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# 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 2014

### FINANCIAL HIGHLIGHTS

| | **2014** *RMB'million* | 2013 *RMB'million* | % *Change* |
|---|---|---|---|
| Revenue | **548.3** | 693.6 | -20.9% |
| Gross profit | **379.1** | 461.5 | -17.9% |
| (Loss)/profit attributable to ordinary equity holders of the Company | **(33.8)** | 76.8 | -144.0% |
| Basic (loss)/earning per share *(RMB cents)* | **(3.6)** | 8.1 | -144.4% |
| Proposed final dividend per share *(HK cents)* | **–** | 1.2 | -100.0% |
| Gross profit margin | **69.1%** | 66.5% | |
| Net (loss)/profit margin | **(6.2)%** | 11.1% | |
| Effective tax rate | **(118.1)%** | 30.2% | |
| Inventory turnover days | **700** | 497 | |
| Trade receivables turnover days | **84** | 81 | |
| Trade and bills payables turnover days | **87** | 76 | |
| For illustrative purpose only: | | | |
| Profit for the year, excluding the impairment of available-for-sale investment | | | |
| (Loss)/profit attributable to ordinary equity holders of the Company | **(33.8)** | 76.8 | -144.0% |
| Excluding the non-recurring item: | | | |
| Impairment of available-for-sale investment | **50.5** | – | |
| Profit for the year excluding the non-recurring item | **16.7** | 76.8 | -78.3% |
| Net profit margin | **3.0%** | 11.1% | |

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 2014, 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 2014*

| | Notes | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **REVENUE** | 4 | **548,328** | 693,617 |
| Cost of sales | | **(169,191)** | (232,130) |
| Gross profit | | **379,137** | 461,487 |
| Other income and gains | 4 | **17,284** | 20,151 |
| Selling and distribution expenses | | **(267,662)** | (307,877) |
| Administrative expenses | | **(60,601)** | (48,789) |
| Other expenses | | **(15,548)** | (6,318) |
| Impairment of available-for-sale investment | | **(50,502)** | – |
| Finance costs | 6 | **(17,598)** | (8,601) |
| **(LOSS)/PROFIT BEFORE TAX** | 5 | **(15,490)** | 110,053 |
| Income tax expense | 7 | **(18,295)** | (33,214) |
| **(LOSS)/PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY** | | **(33,785)** | 76,839 |
| **OTHER COMPREHENSIVE (LOSS)/INCOME** | | | |
| To be reclassified to profit or loss in Subsequent period: | | | |
| Available-for-sale investment: | | | |
| Change in fair value | | **436** | – |
| Reclassification adjustment for gain included in the consolidated statement of profit or loss — impairment loss | | **(436)** | – |
| | | **–** | – |
| Exchange differences on translation of operations outside Mainland China | | **(5,026)** | 4,188 |
| OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR | | **(5,026)** | 4,188 |
| **TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR** | | **(38,811)** | 81,027 |
| **(LOSS)/EARNING PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY** | | | |
| Basic and diluted | 9 | **RMB(3.6) cents** | RMB8.1 cents |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*31 December 2014*

| | Notes | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **391,915** | 364,113 |
| Prepayments for non-current assets | | **–** | 68,000 |
| Available-for-sale investment | | **–** | – |
| Goodwill | | **1,880** | 1,880 |
| Other intangible assets | | **3,683** | 3,592 |
| Long-term lease prepayment | | **67,292** | – |
| Deferred tax assets | | **10,783** | 7,096 |
| Pledged deposits | | **100,000** | – |
| Total non-current assets | | **575,553** | 444,681 |
| **CURRENT ASSETS** | | | |
| Inventories | *10* | **309,472** | 339,597 |
| Trade receivables | *11* | **92,226** | 159,606 |
| Prepayments, deposits and other receivables | | **66,831** | 104,213 |
| Pledged deposits | | **132,350** | 207,718 |
| Cash and cash equivalents | | **695,591** | 619,747 |
| Total current assets | | **1,296,470** | 1,430,881 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | *12* | **21,704** | 59,016 |
| Other payables and accruals | | **47,153** | 40,527 |
| Interest-bearing bank borrowings | | **473,965** | 365,560 |
| Tax payable | | **13,174** | 42,198 |
| Total current liabilities | | **555,996** | 507,301 |
| **NET CURRENT ASSETS** | | **740,474** | 923,580 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,316,027** | 1,368,261 |
| Net assets | | **1,316,027** | 1,368,261 |
| **EQUITY** | | | |
| **Equity attributable to ordinary equity holders of the Company** | | | |
| Issued capital | | **829** | 829 |
| Reserves | | **1,315,198** | 1,358,914 |
| Proposed final dividend | *8* | **–** | 8,518 |
| Total equity | | **1,316,027** | 1,368,261 |

*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**

The 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 2014. 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 owners 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.

## 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, 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:

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Revenue** | | |
| Sale of goods | **548,328** | 693,617 |
| **Other income and gains** | | |
| Bank interest income | **16,389** | 18,172 |
| Foreign exchange gains, net | **–** | 1,350 |
| Others | **895** | 629 |
| | **17,284** | 20,151 |

## 5. (LOSS)/PROFIT BEFORE TAX

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

| | 2014<br>*RMB'000* | 2013<br>*RMB'000* |
|---|---|---|
| Cost of inventories sold | **169,191** | 232,130 |
| Depreciation | **20,785** | 23,523 |
| Amortisation of long-term lease prepayment | **708** | – |
| Operating lease rental expense: | | |
| Minimum lease payments | **18,098** | 21,121 |
| Contingent rents | **129,362** | 150,679 |
| | **147,460** | 171,800 |
| Auditors' remuneration | **2,053** | 2,124 |
| Employee benefit expense (excluding directors' remuneration) | | |
| Wages and salaries | **81,220** | 79,651 |
| Pension scheme contributions | **9,761** | 9,270 |
| | **90,981** | 88,921 |
| Donations* | **–** | 1,700 |
| Loss on disposal of items of property, plant and equipment* | **638** | 132 |
| Foreign exchange losses, net* | **640** | – |
| Impairment of available-for-sale investment | **50,502** | – |
| Write-down of inventories provision* | **13,509** | 4,413 |

* These items are included in "Other expenses" in the consolidated statement of comprehensive income.

## 6. FINANCE COSTS

| | 2014<br>*RMB'000* | 2013<br>*RMB'000* |
|---|---|---|
| Interest on bank borrowings | **17,598** | 8,601 |

## 7. INCOME TAX EXPENSE

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Group** | | |
| Current — Hong Kong | **72** | 178 |
| Current — Macau | **–** | 547 |
| Current — Mainland China | **21,910** | 32,427 |
| Deferred | **(3,687)** | 62 |
| Total tax charge for the year | **18,295** | 33,214 |

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 2014 and 2013 since the applicable profits tax rate is zero.

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2014.

Macau profits tax has been provided at the rates ranging from 0% to 12% (2013: 0% to 12%) depending on the extent of estimated assessable profits arising in Macau during the year ended 31 December 2014.

The income tax provision of the Group in respect of its operations in Mainland China has been provided at the rate of 25% (2013: 25%) on the taxable profits for the year ended 31 December 2014, based on the existing legislation, interpretations and practices in respect thereof.

## 8. DIVIDENDS

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interim — Nil (2013: RMB3.6 cents) per ordinary share | **–** | 34,158 |
| Proposed final — Nil (2013: RMB0.9 cents) per ordinary share | **–** | 8,518 |
| | **–** | 42,676 |

The Board did not recommend the payment of a final dividend for the year ended 31 December 2014 to the shareholders of the Company.

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

The calculation of basic (loss)/earning per share is based on the (loss)/profit attributable to ordinary equity holders of the Company, and the adjusted weighted average number of shares in issue of 941,887,470 (2013: 948,485,426) during the year ended 31 December 2014, which reflects the shares held for the share award plan of the Company (the "Share Award Plan") during the year.

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

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **(Loss)/earning** | | |
| (Loss)/profit attributable to ordinary equity holders of the Company, used in the basic (loss)/earning per share calculation | **(33,785)** | 76,839 |

| | **2014** | 2013 |
|---|---|---|
| | **'000** | '000 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue | **946,390** | 948,826 |
| Weighted average number of shares purchased for the Share Award Plan | **(4,503)** | (340) |
| Adjusted weighted average number of ordinary shares in issue used in the basic earning per share calculation | **941,887** | 948,486 |

No adjustment has been made to the basic (loss)/earning per share amounts presented for the years ended 31 December 2014 and 2013 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the years.

## 10. INVENTORIES

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Raw materials | **11,054** | 11,558 |
| Work in progress | **4,063** | 3,108 |
| Finished goods | **294,355** | 324,931 |
| | **309,472** | 339,597 |

## 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 of the Group. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

| | **Group** | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Within 1 month | **77,315** | 104,026 |
| 1 to 3 months | **8,992** | 21,534 |
| 3 to 6 months | **4,111** | 29,368 |
| 6 months to 1 year | **1,072** | 4,179 |
| Over 1 year | **736** | 499 |
| | **92,226** | 159,606 |

## 12. TRADE AND BILLS PAYABLES

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

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 month | **7,455** | 7,108 |
| 1 to 3 months | **6,672** | 16,605 |
| 3 to 6 months | **3,631** | 32,746 |
| 6 months to 1 year | **1,045** | 1,721 |
| Over 1 year | **2,901** | 836 |
| | **21,704** | 59,016 |

Trade payables of the Group are non-interest-bearing and are normally settled on terms of three months, extending to longer periods with those long standing suppliers. The carrying amounts of the trade payables approximate to their fair values.

Included in trade and bills payables as at 31 December 2013 were bills payables of RMB13,872,000, which were secured by the pledged deposits of RMB4,618,000. There were no outstanding bills payable as at 31 December 2014 and the related pledged deposits of RMB2,350,000 were released in January 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Review

In 2014, the global economic environment remained complicated and volatile, while China's economy has shifted to moderate growth instead of long persistent rapid expansion. The Chinese government continued to carry out various measures to restructure and reform its economy, amid the risk of economic slowdown in Mainland China. In addition, the Chinese government stimulated the economy by reducing interest rates for the first time since 2012.

According to the National Bureau of Statistics of China, the gross domestic product ("GDP") of China in 2014 increased at a rate of 7.4% on a year-on-year basis and reached RMB63.6 trillion. At the total retail sales of consumer goods in China in 2014 amounted to RMB26.2 trillion, representing an increase of 12.0% compared to that of last year. However, the growth rate was 1.1 percentage points lower than that of last year. The total retail sales of consumer goods realised in urban area amounted to RMB22.6 trillion representing a year-on-year increase of 11.8%, which was 1.1 percentage points lower than that of last year. Moreover, the total sales of garments, footwear, hats and knitwear amounted to RMB1,256.3 billion, representing a year-on-year increase of 10.9%. However, the growth rate was 0.7 percentage points lower than that in 2013. The retail market remained sluggish during the year. In particular, the consumer sentiment in high-end retail sector remained weak as a result of the unfavorable economic environment as well as government policies and measures.

In view of the challenging economic and market environment, in particular in menswear industry, 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 year, 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.

### Financial Review

During the year ended 31 December 2014, the Group recorded an aggregate turnover of approximately RMB548,328,000 (2013: RMB693,617,000), representing a decrease of approximately 20.9% compared to that of last year. Gross profit decreased from RMB461,487,000 for the year ended 31 December 2013 to RMB379,137,000 for the year ended 31 December 2014, representing a year-on-year decrease of about 17.9%. Gross profit margin improved from 66.5% for the year ended 31 December 2013 to 69.1% for the year ended 31 December 2014. The Group recorded a loss attributable to ordinary equity holders of the Company of RMB33,785,000 for the year ended 31 December 2014 (2013: profit attributable to ordinary equity holders of the Company of RMB76,839,000) and net loss margin for the year ended 31 December 2014 of 6.2% as compared to a net profit margin of 11.1% for the year ended 31 December 2013. The loss was mainly attributable to the recognition of non-recurring impairment loss of RMB50,502,000 on the carrying amount of certain available-for-sale investment. Excluding the non-recurring impairment loss, the profit for the year ended 31 December 2014 would have been RMB16,717,000 (2013: RMB76,839,000) with a net profit margin of 3.0% (2013: 11.1%), the decrease in which was mainly the result of the decrease in revenue, the increase in administrative and other expenses and the increase in finance costs.

**Turnover**

| | **2014** | | 2013 | | Change |
|---|---|---|---|---|---|
| | ***RMB'000*** | ***% of turnover*** | *RMB'000* | *% of turnover* | *%* |
| ***V.E. DELURE*** | | | | | |
| Self-operated stores | **319,407** | **58.3%** | 382,678 | 55.2% | -16.5% |
| Distributors | **134,197** | **24.5%** | 162,079 | 23.3% | -17.2% |
| Corporate sales | **5,719** | **1.0%** | 6,073 | 0.9% | -5.8% |
| | **459,323** | **83.8%** | 550,830 | 79.4% | -16.6% |
| ***TESTANTIN*** | | | | | |
| Self-operated stores | **57,783** | **10.5%** | 91,024 | 13.1% | -36.5% |
| Distributors | **14,903** | **2.7%** | 26,082 | 3.8% | -42.9% |
| | **72,686** | **13.2%** | 117,106 | 16.9% | -37.9% |
| Licensed brands | **16,319** | **3.0%** | 25,681 | 3.7% | -36.5% |
| | **548,328** | | 693,617 | | -20.9% |

The total turnover of the Group for the year ended 31 December 2014 decreased by 20.9% to approximately RMB548,328,000 (2013: RMB693,617,000). The decrease in turnover was mainly due to the decrease in sales of ***V.E. DELURE, TESTANTIN*** and the licensed brands as a result of the overall weak and sluggish retail market and rapid growth of e-Commerce.

Turnover of the Group for the year ended 31 December 2014 comprised sales from self-operated stores of about RMB377,190,000 (2013: RMB473,702,000), sales to distributors of RMB149,100,000 (2013: RMB188,161,000), corporate sales of RMB5,719,000 (2013: RMB6,073,000) and sales from the licensed brands business of RMB16,319,000 (2013: RMB25,681,000).

The aggregate sales from self-operated stores for the year ended 31 December 2014 decreased by 20.4% as compared to that of last year, and accounted for 68.8% (2013: 68.3%) of the total turnover under the current challenging retail environment. The aggregate sales to distributors for the year ended 31 December 2014 also recorded a decrease of 20.8% as compared to that of last year and accounted for about 27.2% (2013: 27.1%) of the total turnover, which mainly reflected that the distributors remained uncertain and cautious towards the retail market in the PRC.

*Turnover by Region*

| | 2014 | | 2013 | | Change |
|---|---|---|---|---|---|
| | ***RMB'000*** | ***% of turnover*** | *RMB'000* | *% of turnover* | *%* |
| ***V.E. DELURE*** | | | | | |
| Central China | **42,369** | **9.2%** | 40,418 | 7.3% | 4.8% |
| North Eastern China | **36,975** | **8.1%** | 53,462 | 9.7% | -30.8% |
| Eastern China | **61,320** | **13.4%** | 70,881 | 12.9% | -13.5% |
| North Western China | **56,636** | **12.3%** | 59,262 | 10.8% | -4.4% |
| Northern China | **94,565** | **20.6%** | 106,832 | 19.4% | -11.5% |
| South Western China | **60,791** | **13.2%** | 71,688 | 13.0% | -15.2% |
| Southern China | **94,682** | **20.6%** | 128,483 | 23.3% | -26.3% |
| Hong Kong and Macau | **11,985** | **2.6%** | 19,804 | 3.6% | -39.5% |
| Total | **459,323** | | 550,830 | | -16.6% |

| | 2014 | | 2013 | | Change |
|---|---|---|---|---|---|
| | ***RMB'000*** | ***% of turnover*** | *RMB'000* | *% of turnover* | *%* |
| ***TESTANTIN*** | | | | | |
| Central China | **4,149** | **5.7%** | 4,077 | 3.5% | 1.8% |
| North Eastern China | **6,269** | **8.6%** | 12,561 | 10.7% | -50.1% |
| Eastern China | **6,226** | **8.6%** | 9,585 | 8.2% | -35.0% |
| North Western China | **7,229** | **9.9%** | 15,643 | 13.4% | -53.8% |
| Northern China | **3,636** | **5.0%** | 7,298 | 6.2% | -50.2% |
| South Western China | **15,313** | **21.1%** | 20,956 | 17.9% | -26.9% |
| Southern China | **21,131** | **29.1%** | 28,219 | 24.1% | -25.1% |
| Hong Kong and Macau | **8,733** | **12.0%** | 18,767 | 16.0% | -53.5% |
| Total | **72,686** | | 117,106 | | -37.9% |

The sales from ***V.E. DELURE*** in the Eastern, Northern and Southern PRC for the year ended 31 December 2014 accounted for 54.6% (2013: 55.6%) of the total brand revenue, which was mainly attributable to the location of ***V.E. DELURE*** retail stores in major cities such as Shanghai, Beijing, Tianjin and Guangzhou, where the Group targeted ***V.E. DELURE*** customers are relatively more affluent with strong purchasing power.

The sales from ***TESTANTIN*** in the North Eastern, South Western, Southern and North Western PRC for the year ended 31 December 2014 accounted for 68.7% (2013: 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.

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

| | **2014**<br>***RMB'000*** | 2013<br>*RMB'000* |
|---|---|---|
| ***V.E. DELURE*** | | |
| Apparel(1) | **304,256** | 360,438 |
| Accessories(2) | **15,151** | 22,240 |
| | **319,407** | 382,678 |
| ***TESTANTIN*** | | |
| Apparel(1) | **55,628** | 85,789 |
| Accessories(2) | **2,155** | 5,235 |
| | **57,783** | 91,024 |

| | **2014**<br>**Unit sold**<br>***pcs*** | 2013<br>Unit sold<br>*pcs* |
|---|---|---|
| **Sales Volume** | | |
| ***V.E. DELURE*** | | |
| Apparel(1) | **187,737** | 209,105 |
| Accessories(2) | **48,694** | 113,621 |
| ***TESTANTIN*** | | |
| Apparel(1) | **64,829** | 105,329 |
| Accessories(2) | **12,384** | 29,239 |

| | **2014**<br>***RMB*** | 2013<br>*RMB* |
|---|---|---|
| **Average Selling Price** | | |
| ***V.E. DELURE*** | | |
| Apparel(1) | **1,621** | 1,724 |
| Accessories(2) | **311** | 196 |
| ***TESTANTIN*** | | |
| Apparel(1) | **858** | 814 |
| Accessories(2) | **174** | 179 |

*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 27.1% for the year ended 31 December 2014 to approximately RMB169,191,000 (2013: RMB232,130,000). 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 purchased childrenswear and accessories from ***Roberto Cavalli Junior*** for its new business units starting from 2014. 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 RMB82,350,000 or 17.9%, from RMB461,487,000 for the year ended 31 December 2013 to RMB379,137,000 for the year ended 31 December 2014.

During the year, 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 improve gross profit margin of 2.6 percentage points from 66.5% to 69.1% for the year ended 31 December 2014.

**Other Income and Gains**

During the year, other income and gains mainly consisted of bank interest income of RMB16,389,000 (2013: RMB18,172,000).

**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 RMB129,362,000 (2013: RMB150,679,000), advertising and promotion expenses of approximately RMB19,983,000 (2013: RMB30,936,000), and staff costs of approximately RMB70,035,000 (2013: RMB68,467,000). During the year, the total selling and distribution expenses represented about 48.8% (2013: 44.4%) of the total turnover which was mainly due to increase in staff cost.

**Administrative Expenses**

Administrative expenses increased from RMB48,789,000 for the year ended 31 December 2013 to RMB60,601,000 for the year ended 31 December 2014, representing an increase of 24.2%. During the year, administrative expenses accounted for 11.1% (2013: 7.0%) of turnover. The increase in administration expenses was mainly due to the increase in staff costs in connection with the Group's business expansion and development.

**Finance Costs**

Finance costs for the year ended 31 December 2014 mainly consisted of interest expenses on interest-bearing bank borrowings for supporting the Group's business expansion and development.

**Effective Tax Rate**

During the year, the effective tax rate of the Group was -118.1% (2013: 30.2%).

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

The Group recorded a loss attributable to ordinary equity holders of the Company of RMB33,785,000 for the year ended 31 December 2014 (2013: profit attributable to ordinary equity holder of the Company of RMB76,839,000) and net loss margin for the year ended 31 December 2014 of 6.2% as compared to a net profit margin of 11.1% for the year ended 31 December 2013. Loss per share of RMB3.6 cents was recorded for the year ended 31 December 2014 (2013: earnings per share of RMB8.1 cents). The loss was mainly attributable to the recognition of non-recurring impairment loss of RMB50,502,000 on the carrying amount of certain available-for-sale investment. Excluding the non-recurring impairment loss, the profit for the year ended 31 December 2014 would have been RMB16,717,000 (2013: RMB76,839,000) with a net profit margin of 3.0% (2013: 11.1%), the decrease in which was mainly the result of the decrease in revenue, the increase in administrative and other expenses and the increase in finance costs.

**Business Review**

***Proprietary Brands***

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

The Group's two proprietary brands, ***V.E. DELURE*** and ***TESTANTIN***, recorded negative same store sales growth for the self-operated stores business of 15% and 17%, respectively, during the year.

***Retail and Distribution Network***

*Number of stores of proprietary brands by region*

| | **2014** | 2013 |
|---|---|---|
| Central China | **42** | 36 |
| North Eastern China | **34** | 39 |
| Eastern China | **54** | 62 |
| North Western China | **43** | 48 |
| Northern China | **63** | 68 |
| South Western China | **60** | 77 |
| Southern China | **70** | 86 |
| Hong Kong and Macau | **2** | 4 |
| | **368** | 420 |

During the year, the Group improved its retail and sales network according to the prevailing challenging retail environment and 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 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 penetrate into fragmented menswear market in these cities with lower capital expenditure.

In view of the challenging retail environment and weak consumer sentiment, the Group prudently adjusted the store opening plan in response to the challenging market conditions and retail environment and consolidated stores with low efficiency.

As at 31 December 2014, the Group had a total of 368 stores in 30 provinces and autonomous regions, covering 171 cities in China. There were 135 self-operated stores of ***V.E. DELURE*** in 50 cities in China whilst there were 42 self-operated stores of ***TESTANTIN*** in 22 cities in China.

In addition, the total number of distributors of the Group amounted to 92, which operated 160 franchised stores of ***V.E. DELURE*** in 113 cities and 31 franchised stores of ***TESTANTIN***, in 30 cities, respectively.

*Number of stores of proprietary brands by city tier*

| | **2014** | 2013 | *Changes* |
|---|---|---|---|
| ***V.E. DELURE*** | | | |
| **Self-operated stores** | | | |
| First-tier | **23** | 26 | -3 |
| Second-tier | **74** | 74 | – |
| Third-tier | **35** | 47 | -12 |
| Fourth-tier | **3** | 4 | -1 |
| | **135** | 151 | -16 |
| **Franchised stores** | | | |
| First-tier | **–** | – | – |
| Second-tier | **18** | 21 | -3 |
| Third-tier | **100** | 105 | -5 |
| Fourth-tier | **42** | 44 | -2 |
| | **160** | 170 | -10 |
| | **295** | 321 | -26 |
| ***TESTANTIN*** | | | |
| **Self-operated stores** | | | |
| First-tier | **8** | 10 | -2 |
| Second-tier | **22** | 30 | -8 |
| Third-tier | **11** | 14 | -3 |
| Fourth-tier | **1** | – | +1 |
| | **42** | 54 | -12 |
| **Franchised stores** | | | |
| First-tier | **–** | – | – |
| Second-tier | **1** | 1 | – |
| Third-tier | **15** | 25 | -10 |
| Fourth-tier | **15** | 19 | -4 |
| | **31** | 45 | -14 |
| | **73** | 99 | -26 |
| **TOTAL** | **368** | 420 | -52 |

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 2014, the number of ***V.E. DELURE*** self-operated stores decreased from 151 to 135 as a result of the consolidation of inefficient stores. Franchised stores operated by the distributors of the Group decreased from 170 to 160.

The total area of retail outlets of self-operated stores of ***V.E. DELURE*** as at 31 December 2014 was approximately 22,626 square meters (2013: 24,605 square meters), representing a decrease of 8.0% as compared to that of last year.

In 2014, the number of ***TESTANTIN*** self-operated stores decreased from 54 to 42 whilst the number of franchised stores decreased from 45 to 31 in order to consolidate inefficient stores and thus facilitate long-term healthy growth of ***TESTANTIN***.

The total area of retail outlets of self-operated stores of ***TESTANTIN*** as at 31 December 2014 was approximately 4,733 square meters (2013: 6,364 square meters), representing a decrease of 25.6% as compared to that of last year.

**Licensed brands**

In June 2014, the Group announced that it was exploring the prospects of developing a new business segment of the retailing and trading of high-end children's wear and accessories in Hong Kong, Macau and Mainland China in order to diversify its business, product portfolio and brand portfolio in the apparel and accessory industries. In August 2014, the Group secured the exclusive distribution right for ***Roberto Cavalli Junior*** children's wear and accessories products in Hong Kong and opened a ***Roberto Cavalli Junior*** store of approximately 680 sq.ft. at Ocean Terminal, Harbour City, Hong Kong. This store is the first flagship store of ***Roberto Cavalli Junior*** in Asia and would be the showcase of ***Roberto Cavalli Junior*** for Hong Kong, Macau and Mainland China markets. The Group will continue to discuss with a number of high-end international fashion brands regarding their licensing rights for the retail and wholesale of their children's wear and accessories in Hong Kong, Macau and Mainland China to the Group.

**Sales Fair**

***V.E. DELURE*** and ***TESTANTIN*** 2015 Spring and Summer Collections Sales Fair was held in July 2014. The total order amount from franchised stores operated by the distributors of the Group decreased by 25% as compared to that of last year. Delivery of the orders has commenced in January 2015.

***V.E. DELURE*** 2015 Fall and Winter Collections Sales Fair was held in January 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 mainly because the distributors remain uncertain and cautious towards the retail market. Delivery of the orders will commence in August 2015.

**Inventory Management**

The Group has an effective inventory management system. In particular, the Group has adopted a flat distributor model comprising only one layer of 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 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 year, the inventory turnover days of the Group increased from 497 days to 700 days, which was mainly due to the decrease in turnover generated by self-operated stores and negative same store sales growth.

**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 publicise its brand theme.

In 2014, the total expenditure of the Group in marketing and promotional activities amounted to approximately RMB20,008,000 (2013: RMB32,636,000), accounting for approximately 3.6% (2013: 4.7%) 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 year, the Group organised regular advertising and promotional activities through different channels, such as advertisements in fashion magazines, promotional activities in the internet and other media, and large advertising billboards 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 year, ***V.E. DELURE*** and ***TESTANTIN*** 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.

Moreover, the Group is the exclusive sponsor of the formal attire of the PRC national table tennis team and badminton team, both of which will last till the end of 2015.

Apart from routine advertising and promotional activities, corporate social responsibility is one of the key values of the Group. 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 social responsible enterprise.

**Product Design and Development**

Amid the continual 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 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 its competitiveness. The Group has experienced, innovative and independent design teams for ***V.E. DELURE*** and ***TESTANTIN***, respectively, which were led by 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 their carrying value.

Inventory turnover days was 700 days for the year ended 31 December 2014, representing an increase of 203 days as compared to 497 days for the year ended 31 December 2013. The increase in inventory turnover days was mainly due to the decrease in turnover generated by the self-operated stores and negative same store sales growth.

Trade receivables represented the receivables for goods sold to the distributors for franchised stores and the receivables from department stores and shopping malls for self-operated stores. Trade receivables turnover days was 84 days for the year ended 31 December 2014 (2013: 81 days). The slight increase in trade receivables turnover days was mainly due to the extended period of payment by the distributors.

Trade and bills payables represented payables to suppliers and outsourced manufacturers. Trade and bills payables turnover days increased from 76 days for the year ended 31 December 2013 to 87 days for the year ended 31 December 2014.

**Use of Proceeds**

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

*Use of funds raised*

| | Percentage to total amount | Net proceeds<br>*RMB'million* | Utilised amount (as at 31 December 2014)<br>*RMB'million* | Unutilised amount (as at 31 December 2014)<br>*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 | 68.1 | 3.1 |
| Upgrade of ERP system and database management system | 5% | 50.9 | 3.8 | 47.1 |
| 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 | 3.5 | 47.4 |
| General working capital | 8% | 81.4 | 77.5 | 3.9 |
| | 100% | 1,017.4 | 708.2 | 309.2 |

**Liquidity and Financial Resources**

As at 31 December 2014, the Group had cash and cash equivalents of RMB695,591,000 (2013: RMB619,747,000). In addition, the Group had pledged deposits of RMB232,350,000 (2013: RMB207,718,000). As at 31 December 2014, the Group had interest-bearing bank borrowings of an aggregate amount of RMB473,965,000 (2013: RMB365,560,000), which were denominated in RMB, Hong Kong dollars and US dollars, repayable within one year or on demand and interest-bearing at rates ranging from 1.68% to 6.3% per annum and variable rate. The gearing ratio, calculated as total bank borrowings divided by equity attributable to the shareholders of the Company, amounted to 36.0% (2013: 26.7%).

**Contingent Liabilities**

As at 31 December 2014, the Group had no material contingent liabilities.

**Pledge of Assets**

As at 31 December 2014, deposits of RMB232,350,000 (2013: RMB207,718,000) were pledged as security for the bank borrowings and bank acceptance bills of the Group (31 December 2013: 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. The Group purchases some raw materials and outsourced products in Euros and U.S. dollars. Depreciation of Renminbi against these foreign currencies would increase the cost of sales of the Group, resulting in an impact on the results of operations of the Group.

The Group has not entered into any foreign exchange contracts to hedge against the fluctuations in exchange rate between 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.

**Significant Investment Held**

During the year, the Group subscribed for 29,400,000 ordinary shares of Fujian Nuoqi Co., Ltd. ("Nuoqi"), a company listed on the Stock Exchange in Hong Kong on 9 January 2014, as a cornerstone investor, at a consideration of RMB50,502,000. The market value of the Nuoqi declined significantly and the trading of its shares on the Stock Exchange had been suspended since 23 July 2014. The Directors consider that the significant and prolonged decline in market value of the equity investments in Nuoqi indicates that the listed equity investment has been impaired. Impairment loss of RMB50,502,000 was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2014.

**Employee's Benefits**

The Group offered its staff competitive remuneration schemes and training and development opportunities. The Group also provided in-house sales and services coaching in order to develop human capital. In addition, discretionary bonuses and share options will be granted to eligible staff based on individual and the Group's performance as a means of rewarding and retaining high-calibre staff. Since the adoption of the share option scheme on 8 October 2010 (which was terminated on 6 January 2014) and the adoption of the new share option scheme on 6 January 2014 ("New Share Option Scheme") and up to 31 December 2014, no option has been granted by the Company.

On 23 January 2015, the Company granted share options (the "Options") to certain key employees and the Directors under the New Share Option Scheme, to subscribe for a total of 52,900,000 new shares of the Company at an exercise price of HK$0.78 per share.

Among the Options granted, Options which entitle the subscription of a total of 20,700,000 new shares of the Company were granted to the Directors. The Options granted to the executive Directors and the employees shall vest on 30 April 2016, 2017 and 2018 subject to the fulfillment of performance targets, and the Options granted to independent non-executive Directors shall vest on 30 April 2015.

As at 31 December 2014, the total number of full-time employees of the Group was 1,231. The total staff costs for the year ended 31 December 2014 amounted to approximately RMB90,981,000 (excluding Director's and chief executive's remuneration) (2013: RMB88,921,000).

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 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 (as defined in 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 (the "Committee") may, at any time and at its absolute discretion, make an award to any Eligible Person and determine the number of shares of the Company to be awarded to him on such terms and subject to such vesting conditions, if any, as the Committee thinks fit.

Since the Effective Date and up to 31 December 2014, no awards had been granted pursuant to the Share Award Plan.

On 23 January 2015, the Committee resolved to grant share awards in respect of a total of 10,250,000 shares of the Company 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 shall vest in the award grantees on 30 April 2015 and 30 April 2016, respectively.

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

In addition, as supported by the continuously increasing 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. Moreover, the Group will continue to enhance the brand equity ***V.E. DELURE*** and ***TESTANTIN*** by focusing on the long-term and sustainable development, increasing and retaining VIP customers and executing specific advertising and promotional activities.

Under the prevailing challenging economic environment, the Group will prudently enhance its retail network. The Group plans to open approximately 10 new retail stores for its proprietary brands in 2015, of which approximately 8 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 of the steady and healthy growth of menswear market in China, especially the mid to high-end segments.

On the other hand, in order to achieve healthy and sustainable growth in the long run, the Group has been looking for new business opportunities in the apparel and accessory product industries. In 2015, the Group will continue to discuss with a number of high-end international fashion brands regarding licensing rights for the retail and wholesale of their children's wear and accessories in Hong Kong, Macau and Mainland China. The commencement of this new business segment marked by the first ***Roberto Cavalli Junior*** store in Hong Kong in August 2014.

The Group believes that this 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 leverage foundation of the existing menswear business of the Group and is therefore beneficial to the Group and its shareholders as a whole in the long run.

## FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: HK$1.2 cents per ordinary shares).

## 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, 9 June 2015 (the "2015 AGM"), the register of members of the Company will be closed from Friday, 5 June 2015 to Tuesday, 9 June 2015, both days inclusive. In order to qualify for attending and voting at the 2015 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, 4 June 2015.

## 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 2014, except that the trustee of the Share Award Plan, pursuant to the terms of the trust deed of the Share Award Plan, purchased a total of 7,476,000 shares of the Company on the Stock Exchange at a total consideration of approximately HK$9,997,845 (equivalent to RMB7,892,051) (including transaction costs).

## SUBSEQUENT EVENTS

Save as mentioned in the "Employee's Benefits" section, there are no material subsequent events undertaken by the Company or by the Group after 31 December 2014.

## 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") ("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 2014.

## 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 2014.

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 2014.

## 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 2014 have been reviewed by the Audit Committee.

## SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in this announcement have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year.

## 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 2015 AGM of the Company will be held on Tuesday, 9 June 2015, and the notice of 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 2014 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, 27 March 2015

*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.*