular in menswear industry, remained challenging. Market sentiment of consumers remained weak and provision of significant discounts in retail level are not uncommon in the market. Under the current weak market environment, Evergreen International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") continued to adjust its business strategy in response to the market situation. The Group continued to invest resources in refining marketing strategy for brand building, reinforcing customer loyalty by organising marketing events, organised various training to its distributors and strived to improve operation efficiency and business infrastructure, in order to maintain a healthy financial position for sustainable development of the Group on a long-term basis.

Financial Review

During the six months ended 30 June 2014, the Group recorded an aggregate turnover of approximately RMB297,946,000 (2013: RMB372,652,000), representing a decrease of approximately 20.0% compared to the same period of last year. Gross profit for the period decreased from RMB251,465,000 for the six months ended 30 June 2013 to RMB203,613,000, representing a decrease of about 19.0%, and gross profit margin slightly improved from 67.5% for the six months ended 30 June 2013 to 68.3%. Profit attributable to ordinary equity holders of the Company for the period decreased by about 61.1% to approximately RMB23,803,000 (2013: RMB61,201,000) and net profit margin for the period decreased by 8.4 percentage points from 16.4% for the six months ended 30 June 2013 to 8.0%. The decrease in profit attributable to ordinary equity holders of the Company and net profit margin was mainly as a result of the decrease in revenue, increase in other expenses and increase in finance costs.

Management Discussion and Analysis (Continued)

Turnover

	2014		Six months ended 30 June 2013		Change %
	RMB'000	% of turnover	RMB'000	% of turnover	
V.E. DELURE					
Self-operated stores	158,936	53.3%	188,698	50.6%	-15.8%
Distributors	83,524	28.0%	104,958	28.2%	-20.4%
Corporate sales	3,064	1.1%	2,737	0.7%	+12.0%
	245,524	82.4%	296,393	79.5%	-17.2%
TESTANTIN					
Self-operated stores	33,875	11.4%	46,171	12.4%	-26.6%
Distributors	10,191	3.4%	17,837	4.8%	-42.9%
	44,066	14.8%	64,008	17.2%	-31.2%
Licensed brands	8,356	2.8%	12,251	3.3%	-31.8%
	297,946		372,652		-20.0%

The total turnover of the Group for the six months ended 30 June 2014 decreased by 20.0% to approximately RMB297,946,000 (2013: RMB372,652,000). The decrease in turnover was mainly due to the decrease in sales of V.E. DELURE, TESTANTIN and the licensed brands as a result of the overall weak and sluggish retail market.

Turnover of the Group for the six months ended 30 June 2014 comprised sales from self-operated stores of about RMB192,811,000 (2013: RMB234,869,000), sales to distributors of RMB93,715,000 (2013: RMB122,795,000), corporate sales of RMB3,064,000 (2013: RMB2,737,000) and

sales from the licensed brands business of RMB8,356,000 (2013: RMB12,251,000).

The aggregate sales from self-operated stores for the six months ended 30 June 2014 decreased by 17.9% as compared to the same period of last year, and accounted for about 64.7% (2013: 63.0%) of the total turnover under the current challenging retail environment. The aggregate sales to distributors for the six months ended 30 June 2014 also decreased by 23.7% as compared to the same period of last year and accounted for about 31.5% (2013: 33.0%) of the total turnover.

Management Discussion and Analysis (Continued)

Turnover by Region

	2014		Six months ended 30 June 2013		Change
	RMB'000	% of turnover	RMB'000	% of turnover	
	V.E. DELURE				
Central China	22,684	9.2%	21,247	7.2%	+6.8%
North Eastern China	20,548	8.4%	31,126	10.5%	-34.0%
Eastern China	31,426	12.8%	41,175	13.9%	-23.7%
North Western China	28,363	11.6%	31,252	10.5%	-9.2%
Northern China	51,908	21.1%	64,998	21.9%	-20.1%
South Western China	34,423	14.0%	33,503	11.3%	+2.7%
Southern China	47,056	19.2%	64,607	21.8%	-27.2%
Hong Kong, Macau	9,116	3.7%	8,485	2.9%	+7.4%
Total	245,524		296,393		-17.2%

	2014		Six months ended 30 June 2013		Change
	RMB'000	% of turnover	RMB'000	% of turnover	
	TESTANTIN				
Central China	2,085	4.7%	2,254	3.5%	-7.5%
North Eastern China	3,932	8.9%	8,056	12.6%	-51.2%
Eastern China	3,617	8.2%	6,731	10.5%	-46.3%
North Western China	5,068	11.5%	9,372	14.6%	-45.9%
Northern China	2,122	4.8%	4,864	7.6%	-56.4%
South Western China	8,291	18.8%	7,814	12.2%	+6.1%
Southern China	11,830	26.9%	15,898	24.9%	-25.6%
Hong Kong, Macau	7,121	16.2%	9,019	14.1%	-21.0%
Total	44,066		64,008		-31.2%

The sales from *V.E. DELURE* in the Eastern, Northern and Southern China for the six months ended 30 June 2014 accounted for 53.1% (2013: 57.6%) of the total brand revenue, which was mainly attributable to the location of *V.E. DELURE* retail stores in major cities such as Shanghai, Beijing and Guangzhou, where the Group targeted *V.E. DELURE* customers, who are relatively more affluent with strong purchasing power.

The sales from *TESTANTIN* in the North Eastern, South Western, Southern and North Western China for the six months ended 30 June 2014 accounted for 66.1% (2013: 64.3%) of the total brand revenue, as most of the *TESTANTIN* retail stores are situated in the second-tier and third-tier cities of these regions.

Management Discussion and Analysis (Continued)

Turnover by Product (self-operated stores only)

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
V.E. DELURE		
Apparel ⁽¹⁾	151,048	177,059
Accessories ⁽²⁾	7,888	11,639
	158,936	188,698
TESTANTIN		
Apparel ⁽¹⁾	32,415	42,961
Accessories ⁽²⁾	1,460	3,210
	33,875	46,171

	Six months ended 30 June	
	2014 Unit sold (pcs)	2013 Unit sold (pcs)
Sales Volume		
V.E. DELURE		
Apparel ⁽¹⁾	73,553	85,121
Accessories ⁽²⁾	13,528	19,941
TESTANTIN		
Apparel ⁽¹⁾	25,152	35,060
Accessories ⁽²⁾	5,519	11,628

	Six months ended 30 June	
	2014 RMB	2013 RMB
Average Selling Price		
V.E. DELURE		
Apparel ⁽¹⁾	2,054	2,080
Accessories ⁽²⁾	583	584
TESTANTIN		
Apparel ⁽¹⁾	1,289	1,225
Accessories ⁽²⁾	265	276

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.

Management Discussion and Analysis (Continued)

Cost of Sales

The cost of sales of the Group decreased by 22.2% during the period to approximately RMB94,333,000 (2013: RMB121,187,000). During the period, the Group continued to outsource the production process of most of the apparel and accessories products. The Group also purchased products under the licensed brand business, CARTIER. The Group performed sampling, packaging and post-finish processing of the apparel products produced by outsourced manufacturers, and manufactured a small portion of the apparel products in its own plant.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by RMB47,852,000 or 19.0%, from RMB251,465,000 to RMB203,613,000 for the six months ended 30 June 2014.

During the period, the major raw material costs continued to soar and the increase in wages also intensified the production cost pressure. By leveraging on the advantages and influences of the brands of the Group and strengthening cost control, the Group managed to slightly improve the gross profit margin of 0.8 percentage points from 67.5% to 68.3% for the six months ended 30 June 2014.

Other Income and Gains

During the period, other income and gains mainly consisted of bank interest income of RMB9,387,000 (2013: RMB8,016,000).

Selling and Distribution Expenses

For the six months ended 30 June 2014, selling and distribution expenses primarily represented rental and concessionaire commission to shopping malls and department stores of approximately RMB62,682,000 (2013: RMB77,542,000), advertising and promotion expenses of approximately RMB9,496,000 (2013: RMB13,371,000), and staff costs of approximately RMB37,705,000 (2013: RMB34,562,000). During the period, the total selling and distribution expenses represented about 45.1% (2013: 40.7%) of the total turnover, representing an increase of 4.4 percentage points, which was mainly due to the increase in staff costs.

Administrative Expenses

For the six months ended 30 June 2014, administrative expenses increased from RMB23,296,000 to RMB26,526,000, representing an increase of RMB3,230,000 or 13.9% as compared to the same period of last year. During the period, administrative expenses accounted for 8.9% (2013: 6.3%) of turnover, representing an increase of 2.6 percentage points, which was mainly due to the increase in staff costs.

Finance Costs

Finance costs for the six months ended 30 June 2014 mainly represented interest expenses on interest-bearing bank borrowings.

Effective Tax Rate

During the period, the effective tax rate of the Group amounted to 35.1% (2013: 28.0%) mainly because of tax losses incurred in operations in Hong Kong.

Profit Attributable to Ordinary Equity Holders of the Company

Profit attributable to ordinary equity holders of the Company decreased by about 61.1% from approximately RMB61,201,000 for the six months ended 30 June 2013 to RMB23,803,000 for the six months ended 30 June 2014. Basic earnings per share decreased from RMB6.5 cents for the six months ended 30 June 2013 to RMB2.5 cents for the six months ended 30 June 2014 and net profit margin decreased from 16.4% for the six months ended 30 June 2013 to 8.0% for the six months ended 30 June 2014. Decrease in profit attributable to ordinary equity holders of the Company and net profit margin was mainly because of the decrease in revenue, increase in other expenses and increase in finance costs.

Business Review

Proprietary Brands

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

The Group's two proprietary brands, *V.E. DELURE* and *TESTANTIN*, recorded negative same store sales growth for the self-operated stores business of 5% and 8%, respectively, for the first half of 2014.

Management Discussion and Analysis (Continued)

Retail and Distribution Network

Number of stores of proprietary brands by region

	As at 30 June 2014	As at 31 December 2013
Central China	36	36
North Eastern China	38	39
Eastern China	57	62
North Western China	46	48
Northern China	64	68
South Western China	70	77
Southern China	79	86
Hong Kong, Macau	4	4
	394	420

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

In view of the sustained weak consumer sentiment and challenging retail environment, the Group prudently adjusted the store opening plan according to the prevailing market circumstances and consolidated stores with low efficiency.

As at 30 June 2014, the Group had a total of 394 stores in 32 provinces and autonomous regions, covering 182 cities in China. There were 140 self-operated stores of *V.E. DELURE* in 53 cities in China whilst there were 51 self-operated stores of *TESTANTIN* in 25 cities in China.

In addition, the total number of distributors of the Group amounted to 97, which operated 167 franchised stores of *V.E. DELURE* in 121 cities and 36 franchised stores of *TESTANTIN*, in 35 cities, respectively.

Management Discussion and Analysis (Continued)

Number of stores of proprietary brands by city tier

	As at 30 June 2014	As at 31 December 2013	Changes
V.E. DELURE			
Self-operated stores			
First-tier	24	26	-2
Second-tier	76	74	+2
Third-tier	36	47	-11
Fourth-tier	4	4	-
	140	151	-11
Franchised stores			
First-tier	-	-	-
Second-tier	20	21	-1
Third-tier	103	105	-2
Fourth-tier	44	44	-
	167	170	-3
	307	321	-14
TESTANTIN			
Self-operated stores			
First-tier	10	10	-
Second-tier	28	30	-2
Third-tier	13	14	-1
Fourth-tier	-	-	-
	51	54	-3
Franchised stores			
First-tier	-	-	-
Second-tier	1	1	-
Third-tier	19	25	-6
Fourth-tier	16	19	-3
	36	45	-9
	87	99	-12
TOTAL	394	420	-26

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 (Continued)

In the first half of 2014, the number of *V.E. DELURE* self-operated stores decreased from 151 to 140 as a result of the consolidation of inefficient stores. Franchised stores operated by the distributors of the Group decreased from 170 to 167. As at 30 June 2014, the total area of retail outlets of self-operated stores of *V.E. DELURE* was approximately 23,119 square meters (31 December 2013: 24,605 square meters), representing a decrease of 6.0% as compared to the total area of retail outlets of self-operated stores as at 31 December 2013.

In the first half of 2014, the number of *TESTANTIN* self-operated stores decreased from 54 to 51 whilst the number of franchised stores decreased from 45 to 36. As at 30 June 2014, the total area of retail outlets of self-operated stores of *TESTANTIN* was approximately 5,795 square meters (31 December 2013: 6,364 square meters), representing a decrease of 8.9% as compared to the total area of retail outlets of self-operated stores as at 31 December 2013.

Sales Fair

V.E. DELURE and *TESTANTIN* 2014 Fall and Winter collections sales fair was held in March 2014. The total order amount from franchised stores operated by the distributors of the Group decreased by 25% as compared to that of last year. Delivery of the orders commenced in August 2014.

V.E. DELURE and *TESTANTIN* 2015 Spring and Summer collections sales fair was held in July 2014. 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 2015.

Inventory Management

The Group has an effective inventory management system. In particular, the Group has adopted a flat distributor model comprising only one layer of distribution network, without any sub-distributor, which enables the Group to closely monitor the business performance and inventory of each franchised store and distributor. Moreover, orders made by the distributors are distributed proportionally into the first batch of order placed at the sales fair and the supplemental order placed following the commencement of the season. During the period, the inventory turnover days of the Group increased from 497 days to 618 days, which was mainly due to the decrease in turnover generated by self-operated stores.

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. Different types of marketing and promotion activities of the Group not only strengthen the brand recognition and value, but also publicise its brand theme.

In the first half of 2014, the total expenditure of the Group in marketing and promotion activities amounted to approximately RMB9,496,000 (2013: RMB13,371,000), which accounts for approximately 3.2% (2013: 3.6%) of the total turnover of the Group. The Group will strive to maintain the ratio not exceeding 5% whilst promoting the brands in an effective approach.

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

The Group 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 carry out store image upgrade work, enhance the display area to further promote its high-end brand image in order to attract customers more effectively.

Moreover, the Group is the exclusive sponsor of the formal attire of the PRC national table tennis team and badminton team, both of which last till 2015. The Group will continue to collaborate with China national teams to organise various charity activities. Such charity activities not only can strengthen the brand equity of the Group but also can promote the corporate image of the Group as a social responsible enterprise.

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.

Management Discussion and Analysis (Continued)

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

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

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 618 days for the six months ended 30 June 2014, representing an increase of 121 days as compared to 497 days for the year ended 31 December 2013.

The increase in inventory turnover days was mainly due to the decrease in turnover generated by the self-operated stores.

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 83 days for the six months ended 30 June 2014 which was comparable to 81 days for the year ended 31 December 2013.

Trade and bills payables represented payables to suppliers and outsourced manufacturers. Trade and bills payables turnover days increased from 76 days for the year ended 31 December 2013 to 97 days for the six months ended 30 June 2014.

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 2014, the unused proceeds were deposited in licensed banks in Hong Kong and Mainland China.

Use of fund raised

	Percentage to total amount	Net proceeds RMB'million	Utilised amount (as at 30 June 2014) RMB'million	Unutilised amount (as at 30 June 2014) RMB'million
Expansion and improvement of retail network	45%	457.8	456.2	1.6
Developing independent lines of branded apparels and accessories under <i>V.E. DELURE</i> brand	10%	101.7	99.1	2.6
Acquisitions or licensing of additional brands	20%	203.5	–	203.5
Marketing and promotion activities	7%	71.2	65.9	5.3
Upgrade of ERP system and database management system	5%	50.9	3.7	47.2
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	3.0	47.9
General working capital	8%	81.4	72.5	8.9
	100%	1,017.4	700.4	317.0

Management Discussion and Analysis (Continued)

Liquidity and Financial Resources

As at 30 June 2014, the Group had cash and cash equivalents of RMB569,847,000 (31 December 2013: RMB619,747,000). In addition, the Group had pledged deposits of RMB209,460,000 (31 December 2013: RMB207,718,000). As at 30 June 2014, the Group had interest-bearing bank borrowings of an aggregate amount of RMB369,408,000 (31 December 2013: RMB365,560,000), which were denominated in RMB and Hong Kong dollars, repayable within one year or on demand and interest-bearing from 2.6% to 6.3% per annum. The gearing ratio, calculated as total bank borrowings divided by equity attributable to the shareholders of the Company, amounted to 26.9% (31 December 2013: 26.7%).

Contingent Liabilities

As at 30 June 2014, the Group had no material contingent liabilities.

Pledge of Assets

As at 30 June 2014, pledged deposits of RMB209,460,000 (31 December 2013: RMB207,718,000) were pledged as securities for the bank borrowings and bank acceptance bills (31 December 2013: bank borrowings and bank acceptance bills) of the Group.

Significant Investment Held and Major Acquisition

On 16 December 2013, the Group entered into a corporate investor agreement (the "Corporate Investor Agreement") with Fujian Nuoqi Co., Ltd. ("Nuoqi") in relation to the subscription by the Group as a cornerstone investor of Nuoqi under its international offering. Pursuant to the Corporate Investor Agreement, the Group subscribed for a total of 29,400,000 ordinary shares of Nuoqi at a total consideration of approximately HK\$63,253,000. The shares of Nuoqi were listed on the Main Board of the Stock Exchange on 9 January 2014.

Subsequent Events

From 21 July 2014 to 23 July 2014, the share price of Nuoqi decreased significantly and the trading of its shares on the Stock Exchange has been suspended since 23 July 2014. According to Nuoqi's announcement on 31 July 2014, RMB50,000,000 and HK\$19,550,000 were transferred from a bank account of a wholly-owned subsidiary of Nuoqi (the "Nuoqi Wholly-owned Subsidiary") to an account of a company which is not a company of the Nuoqi group and an aggregate amount of RMB162,500,000 was transferred from a bank account of the Nuoqi Wholly-owned Subsidiary with Bank of Communications, Hong Kong branch, to a bank account of the Nuoqi Wholly-owned Subsidiary with Xiamen International Bank. The board of Nuoqi was in the process of ascertaining the status of the bank balance with Xiamen International Bank. According to Nuoqi's announcement on 19 August 2014, Nuoqi was informed by and had received demand letters from financial institutions and understood from the financial institutions that they had accelerated repayment of certain loans and had applied the deposits that the Nuoqi group maintained with these financial institutions as security for the repayment of such loans. Up to the date of this report, the trading of Nuoqi's shares has still been suspended and the closing price before the suspension was HK\$1.00 per ordinary share. The maximum exposure of loss of the Company from the investment in Nuoqi will be the carrying amount of the available-for-sale investments.

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. The Group purchases some raw materials and outsourced products in Euros and U.S. dollars. Depreciation of Renminbi against these foreign currencies would increase the cost of sales of the Group, resulting in an impact on the results of operations of the Group.

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

Management Discussion and Analysis (Continued)

Employee's Benefits

The Group offered its staff competitive remuneration schemes and training and development opportunities. The Group also provided in-house sales and services coaching in order to develop human capital. In addition, discretionary bonuses and share options will be granted to eligible staff based on individual and the Group's performance as a means of rewarding and retaining high-calibre staff. Since the adoption of the share option scheme on 8 October 2010 (which was terminated on 6 January 2014) and the adoption of the new share option scheme on 6 January 2014 and up to 30 June 2014, no option has been granted by the Company.

As at 30 June 2014, the total number of full-time employees of the Group was 1,264. The total staff costs for the six months ended 30 June 2014 amounted to approximately RMB51,260,000 (2013: RMB47,938,000).

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.

The Group has also adopted the share award plan (the "Share Award Plan") in which any executive or employee of any member of the Group from time to time, but excluding a director of any member of the Group and any other connected person of the Company (the "Eligible Person") will be entitled to participate. The purpose of the Share Award Plan is to recognise and reward contributions made by, and to encourage and incentivize sustained contribution of, the Eligible Person 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 27 August 2013 (the "Effective Date").

Since the adoption of the Share Award Plan and up to 30 June 2014, no awards have been granted pursuant to the Share Award Plan.

Prospects

Given the continuing restructure and reform of economy in China, the outlook of retail sector in the second half of 2014 still remains uncertain and tough.

The low consumer sentiment is expected to sustain, which continues to affect the retail sector and create challenges to retail operators in Mainland China. However, as the Chinese government continued to stimulate domestic consumption to support economic growth, the domestic consumption will remain as the core contributor to GDP growth and it is expected that the retail industry will achieve healthy and sustainable growth in the long run.

In addition, as supported by the continuous increase in domestic household income and the pursuit for high quality products by consumers, it is expected that Mainland China will become the largest luxury and high-end retail market in the world in the future. The Group will continue to execute prudent and responsive business strategy to maintain its advantageous position in the high-end menswear market in Mainland China.

Despite the challenging business environment, the Group will enhance its retail network prudently to prepare for the long-term development. The Group plans to open approximately 10 new retail stores in the second half of 2014, of which approximately 5 are self-operated stores with the remaining 5 being franchised stores. On the other hand, the Group will continue to consolidate inefficient stores in order to improve the operation efficiency. In the long run, the Group is confident in steady and healthy development of menswear market in China, especially the mid-end to high-end segments.

On the other hand, in order to achieve healthy and sustainable growth for the Group in the long run, the Group has been looking for new business opportunities in the apparel and related accessory product industries. During the period, the Group has been discussing with a number of high-end international fashion brands regarding their licensing of rights for the retail and wholesale trading and distribution of their children's wear and accessories in Hong Kong, Macau and Mainland China to the Group. This new business segment will be launched in Hong Kong as a trial in the third quarter of 2014.

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 portfolio and brand portfolio in the apparel and accessory product industries and will create synergy with the existing menswear business of the Group and is therefore beneficial to the Group and its shareholders as a whole in the long run.

Other Information

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

As at 30 June 2014, the interests or short positions of the directors of the Company (the "Directors"), the chief executives of the Company (the "Chief Executives") and their associates in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of Director	Long/Short position	Type of interest	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Company
Chan Yuk Ming (<i>Note</i>)	Long position	Founder of a discretionary trust	483,934,814	51.00%
Chen Yunan (<i>Note</i>)	Long position	Beneficiary of a trust	483,934,814	51.00%
Chen Minwen (<i>Note</i>)	Long position	Beneficiary of a trust	483,934,814	51.00%

Note: 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.

Save as disclosed above, as at 30 June 2014, none of the Directors, the Chief Executives nor their associates had registered an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its Associated Corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

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

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

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option scheme of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at 4 November 2010, the date on which the Shares were listed on the main board of the Stock Exchange (i.e. 94,669,576 Shares representing approximately 9.98% of the issued share capital of the Company as at the date of this report), unless the Company obtains an approval from its shareholders and must not exceed 30% of the total number of Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period shall not exceeds 1% of the total number of Shares in issue, unless an approval of the Company's shareholders is obtained. The amount payable by the grantee on application or acceptance of an option shall be HK\$1.00. The period within which the Shares must be taken up under an option shall be determined by the Board at its absolute discretion and in any event, such period shall not be longer than 10 years from the date upon which any particular option is granted in accordance with the Share Option Scheme.

Other Information (Continued)

The subscription price in respect of each Share issued pursuant to the exercise of an option granted under the Share Option Scheme shall be solely determined by the Board and shall not be less than the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share. The Share Option Scheme does not contain any provision of minimum period for which an option must be held before it can be exercised unless otherwise determined by the Board and specified in the offer letter at the time of offer.

Since the adoption of the Share Option Scheme on 8 October 2010, no options have been granted pursuant to the Share Option Scheme.

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

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

The total number of the Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any schemes of the Group shall not in aggregate exceed 10% of the total number of Shares in issue as at the New Adoption Date (i.e. 94,882,576 Shares representing approximately 10.00% of the issued share capital of the Company as at the date of this report), unless the Company obtains an approval from its shareholders and must not exceed 30% of the total number of Shares in issue from time to time.

The total number of Shares issued and to be issued upon the exercise of options granted to each grantee (including both exercised and outstanding options) 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. 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. 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.

The subscription price of a Share payable on the exercise of any particular option shall be such price as 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. 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.

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

Details of the said termination of Share Option Scheme and adoption of New Share Option Scheme were also set out in the Company's circular dated 17 December 2013.

Other Information (Continued)

Share Award Plan

On 27 August 2013, the Board adopted the Share Award Plan in which the Eligible Person will be entitled to participate. The purpose of the Share Award Plan is to recognise and reward contributions made by, and to encourage and incentivize sustained contribution of, the Eligible Person 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 discretion, make an award to any Eligible Person ("Selected Person") and determine the number of Shares to be awarded to him on such terms and subject to such vesting conditions, if any, as the Committee thinks fit.

The Committee (or any Director so authorised by the 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 Committee (or any Director so authorised by the 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 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.

During the six months ended 30 June 2014, based on the Company's instructions, the Trustee of the Share Award Plan has purchased a total of 5,040,000 Shares on the Stock Exchange at a total consideration of approximately HK\$6,225,000, including transaction costs. At the date of approval of these financial statements, 7,476,000 Shares were held by the Trustee and have yet to be awarded.

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

At 30 June 2014, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Long/Short position	Type of interest	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Company
Chan Yuk Ming (Note 1)	Long position	Founder of a discretionary trust	483,934,814	51.00%
Chen Yunan (Note 1)	Long position	Beneficiary of a trust	483,934,814	51.00%
Chen Minwen (Note 1)	Long position	Beneficiary of a trust	483,934,814	51.00%
Evisu (Note 1)	Long position	Trustee of a trust	483,934,814	51.00%
Pacific Success (Note 1)	Long position	Beneficial owner	483,934,814	51.00%
New Horizon Capital III, L.P. ("New Horizon")	Long position	Interest in a controlled corporation (Note 2)	134,999,677	14.23%
Admiralfly Holdings Limited ("Admiralfly") (Note 2)	Long position	Beneficial owner	134,999,677	14.23%

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.
- The entire issued share capital of Admiralfly was owned by New Horizon. New Horizon was deemed to be interested in 134,999,677 Shares which were beneficially owned by Admiralfly.

Save as disclosed above, the Company had not been notified of any other notifiable interests or short positions in the Shares or underlying Shares as at 30 June 2014.

Other Information (Continued)

Interim Dividend

No interim dividend was proposed by the Board for the six months ended 30 June 2014.

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 2014, 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 5,040,000 Shares on the Stock Exchange at a total consideration of approximately HK\$6,225,000, including transaction costs.

Corporate Governance

In the opinion of the Directors, during the six months ended 30 June 2014, the Company has complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report 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 period.

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 period.

Change of Director's/Chief Executive's Information

Mr. Kwok Chi Sun, Vincent, an independent non-executive Director, ceased to be an independent non-executive director of Sky Forever Supply Chain Management Group Limited (formerly known as Rising Power Group Holdings Limited) (stock code: 8047) with effect from 22 July 2014.

Review of Interim Report

The Company has an audit committee (the "Audit Committee") which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members, namely Mr. Kwok Chi Sun, Vincent (Chairman), Mr. Fong Wo, Felix and Mr. Cheng King Hoi, Andrew, all are independent non-executive Directors. The interim report of the Group for the six months ended 30 June 2014 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
28 August 2014

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 24 to 40, which comprise the interim condensed consolidated statement of financial position as at 30 June 2014, and the 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 are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

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

28 August 2014

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
REVENUE	4	297,946	372,652
Cost of sales	5	(94,333)	(121,187)
Gross profit		203,613	251,465
Other income and gains	4	9,631	9,164
Selling and distribution expenses		(134,429)	(151,561)
Administrative expenses		(26,526)	(23,296)
Other expenses, net		(8,222)	1,567
Finance costs	6	(7,385)	(2,303)
PROFIT BEFORE TAX	5	36,682	85,036
Income tax expense	7	(12,879)	(23,835)
PROFIT FOR THE PERIOD		23,803	61,201
Attributable to:			
Ordinary equity holders of the Company		23,803	61,201
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	8	RMB2.5 cents	RMB6.5 cents

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	23,803	61,201
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:		
Available-for-sale investments:		
Changes in fair value	436	–
Exchange differences on translation of operations outside Mainland China	(4,912)	1,644
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(4,476)	1,644
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	19,327	62,845
Attributable to:		
Ordinary equity holders of the Company	19,327	62,845

Interim Condensed Consolidated Statement of Financial Position

30 June 2014

	<i>Notes</i>	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	360,884	364,113
Prepayments for non-current assets	14	68,000	68,000
Available-for-sale investments	11	51,071	–
Goodwill		1,880	1,880
Other intangible asset		3,682	3,592
Deferred tax assets		8,679	7,096
Pledged deposits	15	100,000	–
Total non-current assets		594,196	444,681
CURRENT ASSETS			
Inventories	12	304,820	339,597
Trade receivables	13	112,702	159,606
Prepayments, deposits and other receivables	14	140,550	104,213
Pledged deposits	15	109,460	207,718
Cash and cash equivalents	15	569,847	619,747
Total current assets		1,237,379	1,430,881
CURRENT LIABILITIES			
Trade and bills payables	16	42,171	59,016
Other payables and accruals	17	33,356	40,527
Interest-bearing bank borrowings	18	369,408	365,560
Tax payable		12,475	42,198
Total current liabilities		457,410	507,301
NET CURRENT ASSETS		779,969	923,580
TOTAL ASSETS LESS CURRENT LIABILITIES		1,374,165	1,368,261
Net assets		1,374,165	1,368,261
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	19	829	829
Reserves		1,373,336	1,358,914
Proposed final dividend	9	–	8,518
Total equity		1,374,165	1,368,261

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to ordinary equity holders of the Company												
	Note	Issued capital	Share premium account	Shares held for the Share Award Plan	Acquisition reserve	Merger reserve	Statutory surplus reserve	Capital redemption reserve	Exchange fluctuation reserve	Available-for-sale investment revaluation reserve	Retained profits	Proposed final dividend	Total
		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 2014 (Audited)		829	671,612	(2,987)	2,639	1,072	72,956	28	(18,508)	-	632,102	8,518	1,368,261
Profit for the period		-	-	-	-	-	-	-	-	-	23,803	-	23,803
Other comprehensive income for the period:													
Changes in fair value of available-for-sale investments		-	-	-	-	-	-	-	-	436	-	-	436
Exchange differences on translation of operations outside Mainland China		-	-	-	-	-	-	-	(4,912)	-	-	-	(4,912)
Total comprehensive income for the period		-	-	-	-	-	-	-	(4,912)	436	23,803	-	19,327
Shares purchased for the Share Award Plan		-	-	(4,905)	-	-	-	-	-	-	-	-	(4,905)
Final 2013 dividend declared	9	-	-	-	-	-	-	-	-	-	-	(8,518)	(8,518)
Transfer from retained profits		-	-	-	-	-	3,935	-	-	-	(3,935)	-	-
At 30 June 2014 (Unaudited)		829	671,612*	(7,892)*	2,639*	1,072*	76,891*	28*	(23,420)*	436*	651,970*	-	1,374,165

* These reserve accounts comprise the consolidated reserves of RMB1,373,336,000 (31 December 2013: RMB1,358,914,000) in the interim condensed consolidated statement of financial position.

For the six months ended 30 June 2013

	Attributable to ordinary equity holders of the Company											
	Note	Issued capital	Share premium account	Acquisition reserve	Merger reserve	Statutory surplus reserve	Capital redemption reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	
		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 2013 (Audited)		829	714,288	2,639	1,072	63,270	28	(22,696)	564,949	100,575	1,424,954	
Profit for the period		-	-	-	-	-	-	-	61,201	-	61,201	
Other comprehensive income for the period:												
Exchange differences on translation of operations outside Mainland China		-	-	-	-	-	-	1,644	-	-	1,644	
Total comprehensive income for the period		-	-	-	-	-	-	1,644	61,201	-	62,845	
Final 2012 dividend declared	9	-	-	-	-	-	-	-	-	(100,575)	(100,575)	
Transfer from retained profits		-	-	-	-	7,020	-	-	(7,020)	-	-	
At 30 June 2013 (Unaudited)		829	714,288	2,639	1,072	70,290	28	(21,052)	619,130	-	1,387,224	

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		36,682	85,036
Adjustments for:			
Finance costs	6	7,385	2,303
Foreign exchange losses/(gains)		175	(772)
Interest income	4	(9,387)	(8,016)
Loss on disposal of items of property, plant and equipment	5	–	89
Depreciation	10	10,749	10,571
Write-down/(write-back) of inventories to net realisable value		7,631	(3,366)
		53,235	85,845
Decrease/(increase) in inventories		27,146	(20,471)
Decrease/(increase) in trade receivables		46,904	(16,021)
Increase in prepayments, deposits and other receivables		(32,913)	(47,950)
(Decrease)/increase in trade payables		(21,891)	61,146
Increase/(decrease) in other payables and accruals		1,425	(15,675)
Cash generated from operations		73,906	46,874
Interest received		10,976	12,912
Mainland China corporate income tax paid		(44,152)	(47,505)
Net cash flows from operating activities		40,730	12,281
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(16,274)	(13,893)
Available for sale financial assets		(51,072)	–
Prepayments for property, plant and equipment		–	(148,660)
Decrease/(increase) in pledged deposits		(1,742)	27,152
Net cash flows used in investing activities		(69,088)	(135,401)

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2014

	<i>Notes</i>	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		194,380	197,403
Repayment of bank loan		(197,229)	(28,941)
Purchase of shares held under the Share Award Plan		(4,905)	-
Interest paid		(7,134)	(2,151)
Dividends paid		(8,518)	(100,575)
Net cash flows from/(used in) financing activities		(23,406)	65,736
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		619,747	592,693
Effect of foreign exchange rate changes, net		1,864	2,535
CASH AND CASH EQUIVALENTS AT END OF PERIOD		569,847	537,844
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	15	569,847	533,844
Non-pledged time deposits with original maturity of less than three months when acquired	15	-	4,000
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows		569,847	537,844

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2014

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

These unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2014 were approved and authorised for issue in accordance with a resolution of the Board on 28 August 2014.

2.1 Basis of Preparation and Accounting Policies

Basis of preparation

These interim condensed consolidated financial statements of the Group for the six months ended 30 June 2014 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. These interim condensed consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

These interim condensed consolidated financial statements do not include all information and disclosures required in the Group’s annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2013.

Significant accounting policies

The Group has adopted the following new and revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s condensed consolidated financial statements.

IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) — <i>Investment Entities</i>
IAS 32 Amendments	Amendments to IAS 32 <i>Presentation — Offsetting Financial Assets and Financial Liabilities</i>
IAS 39 Amendments	Amendments to IAS 39 <i>Financial Instruments: Recognition and Measurement — Amended by Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRIC 21	<i>Levies</i>

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

2.2 Issued but not yet Effective IFRSs

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

IFRS 9	<i>Financial Instruments</i> ⁴
IFRS 9, IFRS 7 and IAS 39 Amendments	Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 ⁴
IFRS 11 Amendments	Amendments to IFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i> ²
IFRS 14	<i>Regulatory Deferral Accounts</i> ²
IFRS 15	<i>Revenue from Contracts with Customers</i> ³
IAS 16 and IAS 41 Amendments	Amendments to IAS 16 and IAS 41 Bearer Plants ²
IAS 16 and IAS 38 Amendments	Amendments to IAS 16 and IAS 38 Clarification of <i>Acceptable Methods of Depreciation and Amortisation</i> ²
IAS 19 Amendments	Amendments to IAS 19 <i>Employee Benefits — Defined Benefit Plans: Employee Contributions</i> ¹
IAS 27 Amendments	Amendments to IAS 27 <i>Equity Method in Separate Financial Statements</i> ²
IFRSs Amendments	<i>Annual Improvements to IFRSs 2010–2012 Cycle</i> ¹
IFRSs Amendments	<i>Annual Improvements to IFRSs 2011–2013 Cycle</i> ¹

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2018

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.

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 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*.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

30 June 2014

4. Revenue, Other Income and Gains

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

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

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Revenue		
Sale of goods	297,946	372,652
Other income and gains		
Bank interest income	9,387	8,016
Foreign exchange gains, net	–	710
Gains from sale of raw materials	41	21
Others	203	417
	9,631	9,164

5. Profit before Tax

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

	Note	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Cost of inventories sold		94,333	121,187
Depreciation	10	10,749	10,571
Operating lease rental expense:			
Minimum lease payments		9,721	11,050
Contingent rents		62,682	77,542
		72,403	88,592
Employee benefit expense:			
Wages and salaries		46,627	43,416
Pension scheme contributions		4,633	4,522
		51,260	47,938
Write-down/(Write-back) of inventories provisions*		7,631	(3,366)
Donations*		–	1,700
Loss on disposal of items of property, plant and equipment*		–	89
Foreign exchange gains, net		–	(710)
Foreign exchange losses, net*		562	–

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

6. Finance Costs

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	7,385	2,303

7. Income Tax Expense

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — Mainland China	14,329	22,139
Current — Hong Kong	33	114
Current — Macau	100	262
Deferred	(1,583)	1,320
Tax charge for the period	12,879	23,835

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

No profits tax has been provided for Cayman Islands and British Virgin Islands profits for both the six months ended 30 June 2013 and 2014 since the applicable profits tax rate is zero.

The income tax provision of the Group in respect of its operations in Mainland China has been provided at the rate of 25% (2013: 25%) on the taxable profits for the six months ended 30 June 2014, based on the existing legislation, interpretations and practices in respect thereof.

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Macau profits tax has been provided at the rates ranging from 0% to 12% (2013: 0% to 12%) depending on the extent of estimated assessable profits arising in Macau during the period.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

30 June 2014

8. Earnings per Share attributable to Ordinary Equity Holders of the Company

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company, and the adjusted weighted average number of shares in issue of 942,412,113 (six months ended 30 June 2013: 948,825,763) during the six months ended 30 June 2014, which reflects the shares held for the Share Award Plan during the period.

The calculation of basic earnings per share is based on:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	23,803	61,201
	2014	2013
	'000	'000
Shares		
Weighted average number of ordinary shares in issue	946,390	948,826
Weighted average number of shares purchased for the Share Award Plan	(3,978)	-
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	942,412	948,826

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2014 and 2013 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the periods.

9. Dividend

No interim dividend was proposed for the six months ended 30 June 2014 (six months ended 30 June 2013: RMB34,158,000).

The 2013 proposed final dividend of RMB8,518,000 was approved by shareholders at the annual general meeting of the Company held on 12 June 2014 and was distributed in June 2014.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

30 June 2014

10. Property, Plant and Equipment

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Opening balance	364,113	36,508
Additions	7,427	351,349
Disposals	–	(132)
Depreciation	(10,749)	(23,523)
Exchange realignment	93	(89)
Closing balance	360,884	364,113

11. Available-for-sale Investments

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Listed equity investments, at fair value:		
Hong Kong	51,071	–

During the period, the gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB436,000.

The above investments consist of investments in equity shares which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The trading of the Group's listed equity investments has been suspended since 23 July 2014, and the market value before the suspension was approximately RMB23,535,000.

12. Inventories

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Raw materials	13,453	11,558
Work in progress	4,897	3,108
Finished goods	286,470	324,931
	304,820	339,597

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

30 June 2014

13. Trade Receivables

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

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

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 1 month	73,516	104,026
1 to 3 months	27,270	21,534
3 to 6 months	9,266	29,368
6 months to 1 year	1,513	4,179
Over 1 year	1,137	499
Total	112,702	159,606

14. Prepayments, Deposits and Other Receivables

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Non-current		
Other prepayments	68,000	68,000
	68,000	68,000
Current		
Prepayments	80,423	46,104
Deposits and other receivables	60,127	58,109
	140,550	104,213
	208,550	172,213

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

15. Cash and Cash Equivalents, Time Deposits and Pledged Deposits

	<i>Notes</i>	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Cash at banks and on hand		569,847	590,694
Time deposits with original maturity within three months when acquired		–	29,053
Time deposits with original maturity of over three months when acquired		209,460	207,718
		779,307	827,465
Less: Pledged time deposits:			
Pledged for bank acceptance bills	16	(9,460)	(4,618)
Pledged for bank loans	18	(200,000)	(203,100)
Cash and cash equivalents		569,847	619,747

16. Trade and Bills Payables

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 1 month	2,447	7,108
1 to 3 months	10,948	16,605
3 to 6 months	21,882	32,746
6 months to 1 year	5,335	1,721
Over 1 year	1,559	836
	42,171	59,016

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.

Included in trade and bills payables are bills payable of RMB18,918,000 (31 December 2013: RMB13,872,000), which are non-interest-bearing and settled on terms of six months. The bills are secured by the pledged deposits amounting to RMB9,460,000 (31 December 2013: RMB4,618,000) (note 15). The carrying amounts of the trade and bills payables approximate to their fair values.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

30 June 2014

17. Other Payables and Accruals

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Advances from customers	7,244	5,789
Other payables	25,264	31,585
Accruals	848	3,153
	33,356	40,527

Other payables are non-interest-bearing.

18. Interest-Bearing Bank Borrowings

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Bank loan — secured, within one year	—	94,837
Bank loan — secured, on demand	268,948	170,723
Bank loans — unsecured, within one year	100,460	100,000
	369,408	365,560

The interest-bearing bank borrowings as at 30 June 2014 were denominated in RMB and Hong Kong dollars, repayable within one to two years and interests-bearing at 2.6%-6.30% per annum.

Certain of the Group's bank loans are secured by:

- (i) the pledge of certain of the Group's time deposits amounting to RMB200,000,000 (2013: RMB203,100,000) as set out in note 15 above; and
- (ii) a letter of guarantee issued by the bank amounting to RMB80,000,000 (2013: RMB80,000,000).

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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

30 June 2014

19. Share Capital

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

	30 June 2014 HK\$ (Unaudited)	31 December 2013 HK\$ (Audited)
Authorised:		
10,000,000,000 ordinary shares of HK\$0.001 each	10,000,000	10,000,000

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Issued and fully paid:		
948,825,763 (31 December 2013: 948,825,763) ordinary shares of HK\$0.001 each	829	829

20. Operating Lease Arrangements

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

At 30 June 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within one year	8,602	9,933
In the second to fifth years, inclusive	3,253	8,783
After five years	–	4,671
	11,855	23,387

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

30 June 2014

21. Commitments

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Contracted, but not provided for:		
Leasehold improvements	1,299	488
Other non-current assets	–	49,973
	1,299	50,461

22. Related Party Transactions

Compensation of key management personnel of the Group

	Six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	6,561	5,757
Pension scheme contributions	136	127
Total compensation paid to key management personnel	6,697	5,884

23. Fair Value

Except as disclosed elsewhere, the carrying amounts of other financial assets and liability approximate to fair value.

24. Event after the Period

Available-for-sale investments

During the period under review, the Company, as a cornerstone investor, subscribed a total of 29,400,000 ordinary shares of Fujian Nuoqi Co., Ltd. ("Nuoqi") (stock code: 1353) at consideration of approximately HK\$63 million (equivalent to approximately RMB50 million). From 21 July 2014 to 23 July 2014, the share price of Nuoqi decreased significantly and the trading of its shares on the Stock Exchange has been suspended since 23 July 2014. According to Nuoqi's announcement on 31 July 2014, RMB50,000,000 and HK\$19,550,000 were transferred from a bank account of a wholly-owned subsidiary of Nuoqi (the "Nuoqi Wholly-owned Subsidiary") to an account of a company which is not a company of the Nuoqi group and an aggregate amount of RMB162,500,000 was transferred from a bank account of the Nuoqi Wholly-owned Subsidiary with Bank of Communications, Hong Kong branch, to a bank account of the Nuoqi Wholly-owned Subsidiary with Xiamen International Bank. The board of Nuoqi was in the process of ascertaining the status of the bank balance with Xiamen International Bank. According to Nuoqi's announcement on 19 August 2014, Nuoqi was informed by and had received demand letters from financial institutions and understood from the financial institutions that they had accelerated repayment of certain loans and had applied the deposits that the Nuoqi group maintained with these financial institutions as security for the repayment of such loans. Up to the date of this report, the trading of Nuoqi's shares has still been suspended and the closing price before the suspension was HK\$1.00 per ordinary share. The maximum exposure of loss of the Company from the investment in Nuoqi will be the carrying amount of the available-for-sale investments.