

roberto cavalli
junior



RYKIEL
ENFANT



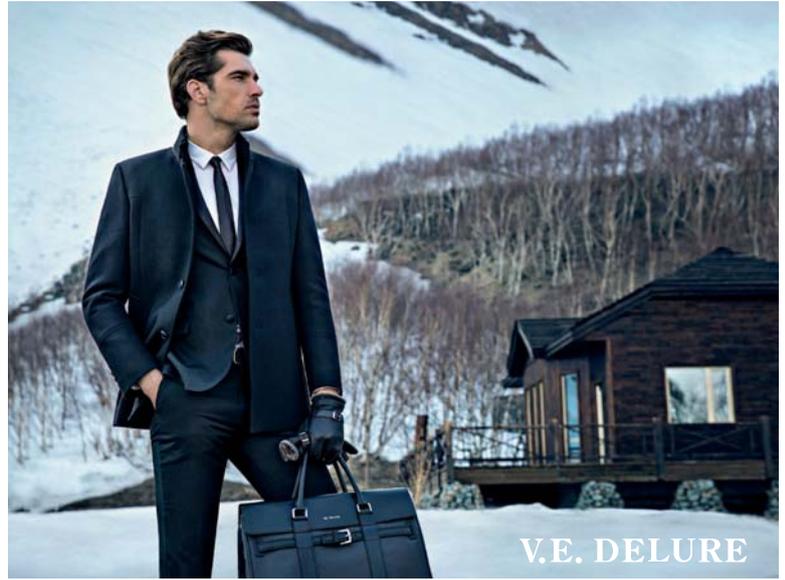
Evergreen International Holdings Limited
長興國際(集團)控股有限公司

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

2015 INTERIM REPORT



DIESEL



V.E. DELURE



FENDI



Testantin  Collection



simonetta



Paul Smith
JUNIOR

A man with dark hair and a light beard is sitting on a boat. He is wearing a red quilted jacket over a plaid shirt. The background features a large lake, snow-capped mountains, and a small town with a church spire on the right. A black leather bag is on the boat in the foreground.

CONTENTS

2	Corporate Information
3	Financial Highlights
7	Management Discussion and Analysis
20	Other Information
26	Report on Review of Interim Condensed Consolidated Financial Statements
27	Interim Condensed Consolidated Statement of Profit or Loss
28	Interim Condensed Consolidated Statement of Comprehensive Income
29	Interim Condensed Consolidated Statement of Financial Position
30	Interim Condensed Consolidated Statement of Changes in Equity
31	Interim Condensed Consolidated Statement of Cash Flows
33	Notes to the Interim Condensed Consolidated Financial Statements

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

Clifton House

75 Fort Street

P.O. Box 1350

Grand Cayman

KY1-1108

Cayman Islands

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Principal Place of Business in Hong Kong

Rooms 1305-1307, 13/F, New East Ocean Centre

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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 Limited

Bank of China Limited

Bank of Communications Limited

Chong Hing 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

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

	2015 RMB'million	2014 RMB'million	Change %
Revenue	230.0	297.9	-22.8%
Gross profit	165.3	203.6	-18.8%
(Loss)/profit attributable to ordinary equity holders of the Company	(34.6)	23.8	-245.4%
Basic and diluted (loss)/earning per share (RMB cents) (Note 1)	(3.7)	2.5	-248.0%
Gross profit margin	71.9%	68.3%	
Net (loss)/profit margin	-15.0%	8.0%	
Effective tax rate	-10.4%	35.1%	

	As at 30 June 2015	As at 31 December 2014	As at 30 June 2014
Inventory turnover days (Note 2)	832	700	618
Trade receivables turnover days (Note 3)	62	84	83
Trade and bills payables turnover days (Note 4)	69	87	97

Notes:

1. Basic and diluted (loss)/earning per share = (Loss)/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

Evergreen Children's Wear and Accessories Shops as at 30 June 2015

Chengdu IFS



Macau Galaxy II



Qingdao Hisense Plaza



Shenzhen MixCity



Qingdao MixCity



Hong Kong Harbour City



V.E. DELURE



Testantin  Collection

Management Discussion and Analysis

Market Review

In the first half of 2015, the economic growth in the People's Republic of China (the "PRC", "Mainland China" or "China") continued to stabilise. In view of the risk of economic slowdown, the PRC government continued to implement a series of policies in order to expand domestic demand, including but not limited to further reduction in the interest rate. According to the National Bureau of Statistics of China, the gross domestic product ("GDP") of China for the first half of 2015 amounted to RMB29.7 trillion, representing a year-on-year increase of 7.0% and the growth rate was 0.4% lower than that of the first half of 2014.

In the first half of 2015, the total retail sales of consumer goods in China amounted to RMB14,157.7 billion, representing an increase of 10.4% compared to the same period of last year. The total retail sales of consumer goods realised in urban area and rural area amounted to RMB12,185.0 billion and RMB1,972.7 billion, respectively, representing an increase of 10.2% and 11.6%, respectively, compared to the same period of last year. However, the growth rates were 1.8 percentage points and 1.6 percentage points lower than that in the first half of 2014, respectively. In particular, the total sales of garments, footwear, hats and knitwear in the first half of 2015 amounted to RMB637.5 billion, representing an increase of 10.7% compared to the same period of last year. The growth rate was 0.7 percentage points higher than that of 10.0% in the first half of 2014 and 0.9 percentage points lower than that of 11.6% in the full year of 2014. The retail market remained sluggish and lacked momentum.

The operating environment of the retail sector, particularly in menswear industry, remained challenging and the market sentiment of consumers remained weak. 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 would purchase for their own use. During the period, the Group continued to invest resources in refining marketing strategy for brand building, reinforcing customer loyalty by organising marketing events, and consolidating the network of self-operated retail stores, organised various training to its distributors and strived to improve operational efficiency and business infrastructure, so as to maintain the Group at a financially healthy position with an aim 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 so as to generate a variety of income source to the Group.

Financial Review

During the six months ended 30 June 2015, the Group recorded an aggregate turnover of approximately RMB230,002,000 (six months ended 30 June 2014: RMB297,946,000), representing a decrease of approximately 22.8% compared to the same period of last year. Gross profit for the period decreased from RMB203,613,000 for the six months ended 30 June 2014 to RMB165,339,000, representing a decrease of about 18.8%, and gross profit margin improved from 68.3% for the six months ended 30 June 2014 to 71.9% for the same period of 2015. The Group recorded a loss attributable to ordinary equity holders of the Company of RMB34,633,000 for the six months ended 30 June 2015 (six months ended 30 June 2014: profit attributable to ordinary equity holders of the Company of RMB23,803,000) and net loss margin for the six months ended 30 June 2015 of 15.0% as compared to a net profit margin of 8.0% for the six months ended 30 June 2014. The loss was mainly attributable to the decrease in revenue, the recognition of major non-cash items of write-down of inventories of RMB22,335,000, and equity-settled share option and share award expenses of RMB5,475,000.

Turnover

	2015		Six months ended 30 June 2014		Change %
	RMB'000	% of turnover	RMB'000	% of turnover	
V.E. DELURE					
Self-operated stores	159,232	69.2%	158,936	53.3%	+0.2%
Distributors	31,785	13.8%	83,524	28.0%	-61.9%
Corporate sales	71	0.1%	3,064	1.1%	-97.7%
	191,088	83.1%	245,524	82.4%	-22.2%
TESTANTIN					
Self-operated stores	20,638	9.0%	33,875	11.4%	-39.1%
Distributors	2,105	0.9%	10,191	3.4%	-79.3%
	22,743	9.9%	44,066	14.8%	-48.4%
Licensed brands	16,171	7.0%	8,356	2.8%	+93.5%
	230,002		297,946		-22.8%

The total turnover of the Group for the six months ended 30 June 2015 decreased by 22.8% to approximately RMB230,002,000 (six months ended 30 June 2014: RMB297,946,000). The decrease in turnover was mainly due to the decrease in sales of **V.E. DELURE** and **TESTANTIN** as a result of the overall weak and sluggish retail market.

Turnover of the Group for the six months ended 30 June 2015 comprised sales from self-operated stores of about RMB179,870,000 (six months ended 30 June 2014: RMB192,811,000), sales to distributors of RMB33,890,000 (six months ended 30 June 2014: RMB93,715,000), corporate sales of RMB71,000 (six months ended 30 June 2014: RMB3,064,000) and sales from the licensed brands business of RMB16,171,000 (six months ended 30 June 2014: RMB8,356,000).

The aggregate sales from self-operated stores for the six months ended 30 June 2015 decreased by 6.7% as compared to the same period of last year, and accounted for about 78.2% (six months ended 30 June 2014: 64.7%) of the total turnover under the current challenging retail environment. The aggregate sales to distributors for the six months ended 30 June 2015 also decreased by 63.8% as compared to the same period of last year and accounted for about 14.7% (six months ended 30 June 2014: 31.5%) of the total turnover, which mainly reflected that the distributors remained uncertain and cautious towards the retail market in the PRC.

Turnover by Region

	Six months ended 30 June				
	2015		2014		Change
	RMB'000	% of turnover	RMB'000	% of turnover	
V.E. DELURE					
Central China	20,847	10.9%	22,684	9.2%	-8.1%
North Eastern China	16,143	8.5%	20,548	8.4%	-21.4%
Eastern China	23,886	12.5%	31,426	12.8%	-24.0%
North Western China	26,743	14.0%	28,363	11.6%	-5.7%
Northern China	35,558	18.6%	51,908	21.1%	-31.5%
South Western China	23,604	12.4%	34,423	14.0%	-31.4%
Southern China	41,742	21.8%	47,056	19.2%	-11.3%
Hong Kong and Macau	2,565	1.3%	9,116	3.7%	-71.9%
Total	191,088		245,524		-22.2%

	Six months ended 30 June				
	2015		2014		Change
	RMB'000	% of turnover	RMB'000	% of turnover	
TESTANTIN					
Central China	2,971	13.0%	2,085	4.7%	+42.5%
North Eastern China	2,586	11.4%	3,932	8.9%	-34.2%
Eastern China	1,483	6.5%	3,617	8.2%	-59.0%
North Western China	2,742	12.0%	5,068	11.5%	-45.9%
Northern China	501	2.2%	2,122	4.8%	-76.4%
South Western China	4,565	20.1%	8,291	18.8%	-44.9%
Southern China	6,494	28.6%	11,830	26.9%	-45.1%
Hong Kong and Macau	1,401	6.2%	7,121	16.2%	-80.3%
Total	22,743		44,066		-48.4%

The sales from **V.E. DELURE** in the Eastern, Northern and Southern China for the six months ended 30 June 2015 accounted for 53.0% (six months ended 30 June 2014: 53.1%) of the total brand revenue, which was mainly attributable to the location of **V.E. DELURE** retail stores in major cities such as Shanghai, Beijing and Guangzhou, where the Group targeted **V.E. DELURE** customers, who are relatively more affluent with strong purchasing power.

The sales from **TESTANTIN** in the North Eastern, South Western, Southern and North Western China for the six months ended 30 June 2015 accounted for 72.1% (six months ended 30 June 2014: 66.1%) 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	
	2015	2014
	RMB'000	RMB'000
V.E. DELURE		
Apparel ⁽¹⁾	153,519	151,048
Accessories ⁽²⁾	5,713	7,888
	159,232	158,936
TESTANTIN		
Apparel ⁽¹⁾	20,056	32,415
Accessories ⁽²⁾	582	1,460
	20,638	33,875

	Six months ended 30 June	
	2015	2014
	Unit sold (pcs)	Unit sold (pcs)
Sales Volume		
V.E. DELURE		
Apparel ⁽¹⁾	82,704	73,553
Accessories ⁽²⁾	13,871	13,528
TESTANTIN		
Apparel ⁽¹⁾	19,583	25,152
Accessories ⁽²⁾	4,493	5,519

	Six months ended 30 June	
	2015	2014
	RMB	RMB
Average Selling Price		
V.E. DELURE		
Apparel ⁽¹⁾	1,856	2,054
Accessories ⁽²⁾	412	583
TESTANTIN		
Apparel ⁽¹⁾	1,024	1,289
Accessories ⁽²⁾	129	265

Notes:

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

Cost of Sales

The cost of sales of the Group decreased by 31.5% during the six months ended 30 June 2015 to approximately RMB64,663,000 (six months ended 30 June 2014: RMB94,333,000). 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, **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 RMB38,274,000 or 18.8%, from RMB203,613,000 for the six months ended 30 June 2014 to RMB165,339,000 for the same period of 2015.

During the six months ended 30 June 2015, 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 3.6 percentage points from 68.3% for the six months ended 30 June 2014 to 71.9% for the same period of 2015.

Other Income and Gains

During the six months ended 30 June 2015, other income and gains mainly consisted of bank interest income of RMB6,032,000 (six months ended 30 June 2014: RMB9,387,000).

Selling and Distribution Expenses

For the six months ended 30 June 2015, selling and distribution expenses primarily represented rental and concessionaire commission to shopping malls and department stores of approximately RMB66,752,000 (six months ended 30 June 2014: RMB62,682,000), advertising and promotion expenses of approximately RMB9,461,000 (six months ended 30 June 2014: RMB9,496,000), and staff costs of approximately RMB38,065,000 (six months ended 30 June 2014: RMB37,705,000). During the six months ended 30 June 2015, the total selling and distribution expenses represented about 60.8% (six months ended 30 June 2014: 45.1%) of the total turnover, representing an increase of 15.7 percentage points, which was mainly due to the increase in rental and concessionaires commission to shopping malls and departments stores, and the operating expenses from the new children's wear and accessories business starting from August 2014.

Administrative Expenses

For the six months ended 30 June 2015, administrative expenses increased from RMB26,526,000 for the six months ended 30 June 2014 to RMB38,062,000, representing an increase of RMB11,536,000 or 43.5% as compared to the same period of last year. During the six months ended 30 June 2015, administrative expenses accounted for 16.5% (six months ended 30 June 2014: 8.9%) of turnover, representing an increase of 7.6 percentage points, which was mainly due to the increase in staff costs including the equity-settled share option and share award expenses and the depreciation charge for the new self-owned headquarters in Guangzhou as the Group has moved into the new self-owned headquarters since 2015.

Finance Costs

Finance costs for the six months ended 30 June 2015 mainly represented interest expenses on interest-bearing bank borrowings.

Effective Tax Rate

During the six months ended 30 June 2015, the effective tax rate of the Group amounted to -10.4% (six months ended 30 June 2014: 35.1%).

(Loss)/Profit Attributable to Ordinary Equity Holders of the Company

The Group recorded a loss attributable to ordinary equity holders of the Company of RMB34,633,000 for the six months ended 30 June 2015 (six months ended 30 June 2014: profit attributable to ordinary equity holder of the Company of RMB23,803,000) and net loss margin for the six months ended 30 June 2015 of 15.0% as compared to a net profit margin of 8.0% for the six months ended 30 June 2014. Basic and diluted loss per share of RMB3.7 cents was recorded for the six months ended 30 June 2015 (six months ended 30 June 2014: basic and diluted earning per share of RMB2.5 cents). The loss was mainly attributable to the decrease in revenue, the increase in selling and distribution and administrative expenses and the recognition of write-down of inventories of RMB22.3 million.

Management Discussion and Analysis (Continued)

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 positive same store sales growth for the self-operated stores business of 13.4% and negative same store sales growth of 8.1%, respectively, for the first half of 2015.

Retail and Distribution Network

Number of stores of proprietary brands by region

	As at 30 June 2015	As at 31 December 2014
Central China	36	42
North Eastern China	26	34
Eastern China	44	54
North Western China	33	43
Northern China	57	63
South Western China	51	60
Southern China	64	70
Hong Kong and Macau	2	2
	313	368

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 2015, the Group had a total of 313 stores in 30 provinces and autonomous regions, covering 157 cities in China. There were 121 self-operated stores of **V.E. DELURE** in 47 cities in China whilst there were 34 self-operated stores of **TESTANTIN** in 19 cities in China.

In addition, the total number of distributors of the Group amounted to 76, which operated 134 franchised stores of **V.E. DELURE** in 99 cities and 24 franchised stores of **TESTANTIN**, in 24 cities, respectively.

Management Discussion and Analysis (Continued)

Number of stores of proprietary brands by city tier

	As at 30 June 2015	As at 31 December 2014	Change
V.E. DELURE			
Self-operated stores			
First-tier	22	23	-1
Second-tier	66	74	-8
Third-tier	30	35	-5
Fourth-tier	3	3	-
	121	135	-14
Franchised stores			
First-tier	-	-	-
Second-tier	18	18	-
Third-tier	84	100	-16
Fourth-tier	32	42	-10
	134	160	-26
	255	295	-40
TESTANTIN			
Self-operated stores			
First-tier	8	8	-
Second-tier	14	22	-8
Third-tier	11	11	-
Fourth-tier	1	1	-
	34	42	-8
Franchised stores			
First-tier	-	-	-
Second-tier	1	1	-
Third-tier	12	15	-3
Fourth-tier	11	15	-4
	24	31	-7
	58	73	-15
TOTAL	313	368	-55

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 2015, the number of **V.E. DELURE** self-operated stores decreased from 135 as at 31 December 2014 to 121 as a result of the consolidation of inefficient stores. Franchised stores operated by the distributors of the Group decreased from 160 as at 31 December 2014 to 134. As at 30 June 2015, the total area of retail outlets of self-operated stores of **V.E. DELURE** was approximately 19,460 square meters (31 December 2014: 22,626 square meters), representing a decrease of 14% as compared to the total area of retail outlets of self-operated stores as at 31 December 2014.

In the first half of 2015, the number of **TESTANTIN** self-operated stores decreased from 42 as at 31 December 2014 to 34 whilst the number of franchised stores decreased from 31 as at 31 December 2014 to 24. As at 30 June 2015, the total area of retail outlets of self-operated stores of **TESTANTIN** was approximately 3,751 square meters (31 December 2014: 4,733 square meters), representing a decrease of 21% as compared to the total area of retail outlets of self-operated stores as at 31 December 2014.

Licensed Brands — Children's wear and accessories businesses

Brand portfolio

As at 30 June 2015, the Group has secured the distribution rights for the high-end children's wear and accessories products of the following international fashion brands:

Brands	Territories
Diesel Kid	PRC, Hong Kong, Macau
Paul Smith Junior	PRC
Roberto Cavalli Junior	PRC, Hong Kong, Macau
Simonetta	PRC, Hong Kong, Macau

In addition, the Group has signed a term sheet with **Rykiel Enfant** under **Sonia Rykiel** regarding the proposed distribution of its children's wear and accessories products in the PRC. The Group has signed a letter of intent with **Fendi Kids** and is currently evaluating the opening and operation of **Fendi Kids** monobrand shops and shop-in-shops for children's wear and accessories products in the PRC.

The Group has been discussing with other high-end international fashion brands regarding their licensing of rights to the Group for the retail and wholesale distribution of their children's wear and accessories in Hong Kong, Macau and the PRC with a view to continuing to add new brands to the Group's portfolio.

Subsequent to 30 June 2015 and up to the date of this report, the Group has secured the distribution rights of **Trussardi Junior** in the PRC, Hong Kong and Macau, and **Kenzo Kid** in Hong Kong and **Dsquared2** in Macau respectively.

Following to the opening of **Roberto Cavalli Junior** store at Ocean Terminal, Harbour City, Hong Kong in August 2014, the Group has opened 9 and 2 new shops in the PRC and Macau respectively as at the date of this report as follows:

Brands	Shops Location
Roberto Cavalli Junior	China Chengdu IFS
Simonetta	China Chengdu IFS
Fendi Kids	China Shenzhen MixCity
Diesel Kid	China Qingdao MixCity
Roberto Cavalli Junior	China Qingdao Hisense Plaza
Simonetta	China Qingdao Hisense Plaza
Fendi Kids	China Qingdao Hisense Plaza
Rykiel Enfant (Sonia Rykiel)	China Qingdao Hisense Plaza
Paul Smith Junior	China Qingdao Hisense Plaza
Fendi Kids	Macau Galaxy II
Roberto Cavalli Junior	Macau Galaxy II

The Group will continue to discuss with a number of shopping malls operators in Hong Kong, Macau and in the first- and second-tier cities in the PRC regarding the opening of new retail stores for children's wear and accessories products in the second half of 2015.

Sales Fair

V.E. DELURE and **TESTANTIN** 2015 Fall and Winter collections sales fair was held in March 2015. The total order amount from franchised stores operated by the distributors of the Group decreased by 31% as compared to that of last year. Delivery of the orders commenced in August 2015.

V.E. DELURE 2016 Spring and Summer collections sales fair was held in July 2015. The total order amount from franchised stores operated by the distributors of the Group decreased by 60% 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 2016.

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 six months ended 30 June 2015, the inventory turnover days of the Group increased from 700 days for the year ended 31 December 2014 to 832 days, which was mainly due to the decrease in turnover as a result of the overall sluggish retail market. Notwithstanding, the inventory balance decreased from RMB309,472,000 as at 31 December 2014 to RMB285,365,000 as at 30 June 2015. The Group will implement a series of measures including but not limited to outlets, temporary promotional sales fair and online business platform 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. 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 2015, the total expenditure of the Group in marketing and promotion activities amounted to approximately RMB9,461,000 (six months ended 30 June 2014: RMB9,496,000), which accounts for approximately 4.1% (six months ended 30 June 2014: 3.2%) 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 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, 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.

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 diversify 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 832 days for the six months ended 30 June 2015, representing an increase of 132 days as compared to 700 days for the year ended 31 December 2014. The increase in inventory turnover days was mainly due to the continued sluggish retail market which affected the progress of the sale.

Management Discussion and Analysis (Continued)

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 62 days for the six months ended 30 June 2015 which was decreased as compared to 84 days for the year ended 31 December 2014.

Trade and bills payables represented payables to suppliers and outsourced manufacturers. Trade and bills payables turnover days decreased from 87 days for the year ended 31 December 2014 to 69 days for the six months ended 30 June 2015.

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 2015, 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 2015) RMB'million	Unutilised amount (as at 30 June 2015) RMB'million
Expansion and improvement of retail network	45%	457.8	456.2	1.6
Developing independent lines of branded apparels and accessories under V.E. DELURE brand	10%	101.7	99.1	2.6
Acquisitions or licensing of additional brands	20%	203.5	–	203.5
Marketing and promotional activities	7%	71.2	69.2	2.0
Upgrade of ERP system and database management system	5%	50.9	3.9	47.0
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	3.9	47.0
General working capital	8%	81.4	81.1	0.3
	100%	1,017.4	713.4	304.0

Liquidity and Financial Resources

As at 30 June 2015, the Group had cash and cash equivalents of RMB761,469,000 (31 December 2014: RMB695,591,000). In addition, the Group had pledged deposits of RMB161,717,000 (31 December 2014: RMB232,350,000). As at 30 June 2015, the Group had interest-bearing bank borrowings of an aggregate amount of RMB462,126,000 (31 December 2014: RMB473,965,000), which were denominated in Renminbi, Hong Kong dollars, U.S. dollars and Euros, respectively, repayable within one year or on demand and bore interest at a rate ranging from 2% to 6.3% per annum. The gearing ratio, calculated as total bank borrowings divided by equity attributable to ordinary equity holders of the Company, amounted to 35.9% as at 30 June 2015 (31 December 2014: 36.0%).

Contingent Liabilities

As at 30 June 2015, the Group had no material contingent liabilities.

Pledge of Assets

As at 30 June 2015, pledged deposits of RMB161,717,000 (31 December 2014: RMB232,350,000) were pledged as security for the bank borrowings and bank acceptance bills 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 U.S. dollars 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 2015.

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

Employee's Benefits

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

On 23 January 2015, the Company granted share options to certain key management personnel and employees under the new share option scheme (the "New Share Option Scheme") adopted by the Company on 6 January 2014. The principal terms of grant of share options under the New Share Option Scheme (the "Options") 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 (the "Directors") which vested on 30 April 2015;
- (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 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.

Details of the Options granted were set out in the announcement of the Company dated 23 January 2015.

Management Discussion and Analysis (Continued)

As at 30 June 2015, the total number of full-time employees of the Group was 1,170. The total staff costs for the six months ended 30 June 2015 amounted to approximately RMB57,634,000 (six months ended 30 June 2014: RMB51,260,000).

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.

On 27 August 2013 (the "Effective Date"), the board of Directors (the "Board") 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 (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) 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 incentivise 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 may, at any time and at its absolute discretion, make an award to any Eligible 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.

On 23 January 2015, the Share Award Plan Committee resolved to grant share awards in respect of a total of 10,250,000 Shares to 68 award grantees who were all Eligible Persons under the Share Award Plan and who were independent of the Company and its connected persons. 5,130,000 awarded Shares and 5,120,000 awarded Shares vested/shall vest in the award grantees on 30 April 2015 and 30 April 2016, respectively. Details of the share awards granted were set out in the announcement of the Company dated 23 January 2015.

Prospects

Given the continuing restructure and reform of economy in China, the outlook of retail sector in the second half of 2015 still remains uncertain and tough. The retail market and consumer sentiment in Mainland China is expected to remain weak and uncertain in the near future. 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 8 new retail stores in the second half of 2015, of which approximately 6 are self-operated stores with the remaining 2 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.

For the new business segment of high-end children's wear and accessories, the Group's children's wear and accessories products portfolio as at 30 June 2015 includes **Roberto Cavalli Junior**, **Simonetta**, **Diesel Kid**, **Rykiel Enfant**, **Paul Smith Junior** and **Fendi Kids**. Subsequent to the six months ended 30 June 2015 and up to the date of this report, the Group has secured the distribution rights of **Trussardi Junior** in the PRC, Hong Kong and Macau and **Kenzo Kid** in Hong Kong and **Dsquared2** in Macau respectively.

Management Discussion and Analysis *(Continued)*

Regarding the shop opening for the new children's wear and accessories products business, the Group has opened 9 and 2 new shops in the PRC and Macau respectively as at the date of this report for the children's wear and accessories products of high-end international fashion brands in the first- and second-tier cities in the PRC including but not limited to the shopping malls in Chengdu IFS, Qingdao MixCity, Shenzhen MixCity, Qingdao Hisense Plaza and Macau Galaxy II.

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.

On the other hand, in order to achieve healthy and sustainable growth for the Group in the long run, the Group has been actively looking for new business opportunities, including but not limited to acquisitions, in the apparel industries and accessory product industries and the online business industries. Up to the date of this report, the Group intends to jointly establish and invest in a fashion industry fund with Haitong Innovation Capital Management Company Limited to invest in companies operating in the fashion and apparel industries. It is expected that the amount of such investment will not constitute a notifiable transaction pursuant to the Listing Rules.

Other Information

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

As at 30 June 2015, the interests or short positions of 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 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%
		Beneficial owner (<i>Note 2</i>)	1,536,000	0.16%
		Beneficial owner (<i>Note 3</i>)	6,000,000	0.63%
Chen Yunan	Long position	Beneficiary of a trust (<i>Note 1</i>)	483,934,814	51.00%
		Beneficial owner (<i>Note 3</i>)	6,000,000	0.63%
Chen Minwen	Long position	Beneficiary of a trust (<i>Note 1</i>)	483,934,814	51.00%
		Beneficial owner (<i>Note 3</i>)	6,000,000	0.63%
Cheng King Hoi, Andrew	Long position	Beneficial owner (<i>Note 4</i>)	900,000	0.09%
Fong Wo, Felix	Long position	Beneficial owner (<i>Note 4</i>)	900,000	0.09%
Kwok Chi Sun, Vincent	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 1,536,000 Shares were held directly by Mr. Chan Yuk Ming.
- Each of Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen was granted 6,000,000 share options during the six months ended 30 June 2015 under the New Share Option Scheme and was deemed to be interested in 6,000,000 underlying Shares in respect of the share options granted.
- Each of Mr. Cheng King Hoi, Andrew, Mr. Fong Wo, Felix and Mr. Kwok Chi Sun, Vincent was granted 900,000 share options during the six months ended 30 June 2015 under the New Share Option Scheme and was deemed to be interested in 900,000 underlying Shares in respect of the share options granted.

Save as disclosed above, as at 30 June 2015, 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.

Other Information (Continued)

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.

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 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% 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.

On 23 January 2015, a total of 52,900,000 share options were granted to the executive Directors, independent non-executive Directors and employees with an exercise price of HK\$0.78 per Share under the New Share Option Scheme.

Other Information (Continued)

Share Option Scheme (Continued)

Particulars and movements of share options granted under the New Share Option Scheme during the six months ended 30 June 2015 were as follows:

Name or Category of Grantees	Date of grant (DD/MM/YYYY)	Exercise price per Share (HK\$)	Number of share options				Outstanding as at 30 June 2015	Closing price of the Shares immediately before the grant date HK\$ per share
			Outstanding as at 1 January 2015	Granted during the six months ended 30 June 2015	Exercised during the six months ended 30 June 2015	Lapsed/ forfeited during the six months ended 30 June 2015		
Executive Directors:								
Chan Yuk Ming	23/01/2015	0.78	-	6,000,000	-	-	6,000,000	0.78
Chen Yunan	23/01/2015	0.78	-	6,000,000	-	-	6,000,000	0.78
Chen Minwen	23/01/2015	0.78	-	6,000,000	-	-	6,000,000	0.78
Independent non-executive Directors:								
Cheng King Hoi, Andrew	23/01/2015	0.78	-	900,000	-	-	900,000	0.78
Fong Wo, Felix	23/01/2015	0.78	-	900,000	-	-	900,000	0.78
Kwok Chi Sun, Vincent	23/01/2015	0.78	-	900,000	-	-	900,000	0.78
Sub-total			-	20,700,000	-	-	20,700,000	
Employees								
(In aggregate)	23/01/2015	0.78	-	32,200,000	-	(3,500,000)	28,700,000	0.78
Total			-	52,900,000	-	(3,500,000)	49,400,000	

Subject to the conditions as stated in the following paragraph, the share options granted to the executive Directors, independent non-executive Directors and employees vested/shall vest as demonstrated by the table below, each with an exercise period of five years commencing from the relevant vesting date.

Name or Category of Grantees	Vesting dates and relevant number of share options				Total number of share options
	30 April 2015	30 April 2016	30 April 2017	30 April 2018	
Executive Directors:					
Chan Yuk Ming	-	2,000,000	2,000,000	2,000,000	6,000,000
Chen Yunan	-	2,000,000	2,000,000	2,000,000	6,000,000
Chen Minwen	-	2,000,000	2,000,000	2,000,000	6,000,000
Independent non-executive Directors:					
Cheng King Hoi, Andrew	900,000	-	-	-	900,000
Fong Wo, Felix	900,000	-	-	-	900,000
Kwok Chi Sun, Vincent	900,000	-	-	-	900,000
Employees (In aggregate)	-	10,800,000	9,600,000	8,300,000	28,700,000

Other Information (Continued)

Share Option Scheme (Continued)

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 years 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 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 fair value of the share options under the New Share Option Scheme granted during the six months ended 30 June 2015 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 fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the option pricing model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option. Details of the assumptions used in the model are set out in note 20 to the interim condensed consolidated financial statements.

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 while details of granting of share options were set out in the Company's announcement dated 23 January 2015.

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

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.

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 to the Trustee of the Share Award Plan on 25 October 2013, so that the Trustee would then purchase and grant relevant Shares to certain grantees under the Share Award Plan.

On 23 January 2015, a total of 10,250,000 share awards were granted to Selected Persons under the Share Award Plan. Details of the share awards granted were set out in the Company's announcement dated 23 January 2015.

Other Information (Continued)

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

As at 30 June 2015, 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	Long position	Founder of a discretionary trust (Note 1)	483,934,814	51.00%
		Beneficial owner (Note 2)	1,536,000	0.16%
		Beneficial owner (Note 3)	6,000,000	0.63%
Chen Yunan	Long position	Beneficiary of a trust (Note 1)	483,934,814	51.00%
		Beneficial owner (Note 3)	6,000,000	0.63%
Chen Minwen	Long position	Beneficiary of a trust (Note 1)	483,934,814	51.00%
		Beneficial owner (Note 3)	6,000,000	0.63%
Chen Mianna	Long position	Beneficial owner (Note 4)	45,543,636	4.80%
		Beneficial owner (Note 3)	6,000,000	0.63%
Evisu	Long position	Trustee of a trust (Note 1)	483,934,814	51.00%
Pacific Success	Long position	Beneficial owner (Note 1)	483,934,814	51.00%
New Horizon Capital III, L.P. ("New Horizon")	Long position	Interest of a controlled corporation (Note 5)	123,096,677	12.97%
Admiralfly Holdings Limited ("Admiralfly")	Long position	Beneficial owner (Note 5)	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 1,536,000 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 granted 6,000,000 share options during the six months ended 30 June 2015 under the New Share Option Scheme and was deemed to be interested in 6,000,000 underlying Shares in respect of the share options granted.
- 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, the Company had not been notified of any other notifiable interests or short positions in the Shares or underlying Shares as at 30 June 2015.

Other Information *(Continued)*

INTERIM DIVIDEND

No interim dividend was proposed by the Board for the six months ended 30 June 2015.

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 2015.

CORPORATE GOVERNANCE

In the opinion of the Directors, during the six months ended 30 June 2015, 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 2015.

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 2015.

CHANGE OF DIRECTOR'S/CHIEF EXECUTIVE'S INFORMATION

Mr. Fong Wo, Felix, an independent non-executive Director, has been appointed as an independent non-executive director of Xinming China Holdings Limited (Stock code: 2699) with effect from 6 July 2015.

REVIEW OF INTERIM RESULTS

The Company has an audit committee (the "Audit Committee") which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members, namely Mr Kwok Chi Sun, Vincent (Chairman), Mr Fong Wo, Felix and Mr Cheng King Hoi, Andrew, all are independent non-executive Directors. The interim report of the Group for the six months ended 30 June 2015 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
25 August 2015

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 27 to 44, which comprise the interim condensed consolidated statement of financial position as at 30 June 2015, 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.

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

25 August 2015

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
REVENUE	4	230,002	297,946
Cost of sales		(64,663)	(94,333)
Gross profit		165,339	203,613
Other income and gains	4	6,624	9,631
Selling and distribution expenses		(139,974)	(134,429)
Administrative expenses		(38,062)	(26,526)
Other expenses		(22,793)	(8,222)
Finance costs	6	(9,786)	(7,385)
PROFIT/(LOSS) BEFORE TAX	5	(38,652)	36,682
Income tax credit/(expense)	7	4,019	(12,879)
PROFIT/(LOSS) FOR THE PERIOD		(34,633)	23,803
Attributable to:			
Ordinary equity holders of the Company		(34,633)	23,803
EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	8	RMB(3.7) cents	RMB2.5 cents

Details of the dividend payable and proposed 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 2015

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	(34,633)	23,803
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:		
Available-for-sale investment:		
Change in fair value	–	436
Exchange differences on translation of operations outside Mainland China	(115)	(4,912)
OTHER COMPREHENSIVE LOSSES FOR THE PERIOD, NET OF TAX	(115)	(4,476)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(34,748)	19,327
Attributable to:		
Ordinary equity holders of the Company	(34,748)	19,327

Interim Condensed Consolidated Statement of Financial Position

30 June 2015

	<i>Notes</i>	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	394,522	391,915
Available-for-sale investment	11	–	–
Goodwill		1,880	1,880
Other intangible asset		3,681	3,683
Long term lease prepayment		66,549	67,292
Deferred tax assets		25,064	10,783
Pledged deposits	15	–	100,000
Total non-current assets		491,696	575,553
CURRENT ASSETS			
Inventories	12	285,365	309,472
Trade receivables	13	64,162	92,226
Prepayments, deposits and other receivables	14	66,858	66,831
Pledged deposits	15	161,717	132,350
Cash and cash equivalents	15	761,469	695,591
Total current assets		1,339,571	1,296,470
CURRENT LIABILITIES			
Trade and bills payables	16	27,934	21,704
Other payables and accruals	17	43,698	47,153
Interest-bearing bank borrowings	18	462,126	473,965
Tax payable		10,755	13,174
Total current liabilities		544,513	555,996
NET CURRENT ASSETS		795,058	740,474
TOTAL ASSETS LESS CURRENT LIABILITIES		1,286,754	1,316,027
Net assets		1,286,754	1,316,027
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	19	829	829
Reserves		1,285,925	1,315,198
Total equity		1,286,754	1,316,027

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

Attributable to ordinary equity holders of the Company												
Notes	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	Share option reserve	Share award reserve	Retained profits	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 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 20	-	-	-	-	-	-	-	-	2,107	-	-	2,107
Equity-settled Share Award Plan 21	-	-	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

* These reserve accounts comprise the consolidated reserves of RMB1,285,925,000 (31 December 2014: RMB1,315,198,000) in the interim condensed consolidated statement of financial position.

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:												
Change in fair value of available-for-sale investment	-	-	-	-	-	-	-	-	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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(38,652)	36,682
Adjustments for:			
Finance costs	6	9,786	7,385
Foreign exchange losses		–	175
Bank interest income	4	(6,032)	(9,387)
Loss on disposal of items of property, plant and equipment	5	193	–
Depreciation	5	12,761	10,749
Write-down of inventories	5	22,335	7,631
Amortisation of long term lease prepayment	5	743	–
Equity-settled share option expense	5	2,107	–
Equity-settled share award expense	5	3,368	–
		6,609	53,235
Decrease in inventories		1,772	27,146
Decrease in trade receivables		28,064	46,904
Increase in prepayments, deposits and other receivables		(422)	(32,913)
Increase/(decrease) in trade and bills payables		6,230	(21,891)
Increase in other payables and accruals		4,545	1,425
		46,798	73,906
Cash generated from operations		46,798	73,906
Interest received		6,427	10,976
Mainland China corporate income tax paid		(12,681)	(44,152)
		40,544	40,730
Net cash flows from operating activities		40,544	40,730

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Net cash flows from operating activities		40,544	40,730
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(25,310)	(16,274)
Purchases of available-for-sale investment		–	(51,072)
Decrease/(increase) in pledged deposits		70,633	(1,742)
Proceed from government grant		2,000	–
Net cash flows generated from/(used in) investing activities		47,323	(69,088)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		187,803	194,380
Repayment of bank loans		(199,642)	(197,229)
Purchase of shares held under the Share Award Plan		–	(4,905)
Interest paid		(10,039)	(7,134)
Dividends paid		–	(8,518)
Net cash flows used in financing activities		(21,878)	(23,406)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		65,989	(51,764)
Cash and cash equivalents at beginning of period		695,591	619,747
Effect of foreign exchange rate changes, net		(111)	1,864
CASH AND CASH EQUIVALENTS AT END OF PERIOD		761,469	569,847
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	15	761,469	569,847
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows		761,469	569,847

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2015

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.

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 2015 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.

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 2014.

Changes in 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.

Amendments to IAS 19

Annual Improvements 2010–2012 Cycle

Annual Improvements 2011–2013 Cycle

Defined Benefit Plans: Employee Contributions

Amendments to a number of IFRSs

Amendments to a number of IFRSs

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 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> ²
Amendments to IFRS 10 and IAS 28 (Revised)	<i>Sales or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹
Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operation</i> ¹
IFRS 14	<i>Regulatory Deferral Accounts</i> ³
IFRS 15	<i>Revenue from Contracts with Customers</i> ²
Amendments to IAS 1	<i>Disclosure Initiative</i> ¹
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants</i> ¹
Amendments to IAS 27 (Revised)	<i>Equity Method in Separate Financial Statements</i> ¹
Amendments to IFRS 10, IFRS12 and IAS 28 (Revised)	<i>Investment entities: Applying the consolidation Exception</i> ¹
<i>Annual Improvements 2012–2014 Cycle</i>	Amendments to a number of IFRSs ¹

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

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

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

4. REVENUE, OTHER INCOME AND GAINS

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

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

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue		
Sale of goods	230,002	297,946
Other income and gains		
Bank interest income	6,032	9,387
Gains on sale of raw materials	35	41
Others	557	203
	6,624	9,631

5. PROFIT/(LOSS) BEFORE TAX

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

	Notes	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Cost of inventories sold		64,663	94,333
Depreciation	10	12,761	10,749
Amortisation of long term lease prepayment		743	–
Operating lease rental expense:			
Minimum lease payments		8,391	9,721
Contingent rents		66,752	62,682
		75,143	72,403
Employee benefit expense:			
Wages and salaries		47,167	46,627
Pension scheme contributions		4,992	4,633
Equity-settled share option expense	20	2,107	–
Equity-settled share award expense	21	3,368	–
		57,634	51,260
Write-down of inventories*		22,335	7,631
Loss on disposal of items of property, plant and equipment*		193	–
Foreign exchange losses, net*		5	562

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

6. FINANCE COSTS

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Interest on bank borrowings	9,786	7,385

7. INCOME TAX

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Current — Mainland China	10,262	14,329
Current — Hong Kong	–	33
Current — Macau	–	100
Deferred	(14,281)	(1,583)
Total tax (credit)/charge for the period	(4,019)	12,879

7. INCOME TAX (Continued)

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 2014 and 2015 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% (2014: 25%) on the taxable profits for the six months ended 30 June 2015, based on the existing legislation, interpretations and practices in respect thereof.

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period.

Macau profits tax has been provided at the rates ranging from 0% to 12% (2014: 0% to 12%) depending on the extent of estimated assessable profits arising in Macau during the period.

8. EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earning/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue of 941,950,371 (six months ended 30 June 2014: 942,412,113) during the six months ended 30 June 2015, 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 earning/(loss) per share amounts is based on the profit/(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 earning/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares under the share option scheme.

No adjustment has been made to the basic earning/(loss) per share amounts presented for the six months ended 30 June 2015 in respect of a dilution as the impact of the outstanding share options had an anti-dilutive effect on the basic earning/(loss) per share amounts presented.

The calculation of basic earning/(loss) per share is based on:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earning/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earning/(loss) per share calculation	(34,633)	23,803

8. EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(Continued)

	Number of Shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue	948,825,763	948,825,763
Weighted average number of shares purchased for the Share Award Plan	(6,875,392)	(6,413,650)
Adjusted weighted average number of ordinary shares in issue used in the basic earning/(loss) per share calculation	941,950,371	942,412,113
Effect of dilution — weighted average number of ordinary shares: Share options	4,301,064	—
Adjusted weighted average number of ordinary shares in issue used in the diluted earning/(loss) per share calculation	946,251,435	942,412,113

9. DIVIDEND

No interim dividend was proposed for both the six months ended 30 June 2015 and 2014.

No final dividend was distributed during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB8,518,000).

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Opening balance	391,915	364,113
Additions	15,563	49,222
Disposals	(193)	(728)
Depreciation	(12,761)	(20,785)
Exchange realignment	(2)	93
Closing balance	394,522	391,915

11. AVAILABLE-FOR-SALE INVESTMENT

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Listed equity investments, at fair value:		
Hong Kong	—	—

During the year ended 31 December 2014, the Group subscribed for 29,400,000 ordinary shares of Fujian Nuoqi Co., Ltd. ("Nuoqi"), a listed company in Hong Kong, as a cornerstone investor at a cash consideration of RMB50,502,000. Market price of Nuoqi's shares declined significantly after its shares debuted on 9 January 2014 and the trading of Nuoqi's shares has been suspended since 23 July 2014. The directors of the Group considered that the significant and prolonged decline in market value of Nuoqi's shares indicates that the investment has been fully impaired as at 31 December 2014. During the six months ended 30 June 2015, there has been no change to the circumstance as compared to the year ended 31 December 2014.

12. INVENTORIES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Raw materials	9,893	11,054
Work in progress	4,772	4,063
Finished goods	270,700	294,355
	285,365	309,472

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 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 1 month	40,941	77,315
1 to 3 months	16,830	8,992
3 to 6 months	4,238	4,111
6 months to 1 year	1,723	1,072
Over 1 year	430	736
	64,162	92,226

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Prepayments	17,289	12,373
Deposits and other receivables	49,569	54,458
	66,858	66,831

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 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Cash at banks and in hand		761,469	695,591
Time deposits with original maturity of over three months when acquired		161,717	232,350
		923,186	927,941
Less: Pledged time deposits:			
Pledged for bank acceptance bills	16	(1,717)	(2,350)
Pledged for short term bank loans	18	(160,000)	(230,000)
		(161,717)	(232,350)
Cash and cash equivalents		761,469	695,591

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 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 1 month	6,853	7,455
1 to 3 months	9,319	6,672
3 to 6 months	3,876	3,631
6 months to 1 year	4,822	1,045
Over 1 year	3,064	2,901
	27,934	21,704

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 and bills payables approximate to their fair values.

Included in trade and bills payables as at 30 June 2015 were bills payable of RMB5,723,000 (31 December 2014: Nil), which were non-interest-bearing and settled on terms of six months. The bills payables were secured by the pledged deposits of RMB1,717,000 (31 December 2014: RMB2,350,000) (note 15).

17. OTHER PAYABLES AND ACCRUALS

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Advances from customers	9,106	6,417
Other payables	30,873	38,942
Accruals	1,719	1,794
Deferred income	2,000	–
	43,698	47,153

Other payables are non-interest-bearing and on demand for repayment.

18. INTEREST-BEARING BANK BORROWINGS

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Bank loans — secured, on demand	121,890	220,144
Bank loans — secured, within one year	30,526	–
Bank loans — unsecured, on demand	14,754	4,003
Bank loans — unsecured, within one year	294,956	249,818
	462,126	473,965

The interest-bearing bank borrowings as at 30 June 2015 were denominated in RMB, Hong Kong dollars, United States dollars and Euros, repayable within one year or on demand and bore interest at a rate ranging from 2.00% 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 RMB160,000,000 (31 December 2014: RMB230,000,000) as set out in note 15 above.

Management has assessed that the fair values of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of the interest-bearing bank borrowings.

19. SHARE CAPITAL**Shares**

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Authorised: 10,000,000,000 ordinary shares of HK\$0.001 each	10,000	10,000

19. SHARE CAPITAL (Continued)

Shares (Continued)

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Issued and fully paid:		
948,825,763 (31 December 2014: 948,825,763) ordinary shares of HK\$0.001 each	829	829

20. 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 of directors (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.

On 23 January 2015, the Company granted share options (the "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 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 which vested on 30 April 2015;
- (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 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.

20. SHARE OPTION SCHEME (Continued)

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

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 granted during the six months ended 30 June 2015 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 estimated volatility was based on the historical daily closing stock price over the last five years preceding the grant date. 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 following share options were outstanding under the New Share Option Scheme during the six months ended 30 June 2015:

	Weighted average exercise price HK\$ per share	Number of options '000
Granted during the period	0.78	52,900
Forfeited during the period	0.78	(3,500)
At 30 June 2015	0.78	49,400

During the six months ended 30 June 2015, no share options were exercised or cancelled under the New Share Option Scheme other than those forfeited as mentioned above, which were caused by the resignation of the grantees of 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 2015 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
16,800	0.78	30 April 2016 to 30 April 2021
15,600	0.78	30 April 2017 to 30 April 2022
14,300	0.78	30 April 2018 to 30 April 2023
49,400		

20. SHARE OPTION SCHEME (Continued)

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

At the date of approval of these interim condensed consolidated financial statements, the Company had 47,600,000 share options outstanding under the New Share Option Scheme, which represented approximately 5% 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 47,600,000 additional ordinary shares of the Company and additional share capital of HK\$48,000 (equivalent to RMB38,000) and share premium of HK\$37,080,000 (equivalent to RMB29,664,000) (before the issue expenses).

21. 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 a director of any member of the Group and any other connected person of the Company (the "Eligible Persons") will be entitled to participate. The purpose of the Share Award Plan is to recognise and reward contributions made by, and to encourage and incentivise sustained contribution of, the Eligible Persons to the growth and long term development of the Group. The Share Award Plan shall be valid and remain in force for a term of ten years commencing from the Effective Date.

The 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 to the Trustee of the Share Award Plan on 25 October 2013, 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 2015, no ordinary shares of the Company on the Stock Exchange were purchased for the Share Award Plan (six months ended 30 June 2014: 5,040,000 shares).

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. 5,130,000 awarded shares and 5,120,000 awarded shares vested/shall vest in the award grantees on 30 April 2015 and 30 April 2016, respectively.

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

Date of grant	Newly granted during the period	Fair value (RMB)	Vesting date	Vested during the period	Forfeited during the period	Outstanding awarded shares as at 30 June 2015
23 January 2015	10,250,000	6,326,000	30 April 2015 and 30 April 2016	(4,480,000)	(1,300,000)	4,470,000

The Group recognised a share award expense of RMB3,368,000 (note 5) during the six months ended 30 June 2015. A total of 4,480,000 shares held for the Share Award Plan amounting to RMB4,729,000 were awarded upon vesting during the six months ended 30 June 2015.

22. 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 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within one year	15,860	8,745
In the second to fifth years, inclusive	17,656	4,112
After five years	–	4,938
	33,516	17,795

23. COMMITMENTS

In addition to the operating lease commitments detailed in note 22 above, the Group had capital commitments as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Contracted, but not provided for: Leasehold improvements	808	384

24. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	Six months ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	6,760	6,561
Pension scheme contributions	114	136
Equity-settled share option expense	1,036	–
Equity-settled share award expense	564	–
Total compensation paid to key management personnel	8,474	6,697

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

26. 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 25 August 2015.