# 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)**

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

**FINANCIAL HIGHLIGHTS**

| | **2015** *RMB'million* | 2014 *RMB'million* | % *Change* |
|---|---|---|---|
| Revenue | **451.6** | 548.3 | –17.6% |
| Gross profit | **299.4** | 379.1 | –21.0% |
| Loss attributable to ordinary equity holders of the Company | **(75.6)** | (33.8) | 123.7% |
| Basic loss per share *(RMB cents)* | **(8.0)** | (3.6) | 122.2% |
| Gross profit margin | **66.3%** | 69.1% | |
| Net loss margin | **(16.7)%** | (6.2)% | |
| Effective tax rate | **3.8%** | (118.1)% | |
| Inventory turnover days | **688** | 700 | |
| Trade receivables turnover days | **72** | 84 | |
| Trade payables turnover days | **47** | 87 | |

The board (the "Board") of directors (the "Directors") of Evergreen International Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015, together with the comparative figures for the previous year, as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 December 2015*

| | Notes | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **REVENUE** | 4 | **451,565** | 548,328 |
| Cost of sales | | **(152,131)** | (169,191) |
| Gross profit | | **299,434** | 379,137 |
| Other income and gains | 4 | **17,230** | 17,284 |
| Selling and distribution expenses | | **(274,864)** | (267,662) |
| Administrative expenses | | **(72,612)** | (60,601) |
| Other expenses | | **(30,920)** | (15,548) |
| Impairment of an available-for-sale investment | | **–** | (50,502) |
| Finance costs | 6 | **(16,811)** | (17,598) |
| **LOSS BEFORE TAX** | 5 | **(78,543)** | (15,490) |
| Income tax credit/(expense) | 7 | **2,968** | (18,295) |
| **LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY** | | **(75,575)** | (33,785) |
| **OTHER COMPREHENSIVE LOSS** | | | |
| *To be reclassified to profit or loss in subsequent periods:* | | | |
| Available-for-sale investment: | | | |
| Change in fair value | | **–** | 436 |
| Reclassification adjustment for gains included in the consolidated statement of profit or loss — impairment loss | | **–** | (436) |
| | | **–** | – |
| Exchange differences on translation of operations outside Mainland China | | **(14,007)** | (5,026) |
| OTHER COMPREHENSIVE LOSS FOR THE YEAR | | **(14,007)** | (5,026) |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | | **(89,582)** | (38,811) |
| **LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY** | | | |
| Basic and diluted | 9 | **RMB(8.0) cents** | RMB(3.6) cents |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*31 December 2015*

| | Notes | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **398,385** | 391,915 |
| Available-for-sale investment | | **–** | – |
| Goodwill | | **1,880** | 1,880 |
| Other intangible asset | | **3,855** | 3,683 |
| Long-term lease prepayment | | **65,760** | 67,292 |
| Deferred tax assets | | **17,945** | 10,783 |
| Prepayments for non-current assets | | **51,100** | – |
| Pledged deposits | | **–** | 100,000 |
| Total non-current assets | | **538,925** | 575,553 |
| **CURRENT ASSETS** | | | |
| Inventories | *10* | **263,683** | 309,472 |
| Trade receivables | *11* | **84,900** | 92,226 |
| Prepayments, deposits and other receivables | | **60,364** | 66,831 |
| Pledged deposits | | **145,572** | 132,350 |
| Cash and cash equivalents | | **548,875** | 695,591 |
| Total current assets | | **1,103,394** | 1,296,470 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *12* | **17,576** | 21,704 |
| Other payables and accruals | | **40,425** | 47,153 |
| Interest-bearing bank and other borrowings | | **349,767** | 473,965 |
| Tax payable | | **1,397** | 13,174 |
| Total current liabilities | | **409,165** | 555,996 |
| **NET CURRENT ASSETS** | | **694,229** | 740,474 |
| Net assets | | **1,233,154** | 1,316,027 |
| **EQUITY** | | | |
| **Equity attributable to ordinary equity holders of the Company** | | | |
| Issued capital | | **829** | 829 |
| Reserves | | **1,232,325** | 1,315,198 |
| Total equity | | **1,233,154** | 1,316,027 |

*Notes:*

## 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 of the Company is located at 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 year, the Group is principally engaged in the manufacturing and trading of clothing and clothing accessories.

## 2. BASIS OF PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000"), except when otherwise indicated.

**Basis of consolidation**

These consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the ordinary equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

**Changes in accounting policies and disclosures**

The Group has adopted the following revised standards for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to IAS 19 | Defined Benefit Plans: Employee Contributions |
| Annual Improvements 2010–2012 Cycle | Amendments to a number of IFRSs |
| Annual Improvements 2011–2013 Cycle | Amendments to a number of IFRSs |

The adoption of the above revised standards has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

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

## 4. REVENUE, OTHER INCOME AND GAINS

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

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

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Revenue** | | |
| Sale of goods | **451,565** | 548,328 |
| **Other income and gains** | | |
| Bank interest income | **11,206** | 16,389 |
| Foreign exchange gains, net | **2,526** | – |
| Others | **3,498** | 895 |
| | **17,230** | 17,284 |

## 5. LOSS BEFORE TAX

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

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost of inventories sold | **152,131** | 169,191 |
| Depreciation | **29,213** | 20,785 |
| Amortisation of long-term lease prepayment | **1,532** | 708 |
| Operating lease rental expense: | | |
| Minimum lease payments | **20,338** | 18,098 |
| Contingent rents | **123,983** | 129,362 |
| | **144,321** | 147,460 |
| Auditors' remuneration | **1,661** | 2,053 |
| Employee benefit expense (excluding directors' remuneration) | | |
| Wages and salaries | **80,470** | 81,220 |
| Pension scheme contributions | **9,396** | 9,761 |
| Equity-settled share option expense | **1,049** | – |
| Equity-settled share award expense | **4,004** | – |
| | **94,919** | 90,981 |
| Write-down of inventories* | **30,431** | 13,509 |
| Foreign exchange differences, net | **(2,526)** | 640* |
| Loss on disposal of items of property, plant and equipment* | **193** | 638 |
| Impairment of an available-for-sale investment | **–** | 50,502 |

* These items are included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

## 6. FINANCE COSTS

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest on bank and other borrowings | **16,811** | 17,598 |

## 7. INCOME TAX

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current — Hong Kong | **–** | 72 |
| Current — Mainland China | **4,194** | 21,910 |
| Deferred | **(7,162)** | (3,687) |
| Total tax (credit)/charge for the year | **(2,968)** | 18,295 |

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 operate.

No profits tax has been provided for profits derived from the Cayman Islands and British Virgin Islands in both 2015 and 2014 since the applicable profits tax rate are zero.

No Hong Kong profits tax has been provided for the year ended 31 December 2015 as the Group has no estimated assessable profits arising in Hong Kong during the year (2014: provided at the rate of 16.5% on the estimated assessable profits).

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 years ended 31 December 2015 and 2014.

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 year ended 31 December 2015 and 2014, based on the existing legislation, interpretations and practices in respect thereof.

## 8. DIVIDENDS

The Board did not recommend the payment of dividend for the years ended 31 December 2015 and 2014 to the equity holders of the Company.

## 9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss attributable to ordinary equity holders of the Company, and the adjusted weighted average number of shares in issue of 943,906,010 (2014: 941,887,470) during the year ended 31 December 2015, which reflects the ordinary shares held for the share award plan of the Company (the "Share Award Plan") during the year.

The calculation of the diluted loss per share amounts is based on the loss 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 year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2015 and 2014 in respect of a dilution as the impact of the outstanding share options had an anti-dilutive effect on the basic loss per share amounts presented.

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

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Loss** | | |
| Loss attributable to ordinary equity holders of the Company used in the basic loss per share calculation | **75,575** | 33,785 |

| | **2015** | 2014 |
|---|---|---|
| **Shares** | | |
| Weighted average number of ordinary shares in issue | **948,825,763** | 948,825,763 |
| Weighted average number of ordinary shares held for the Share Award Plan | **(4,919,753)** | (6,938,293) |
| Adjusted weighted average number of ordinary shares in issue used in the basic loss per share calculation | **943,906,010** | 941,887,470 |
| Effect of dilution — weighted average number of ordinary shares: | | |
| Share options | **3,350,172** | – |
| Adjusted weighted average number of ordinary shares in issue used in the diluted loss per share calculation | **947,256,182** | 941,887,470 |

## 10. INVENTORIES

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Raw materials | **9,072** | 11,054 |
| Work in progress | **3,604** | 4,063 |
| Finished goods | **251,007** | 294,355 |
| | **263,683** | 309,472 |

## 11. TRADE RECEIVABLES

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

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

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

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 month | **56,645** | 77,315 |
| 1 to 3 months | **17,620** | 8,992 |
| 3 to 6 months | **7,659** | 4,111 |
| 6 months to 1 year | **2,192** | 10,722 |
| Over 1 year | **784** | 736 |
| | **84,900** | 92,226 |

## 12. TRADE PAYABLES

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

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 month | **2,566** | 7,455 |
| 1 to 3 months | **7,355** | 6,672 |
| 3 to 6 months | **5,833** | 3,631 |
| 6 months to 1 year | **627** | 1,045 |
| Over 1 year | **1,195** | 2,901 |
| | **17,576** | 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 payables approximate to their fair values.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Review

In 2015, the global economy remained challenging and volatile. China's economic growth has been undergoing a gradual slowdown in the past few years following consistent and rapid expansion for more than two decades. According to the National Bureau of Statistics of China, the growth rate of gross domestic product ("GDP") of China moderated to 6.9% in 2015, with GDP reaching RMB67.7 trillion. The figures marked the slowest economic growth since 2009. Amid such a bleak economic environment, the Chinese government continued to carry out various measures, including cutting interest rates and lowering the reserve requirement so as to stimulate and restructure the country's economy.

In 2015, the total retail sales of consumer goods in China amounted to RMB30.1 trillion, representing an increase of 10.7% compared with that of 2014. However, the growth rate was 1.3 percentage points lower than that in the previous year. The total retail sales of consumer goods realised in urban area amounted to RMB25.9 trillion, representing an increase of 10.5%, which was 1.3 percentage points lower than that in the previous year. Moreover, the total sales of garments, footwear, hats and knitwear amounted to RMB1.3 trillion, representing an increase of 9.8%. However, the growth rate was 1.1 percentage points lower than that in the previous year. The retail market remained tough and challenging during the year and the overall consumer sentiment in retail sector remained weak as a result of the market turmoil and weakening economic momentum.

In view of the challenging economic and market environment, the Group continued to adjust its strategies in response to the market changes to stimulate the demand from customers who would purchase for their own use. During the year, the Group continued to invest resources in refining marketing strategy for brand building, reinforcing customer loyalty by organising marketing events, enhancing product quality and design to increase the competitiveness of its products and brands, consolidating the network of self-operated retail and outlet stores, organising various training for its staff, and taking all appropriate measures to improve operational efficiency and business infrastructure, so as to maintain its financially healthy position. This is conducive to the Group's sustainable development in the long run. On the other hand, the Group has been actively expanding its children's wear business and looking for other investment opportunities so as to diversify income and returns to the Group.

**Financial Review**

During the year ended 31 December 2015, the Group recorded an aggregate turnover of approximately RMB451,565,000 (2014: RMB548,328,000), representing a decrease of approximately 17.6% compared with that of the previous year. Gross profit decreased from RMB379,137,000 for the year ended 31 December 2014 to RMB299,434,000 for the year ended 31 December 2015, representing a decrease of about 21.0%. Gross profit margin decrease from 69.1% for the year ended 31 December 2014 to 66.3% for the year ended 31 December 2015. The Group recorded a loss attributable to ordinary equity holders of the Company of RMB75,575,000 for the year ended 31 December 2015 (2014: a loss of RMB33,785,000) and net loss margin for the year ended 31 December 2015 of 16.7% (2014: net loss margin of 6.2%).The increase in the loss attributable to ordinary equity holders of the Company is mainly attributable to the decrease in revenue in our proprietary brands of menswear segment and the increase in non-cash write-down of inventories as a result of worsening market condition and persistently sluggish retail environment as compared with those of the previous year. It is also due to the recognition of non-cash share-based payment expenses related to the grant of share options and share awards and also the operating loss incurred in the start-up stage for the Group's new high-end children's wear and accessories product segment.

**Turnover**

| | **2015** | | 2014 | | Change |
|---|---|---|---|---|---|
| | ***RMB'000*** | ***% of turnover*** | *RMB'000* | *% of turnover* | % |
| ***V.E. DELURE*** | | | | | |
| Self-operated stores | **303,599** | **67.2%** | 319,407 | 58.3% | -4.9% |
| Distributors | **67,142** | **14.9%** | 134,197 | 24.5% | -50.0% |
| Corporate sales | **2,540** | **0.6%** | 5,719 | 1.0% | -55.6% |
| | **373,281** | **82.7%** | 459,323 | 83.8% | -18.7% |
| ***TESTANTIN*** | | | | | |
| Self-operated stores | **35,442** | **7.8%** | 57,783 | 10.5% | -38.7% |
| Distributors | **3,576** | **0.8%** | 14,903 | 2.7% | -76.0% |
| | **39,018** | **8.6%** | 72,686 | 13.2% | -46.3% |
| Licensed brands | **39,266** | **8.7%** | 16,319 | 3.0% | 140.6% |
| | **451,565** | | 548,328 | | -17.6% |

The total turnover of the Group for the year ended 31 December 2015 decreased by 17.6% to approximately RMB451,565,000 (2014: RMB548,328,000). The decrease in turnover was mainly due to the decrease in sales of ***V.E. DELURE*** and ***TESTANTIN*** as a result of the overall and unrelentingly sluggish retail market.

Turnover of the Group for the year ended 31 December 2015 comprised sales from self-operated stores of RMB339,041,000 (2014: RMB377,190,000), sales to distributors of RMB70,718,000 (2014: RMB149,100,000), corporate sales of RMB2,540,000 (2014: RMB5,719,000), sales from the licensed brands business of RMB39,266,000 (2014: RMB16,319,000), including sales from children's wear and accessories business of RMB14,056,000.

The aggregate sales from self-operated stores for the year ended 31 December 2015 decreased by 10.1% compared with that of the previous year, and accounted for 75.1% (2014: 68.8%) of the total turnover under the current challenging retail environment. The aggregate sales to distributors for the year ended 31 December 2015 also recorded a decrease of 52.6% compared with that in the previous year and accounted for about 15.7% (2014: 27.2%) of the total turnover, which mainly reflected that the distributors remained uncertain and cautious about the retail market in the PRC.

**Turnover by Region**

| | **2015** | | 2014 | | Change |
|---|---|---|---|---|---|
| | ***RMB'000*** | ***% of turnover*** | *RMB'000* | *% of turnover* | *%* |
| ***V.E. DELURE*** | | | | | |
| Central China | **35,130** | **9.4%** | 42,369 | 9.2% | -17.1% |
| North Eastern China | **28,578** | **7.7%** | 36,975 | 8.1% | -22.7% |
| Eastern China | **41,675** | **11.2%** | 61,320 | 13.4% | -32.0% |
| North Western China | **55,861** | **15.0%** | 56,636 | 12.3% | -1.4% |
| Northern China | **68,769** | **18.4%** | 94,565 | 20.6% | -27.3% |
| South Western China | **49,276** | **13.2%** | 60,791 | 13.2% | -18.9% |
| Southern China | **89,393** | **23.9%** | 94,682 | 20.6% | -5.6% |
| Hong Kong and Macau | **4,599** | **1.2%** | 11,985 | 2.6% | -61.6% |
| Total | **373,281** | | 459,323 | | -18.7% |

| | 2015 | | 2014 | | Change |
|---|---|---|---|---|---|
| | | *% of* | | *% of* | |
| | ***RMB'000*** | ***turnover*** | *RMB'000* | *turnover* | *%* |
| ***TESTANTIN*** | | | | | |
| Central China | **4,262** | **10.9%** | 4,149 | 5.7% | 2.7% |
| North Eastern China | **4,205** | **10.8%** | 6,269 | 8.6% | -32.9% |
| Eastern China | **3,110** | **8.0%** | 6,226 | 8.6% | -50.0% |
| North Western China | **2,412** | **6.2%** | 7,229 | 9.9% | -66.6% |
| Northern China | **304** | **0.8%** | 3,636 | 5.0% | -91.6% |
| South Western China | **9,131** | **23.4%** | 15,313 | 21.1% | -40.4% |
| Southern China | **12,928** | **33.1%** | 21,131 | 29.1% | -38.8% |
| Hong Kong and Macau | **2,666** | **6.8%** | 8,733 | 12.0% | -69.5% |
| Total | **39,018** | | 72,686 | | -46.3% |

The sales from ***V.E. DELURE*** in the Eastern, Northern and Southern China for the year ended 31 December 2015 accounted for 53.5% (2014: 54.6%) of the total revenue from that brand, which was mainly attributable to the location of ***V.E. DELURE*** retail stores in major cities such as Shanghai, Beijing, Tianjin and Guangzhou, where the Group's ***V.E. DELURE*** brand is targeted at customers who are relatively more affluent with strong purchasing power.

The sales from ***TESTANTIN*** in Central, North Eastern, South Western, Southern and North Western China for the year ended 31 December 2015 accounted for 84.4% (2014: 74.4%) of the total revenue from that brand, as most of the ***TESTANTIN*** retail stores are situated in the second-tier and third-tier cities of these regions.

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

| | **2015** | 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| ***V.E. DELURE*** | | |
| Apparel[(1)] | **291,010** | 304,256 |
| Accessories[(2)] | **12,589** | 15,151 |
| | **303,599** | 319,407 |
| ***TESTANTIN*** | | |
| Apparel[(1)] | **34,338** | 55,628 |
| Accessories[(2)] | **1,104** | 2,155 |
| | **35,442** | 57,783 |

| | **2015** | 2014 |
|---|---|---|
| | **Unit sold** | Unit sold |
| | ***pcs*** | *pcs* |
| **Sales Volume** | | |
| ***V.E. DELURE*** | | |
| Apparel(1) | **210,749** | 187,737 |
| Accessories(2) | **52,277** | 48,694 |
| ***TESTANTIN*** | | |
| Apparel(1) | **63,602** | 64,829 |
| Accessories(2) | **13,228** | 12,384 |

| | **2015** | 2014 |
|---|---|---|
| | ***RMB*** | *RMB* |
| **Average Selling Price** | | |
| ***V.E. DELURE*** | | |
| Apparel(1) | **1,381** | 1,621 |
| Accessories(2) | **241** | 311 |
| ***TESTANTIN*** | | |
| Apparel(1) | **540** | 858 |
| Accessories(2) | **83** | 174 |

*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 10.1% for the year ended 31 December 2015 to approximately RMB152,131,000 (2014: RMB169,191,000). During the year, the Group continued to outsource the production process of most of the apparel and accessories products. The Group also purchased products under the licensed brand business, ***CARTIER*** and sourced children's wear and accessories from the 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 RMB79,703,000 or 21.0%, from RMB379,137,000 for the year ended 31 December 2014 to RMB299,434,000 for the year ended 31 December 2015.

During the year, the major raw material costs continued to soar and the increase in wages also intensified the production cost pressure. The Group endeavored to implement stringent cost control measures. On the other hand, due to the weak consumer sentiment, more discounts were granted during the year, which resulted in a decrease of 2.8 percentage points in gross profit margin from 69.1% to 66.3% for the year ended 31 December 2015.

**Other Income and Gains**

During the year, other income and gains mainly consisted of bank interest income of RMB11,206,000 (2014: RMB16,389,000).

**Selling and Distribution Expenses**

Selling and distribution expenses primarily consisted of rental and concessionaire commission to shopping malls and department stores of self-operated stores of approximately RMB123,983,000 (2014: RMB129,362,000), advertising and promotion expenses of approximately RMB17,692,000 (2014: RMB19,983,000), and staff costs of approximately RMB73,343,000 (2014: RMB70,035,000). During the year, the selling and distribution expenses represented about 60.9% (2014: 48.8%) of turnover. The increase in selling and distribution expenses was mainly attributable to the recognition of non-cash share-based payment expenses for share options and share awards and the increase in the operating expenses incurred in the start-up stage for the Group's new high-end children's wear and accessories business which has commenced operation since August 2014.

**Administrative Expenses**

Administrative expenses increased from RMB60,601,000 for the year ended 31 December 2014 to RMB72,612,000 for the year ended 31 December 2015, representing an increase of 19.8%. During the year, administrative expenses accounted for 16.1% (2014: 11.1%) of turnover. The increase in administration expenses was mainly attributable to the increase in staff costs, including the non-cash share-based payment expenses related to the grant of share options and share awards and the depreciation charge for the new self-owned headquarters in Guangzhou. The Group has moved into that self-owned property since 2015.

**Finance Costs**

Finance costs for the year ended 31 December 2015 mainly represented interest expenses on interest-bearing bank and other borrowings.

**Effective Tax Rate**

During the year, the effective tax rate of the Group was 3.8% (2014: -118.1%).

**Loss Attributable to Ordinary Equity Holders of the Company**

The Group recorded a loss attributable to ordinary equity holders of the Company of RMB75,575,000 for the year ended 31 December 2015 (2014: a loss of RMB33,785,000) and net loss margin for the year ended 31 December 2015 of 16.7% as compared with a net loss margin of 6.2% for the year ended 31 December 2014. Loss per share of RMB8.0 cents was recorded for the year ended 31 December 2015 (2014: loss per share of RMB3.6 cents). The loss was mainly attributable to the decrease in revenue, recognition of non-cash share-based payment expenses for share options and share awards, non-cash write-down of inventories and operating loss incurred in the start-up stage for the Group's new high-end children's wear and accessories product segment.

**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 8.2% and 5.0% respectively, during the year.

***Retail and Distribution Network***

*Number of stores of proprietary brands by region*

| | **2015** | 2014 |
|---|---|---|
| Central China | **26** | 42 |
| North Eastern China | **24** | 34 |
| Eastern China | **40** | 54 |
| North Western China | **28** | 43 |
| Northern China | **49** | 63 |
| South Western China | **35** | 60 |
| Southern China | **60** | 70 |
| Hong Kong and Macau | **2** | 2 |
| | **264** | 368 |

During the year, the Group improved its retail and sales network according to the prevailing challenging retail environment and continued to optimise and consolidate 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 have direct contact and interaction with target customers so as to optimise its marketing efforts and to directly instill in the customers the brand image and philosophy of the Group. 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 enter the fragmented menswear market in these cities with lower capital expenditure.

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

As at 31 December 2015, the Group had a total of 264 stores in 29 provinces and autonomous regions, covering 143 cities in China. There were 104 self-operated stores of ***V.E. DELURE*** in 41 cities in China whilst there were 17 self-operated stores of ***TESTANTIN*** in 11 cities in China.

In addition, the total number of distributors of the Group amounted to 71, which operated 124 franchised stores of ***V.E. DELURE*** in 92 cities and 19 franchised stores of ***TESTANTIN*** in 19 cities.

*Number of stores of proprietary brands by city tier*

| | **2015** | 2014 | Changes |
|---|---|---|---|
| ***V.E. DELURE*** | | | |
| **Self-operated stores** | | | |
| First-tier | **19** | 23 | -4 |
| Second-tier | **60** | 74 | -14 |
| Third-tier | **22** | 35 | -13 |
| Fourth-tier | **3** | 3 | – |
| | **104** | 135 | -31 |
| **Franchised stores** | | | |
| First-tier | **–** | – | – |
| Second-tier | **19** | 18 | 1 |
| Third-tier | **79** | 100 | -21 |
| Fourth-tier | **26** | 42 | -16 |
| | **124** | 160 | -36 |
| | **228** | 295 | -67 |
| ***TESTANTIN*** | | | |
| **Self-operated stores** | | | |
| First-tier | **6** | 8 | -2 |
| Second-tier | **6** | 22 | -16 |
| Third-tier | **4** | 11 | -7 |
| Fourth-tier | **1** | 1 | – |
| | **17** | 42 | -25 |
| **Franchised stores** | | | |
| First-tier | **–** | – | – |
| Second-tier | **1** | 1 | – |
| Third-tier | **10** | 15 | -5 |
| Fourth-tier | **8** | 15 | -7 |
| | **19** | 31 | -12 |
| | **36** | 73 | -37 |
| **TOTAL** | **264** | 368 | -104 |

*First-tier cities: Beijing, Shanghai, Guangzhou, Hong Kong and Macau*
*Second-tier cities: provincial capital cities excluding Beijing, Shanghai and Guangzhou*
*Third-tier cities: prefecture-level cities other than provincial capital cities*
*Fourth-tier cities: county-level cities*

In 2015, the number of ***V.E. DELURE*** self-operated stores decreased from 135 to 104 as a result of the consolidation of underperforming stores. Franchised stores operated by the distributors of the Group decreased from 160 to 124.

As at 31 December 2015, the total area of retail outlets of ***V.E. DELURE*** self-operated stores was approximately 17,889 square meters (2014: 22,626 square meters), representing a decrease of 20.9% compared with that in the previous year.

In 2015, the number of ***TESTANTIN*** self-operated stores decreased from 42 to 17 whilst the number of franchised stores decreased from 31 to 19 in order to consolidate underperforming stores and thus facilitate long-term healthy growth of ***TESTANTIN***.

As at 31 December 2015, the total area of retail outlets of ***TESTANTIN*** self-operated stores was approximately 1,915 square meters (2014: 4,733 square meters), representing a decrease of 59.5% compared with that in the previous year.

***Licensed International brands***

Apart from licensed brand business of ***CARTIER***, the Group commenced the new business segment of high-end children's wear and accessories products in August 2014. As at 31 December 2015, the Group has secured distribution rights for the following 10 international fashion brands:

***Brand portfolio***

| **Brands** | **Territories** |
|---|---|
| Diesel Kids | Mainland China, Hong Kong, Macau |
| Paul Smith Junior | Mainland China |
| Roberto Cavalli Junior | Mainland China, Hong Kong, Macau |
| Simonetta | Mainland China, Hong Kong, Macau |
| Fendi Kids | Mainland China, Macau |
| Sonia Rykiel | Mainland China |
| Trussadi Junior | Mainland China, Hong Kong, Macau |
| Dsquared2 | Mainland China, Macau |
| Kenzo Kids | Hong Kong |
| Lili Gaufrette | Mainland China |

Following the opening of first retail store for children's wear and accessories products segment for ***Roberto Cavalli Junior*** at Ocean Terminal, Harbour City, Hong Kong in August 2014, as at the date of this announcement, the Group has opened 13 mono-brand retail stores in Hong Kong, Macau and Mainland China.

In addition, to cater for the consumer appetite and preference, especially those of the growing number of middle-class couples, the Group has invented and launched its new lifestyle concept store, ***Kissocool*** in 2015. This new concept store served as a one-stop platform offering children's wear and accessories products from prestigious international brands and created a leisure shopping environment with recreational, entertainment and snack zones for customers. The Group is dedicated to enhancing the ultimate shopping experiences by catering for the desires of each family member under a relaxing shopping environment. This, in turn, can foster a more comprehensive and loyal customer base. The Group believes ***Kissocool*** will further strengthen the brand image and attract more brand owners to establish strategic partnerships. The Group has opened 2 ***Kissocool*** concept stores in the PRC as at the date of this announcement.

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

| **Brands** | **Shop Location** |
|---|---|
| Diesel Kids | Hong Kong Sogo<br>China Qingdao MixCity<br>China Shanghai Kerry Centre ***(Kissocool)*** |
| Paul Smith Junior | China Hangzhou Tower<br>China Qingdao Hisense Plaza ***(Kissocool)***<br>China Shanghai Kerry Centre ***(Kissocool)*** |
| Roberto Cavalli Junior | Hong Kong Harbour City<br>Macau Galaxy II<br>China Chengdu IFS<br>China Hangzhou MixCity<br>China Qingdao Hisense Plaza ***(Kissocool)***<br>China Shanghai Kerry Centre ***(Kissocool)*** |
| Simonetta | Macau Galaxy II<br>China Chengdu IFS<br>China Qingdao Hisense Plaza ***(Kissocool)***<br>China Shanghai Kerry Centre ***(Kissocool)*** |
| Fendi Kids | Macau Galaxy II<br>China Shenzhen MixCity<br>China Qingdao Hisense Plaza ***(Kissocool)***<br>China Shanghai Kerry Centre ***(Kissocool)*** |

| Brands | Shop Location |
|---|---|
| Sonia Rykiel | China Qingdao Hisense Plaza ***(Kissocool)***<br>China Shanghai Kerry Centre ***(Kissocool)*** |
| Trussadi Junior | China Shanghai Kerry Centre ***(Kissocool)*** |
| Dsquared2 | Macau Galaxy II<br>China Shanghai Kerry Centre ***(Kissocool)*** |
| Kenzo Kids | Hong Kong Sogo |
| Lili Gaufrette | China Shanghai Kerry Centre ***(Kissocool)*** |

For the year ended 31 December 2015, the Group's high-end children's wear and accessories product segment recorded revenue of RMB14,056,000 and a net loss of RMB19,478,000, resulting from its start-up stage operation.

**Sales Fair**

***V.E. DELURE*** 2016 Spring and Summer collections sales fair was held in July 2015. The total orders from franchised stores operated by the distributors of the Group decreased by 59.7% compared with that of the previous year, mainly because the distributors remained cautious about the retail market and implement measures to boost the sales of aged inventory. Delivery of the orders commenced in December 2015.

***V.E. DELURE*** 2016 Fall and Winter collections sales fair was held in February 2016 respectively. The total orders from franchised stores operated by the distributors of the Group decreased by 57.9% compared with that of the previous year. Delivery of the orders will commence in August 2016.

***Inventory Management***

The Group maintains an effective inventory management system. In particular, the Group has adopted a flat distributor model comprising only one layer of distributors without any sub-distributor, which enables the Group to closely monitor the business performance and inventory of each franchised store and distributor. Moreover, orders placed by the distributors are distributed proportionally in the first batch of orders placed at the sales fair and the supplemental orders placed following the commencement of the season. During the year, the inventory turnover days of the Group decreased from 700 days to 688 days, representing a reduction of 12 days compared with that in the previous year. The inventory turnover enhancement was achieved gradually through various effective inventory management measures to boost the sales of aged inventory.

*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 promotional activities of the Group not only strengthen the brand recognition and value, but also promote its brand theme.

In 2015, the total expenditure of the Group on marketing and promotional activities amounted to approximately RMB17,692,000 (2014: RMB20,008,000), accounting for 3.9% (2014: 3.6%) of the turnover. The Group will strive to maintain the ratio at not more than 5% whilst promoting the brands effectively.

During the year, the Group organised regular advertising and promotional activities through different channels, such as advertisements in fashion magazines, promotional activities on the Internet and other media, and large advertising billboards in airport and well-known department stores and launching fashion shows.

In 2015, the Group was the exclusive sponsor of the formal attire of the PRC national table tennis team and badminton team. In addition, the Group supplied the formal attire to the PRC men's and women's national soccer team.

The Group treats its retail stores as one of the important channels to promote and enhance brand equity. During the year, the Group continued to carry out store image upgrading work, enhance the display space and to further promote its high-end brand image in order to attract customers more effectively.

Apart from routine advertising and promotional activities, the Group also actively fulfilled its corporate social responsibility. The Group will continue to organise and participate in various charitable and social activities in the future. Such charitable activities not only can strengthen the brand equity of the Group, but also can promote the corporate image of the Group as a socially responsible enterprise.

*Product Design and Development*

Amid the ongoing urbanisation and the increasing disposable income of consumers, there is a consumption trend in pursuing products with superior materials, suitable cutting and unique style. While there are abundant product choices to customers in the market, 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 year, the Group continued its commitment to innovative product design and strict quality control, and launched unique product portfolios for both ***V.E. DELURE*** and ***TESTANTIN***.

The Group also recruited experienced design talents to bring in fresh inspiration for innovation to further diversify product portfolio and increase its competitiveness. The Group has experienced, innovative and independent design teams for ***V.E. DELURE*** and ***TESTANTIN***, which are led by chief supervisors with substantial experience in fashion design.

**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 their carrying value.

Inventory turnover days was 688 days for the year ended 31 December 2015, representing an decrease of 12 days as compared to 700 days for the year ended 31 December 2014. The inventory enhancement was achieved gradually through various effective inventory management measures to boost the sales of aged inventory.

Trade receivables represented the receivables for goods sold to the distributors for franchised stores and the receivables from department stores and shopping malls for self-operated stores. Trade receivables turnover days was 72 days for the year ended 31 December 2015 (2014: 84 days).

Trade payables represented payables to suppliers and outsourced manufacturers. Trade payables turnover days decreased from 87 days for the year ended 31 December 2014 to 47 days for the year ended 31 December 2015.

**Use of Proceeds**

The shares of the Company (the "Share") 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 31 December 2015, the unused proceeds were deposited in licensed banks in Hong Kong and Mainland China.

*Use of funds raised*

| | Percentage to total amount | Net proceeds | Utilised amount (as at 31 December 2015) | Unutilised amount (as at 31 December 2015) |
|---|---|---|---|---|
| | | *RMB'million* | *RMB'million* | *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 | 100.0 | 1.7 |
| Acquisitions or licensing of additional brands | 20% | 203.5 | – | 203.5 |
| Marketing and promotional activities | 7% | 71.2 | 69.9 | 1.3 |
| Upgrade of ERP system and database management system | 5% | 50.9 | 4.3 | 46.6 |
| Hiring international design talent and design consultant firms, expanding the Group's existing design team and establishing the Group's own research and design centre | 5% | 50.9 | 4.4 | 46.5 |
| General working capital | 8% | 81.4 | 81.1 | 0.3 |
| | 100% | 1,017.4 | 715.9 | 301.5 |

**Liquidity and Financial Resources**

As at 31 December 2015, the Group had cash and cash equivalents of RMB548,875,000 (2014: RMB695,591,000). In addition, the Group had pledged deposits of RMB145,572,000 (2014: RMB232,350,000). As at 31 December 2015, the Group had interest-bearing bank and other borrowings of an aggregate amount of RMB349,767,000 (2014: RMB473,965,000), which were denominated in RMB, Hong Kong dollars and US dollars, repayable within one year or on demand and bore fixed and variable interest rates ranging from 1.89% to 6.30% per annum. The gearing ratio, calculated as total bank and other borrowings divided by equity attributable to ordinary equity holders of the Company, amounted to 28.4% (2014: 36.0%).

**Contingent Liabilities**

As at 31 December 2015, the Group had no material contingent liabilities.

**Pledge of Assets**

As at 31 December 2015, deposits of RMB145,572,000 (2014: RMB232,350,000) were pledged as security for the bank borrowings (2014: 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 RMB and Hong Kong dollars. Nevertheless, the Group purchases some raw materials and outsourced products in Euro and U.S. dollars. Depreciation of Renminbi against these foreign currencies would increase the cost of sales of the Group, resulting in an impact on the results of operations of the Group.

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

**Employee's Benefits**

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

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 statement of profit or loss 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 23 January 2015, the Company granted share options (the "Options") to certain key management personnel and employees to subscribe for a total of 52,900,000 new Shares under the new share option scheme (the "New Share Option Scheme") adopted by the Company on 6 January 2014 (the "Adoption Date"). The New Share Option Scheme shall be valid and remain in force for a period of ten years commencing from the Adoption Date.

The principal terms of the Options granted are as follows:

(a) the Options shall entitle the grantees to subscribe for new Shares upon the exercise of 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 year ended 31 December 2015, and financial years ending 31 December 2016 and 31 December 2017, respectively, when compared to their immediate preceding financial year excluding all exceptional items in the consolidated statement of profit or loss and other comprehensive income. If the target net profit cannot be achieved in a particular financial year, only 50% of the 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.

On 23 January 2015, the Group granted share awards in respect of a total of 10,250,000 Shares to 68 award grantees under the share award plan (the "Share Award Plan") adopted by the Company on 27 August 2013 ("Effective Date"). The share award plan committee ("Share Award Plan Committee") may, at any time and at its absolute discretion, make an award to any executive or employee of any member of the Group, but excluding a director of any member of the Group and any other connected person (as defined in the Listing Rule) of the Company (the "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. The Share Award Plan shall be valid and remain in force for a term of ten years commencing from the Effective Date.

The principal terms of grant of share awards under the Share Award Plan are as follows:

(a) 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; and

(b) once vested and at the request of the Share Award Plan Committee, the relevant awarded Shares shall be transferred by the trustee to the relevant award grantees for nil consideration.

As at 31 December 2015, the total number of full-time employees of the Group was 911. The total staff costs (excluding directors' emoluments) for the year ended 31 December 2015 amounted to approximately RMB94,919,000 (2014: RMB90,981,000).

**Prospects**

Given the continuing slowdown of economy in China, the outlook of retail sector in the 2016 still remains uncertain and tough. The consumer sentiment in 2016 is expected to remain weak. 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.

Despite the challenging business environment in the menswear industry, the Group will continue to invest resources in refining market strategy for brand building, reinforcing customer loyalty by organising marketing events, enhancing product quality and design to increase the competitiveness of its products and brands. Furthermore, the Group will continue to enhance its retail network prudently to prepare for the long-term development. The Group plans to open approximately 8 new retail stores for menswear business in 2016, 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 operational efficiency. In the long run, the Group is confident about steady and healthy development of menswear market in China, especially that of the mid-range to high-end segments.

Starting from 1 January 2016, the Chinese government has allowed all couples in China to have two children. The expected large and growing number of babies and children in the future can lead to strong growth in China's children's wear and accessories market. To capitalise on this growing market, the Group has secured the distribution rights in Hong Kong, Macau and Mainland China with 10 international brand owners for its new business segment of high-end children's wear and accessories products as at 31 December 2015. In 2016, the Group will continue to look for investment opportunities in other children's wear brands with a view to continuing to add new brands to the Group's portfolio. As at the date of this announcement, the Group has opened 13 retail stores and 2 ***Kissocool*** in Hong Kong, Macau and Mainland China for the children's wear and accessories products of high-end international fashion brands. The retail outlets include those in the shopping malls in Hong Kong Sogo, Hong Kong Harbour City, Macau Galaxy II, Chengdu IFS, Qingdao MixCity, Shenzhen MixCity, Qingdao Hisense Plaza, Hangzhou Tower, Hangzhou MixCity and Shanghai Kerry Centre. The Group will adopt a cautiously optimistic view when it discusses with a number of shopping malls operators in China and extends its retail network in China in 2016.

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

On the other hand, in order to achieve healthy and sustainable growth in the long run, the Group has been actively looking for new investment opportunities in the apparel industry and accessory product industry and the online business industry for development and expansion. On 4 March 2016, the Group jointly established and invested in an investment fund with Hangzhou Zhejiang Momentum Fund LLP, a subsidiary of Fosun International Limited ("Fosun International", stock code of the Main Board of the Stock Exchange: 656), Yadong Fosun Evergreen Investment Management Co., Ltd., Shenzhen Ellassay Fashion Co., Ltd. (stock code of the Main Board of A share market of the Shanghai Stock Exchange: 603808), and Dongguan Best Pacific Textiles Co., Ltd., a subsidiary of Best Pacific International Holdings Limited (stock code of the Main Board of the Stock Exchange: 2111). The fund is aimed at investing in lifestyle and related internet enterprises projects. The Group will be the exclusive representative in the menswear industry among the partnership. The establishment of the investment fund will provide a platform for the Group to leverage the existing business experience, resources and network of Fosun International to explore opportunities for acquisitions and also minimise the investment risks of the Group.

## FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2015.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of shareholders of the Company to attend and vote at the annual general meeting of the Company to be held on Tuesday, 7 June 2016 (the "2016 AGM"), the register of members of the Company will be closed from Friday, 3 June 2016 to Tuesday, 7 June 2016, both days inclusive. In order to qualify for attending and voting at the 2016 AGM, all transfer documents together with the relevant share certificates should be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 2 June 2016.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2015.

## SUBSEQUENT EVENTS

On 4 March 2016, the Group entered into a limited partnership agreement with Hangzhou Zhejiang Momentum Fund LLP, Yadong Fosun Evergreen Investment Management Co. Ltd., Shenzhen Ellassay Fashion Co. Ltd. and Dongguan Best Pacific Textiles Co., Ltd. in respect of the establishment of an investment fund with total capital commitment of RMB600 million in the PRC which will invest in, among others, lifestyle and related internet enterprises projects and the subscription by the Group of interest therein for a maximum capital commitment of RMB96 million.

On 31 March 2016 (after trading hours), the Company entered into a placing agreement with Convoy Investment Services Limited as placing agent for the placing of unlisted bonds of the Company up to an aggregate principal amount of HK$200 million (approximately RMB166.9 million).

Save as mentioned above, no material subsequent event has been undertaken by the Company or by the Group after 31 December 2015.

## CORPORATE GOVERNANCE

The Board has reviewed its corporate governance practices and ensures that the Company is in compliance with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "CG Code"). Where appropriate, the Company has also adopted the recommended best practices under the CG Code.

In the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code during the year ended 31 December 2015.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 year ended 31 December 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 year ended 31 December 2015.

## AUDIT COMMITTEE

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 annual results of the Group for the year ended 31 December 2015 have been reviewed by the Audit Committee.

## REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS

The figures in respect of the Group's results for the year ended 31 December 2015 as set out in this preliminary announcement have been agreed by the Group's independent auditors, Ernst & Young, Certified Public Accountants of Hong Kong ("Ernst & Young") to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this preliminary announcement of results.

## FORWARD LOOKING STATEMENTS

This announcement 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.

## ANNUAL GENERAL MEETING

The 2016 AGM of the Company will be held on Tuesday, 7 June 2016, and the notice of the 2016 AGM will be published and dispatched in the manner as required by the Listing Rules in due course.

## PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.evergreen-intl.com.

The 2015 annual report will also be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.evergreen-intl.com and will be dispatched to the shareholders of the Company.

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

Hong Kong, 31 March 2016

*As at the date of this announcement, the Board comprises Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen as the executive Directors, and Mr. Fong Wo, Felix, Mr. Kwok Chi Sun, Vincent, and Mr. Cheng King Hoi, Andrew as the independent non-executive Directors.*