



# Evergreen International Holdings Limited

Stock code: 238

Annual Results 2011

March 2012



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- FINANCIAL HIGHLIGHTS
- BUSINESS & OPERATIONAL REVIEW
- PROSPECTS & STRATEGIES
- Q&A

# RESULTS HIGHLIGHTS

V.E. DELURE

*Testantin*  *Collection*

- Revenue reached RMB757.4 M, up 26.2% y-o-y
- Gross profit margin increased by 1.2 percentage points to 65.4%
- Profit attributable to shareholders rose by 24.2% to RMB190.1M
- Net cash of RMB1,051 M as at 31 Dec 2011
- Total number of stores increased by 97 stores to 422
- The Board declared a final dividend of HK8.6 cents (equivalent to RMB7 cents) per share and a special dividend of HK8.6 cents (equivalent to RMB7 cents) per share for the year



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# FINANCIAL HIGHLIGHTS

V.E. DELURE

Testantin  Collection

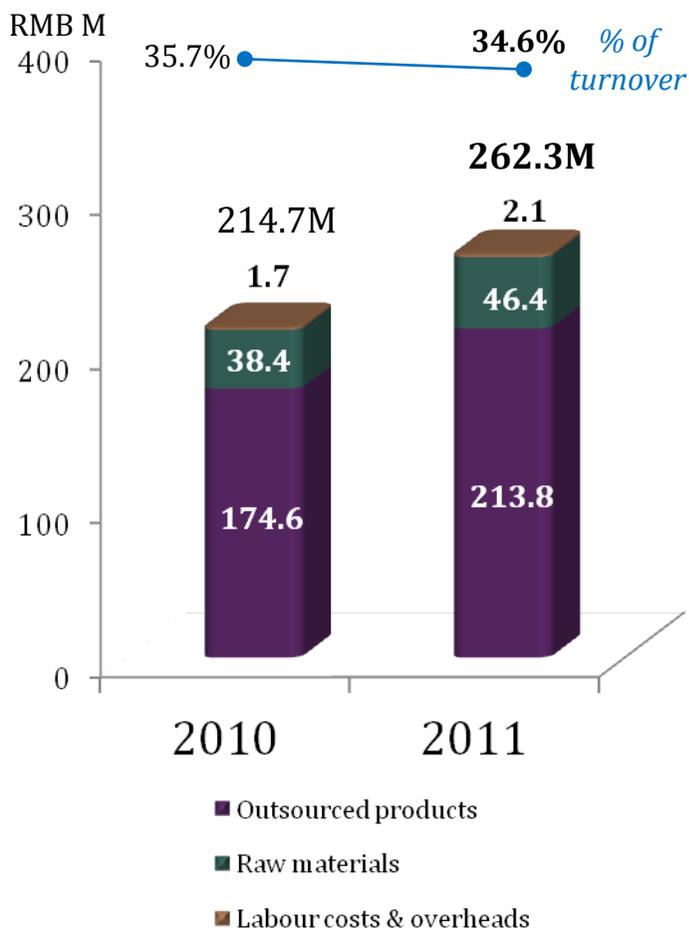
| (RMB million)                              | Year ended 31 December |              |          |
|--|------------------------|--------------|----------|
|  | 2010                   | 2011         | Change   |
| <b>Revenue</b>                             | 600.1                  | <b>757.4</b> | +26.2%   |
| <b>Gross profit</b>                        | 385.4                  | <b>495.1</b> | +28.5%   |
| <i>Gross margin (%)</i>                    | 64.2%                  | <b>65.4%</b> | +1.2ppt  |
| <b>EBITDA</b>                              | 194.4                  | <b>268.0</b> | +37.9%   |
| <i>EBITDA margin (%)</i>                   | 32.4%                  | <b>35.4%</b> | +3.0ppt  |
| <b>Profit attributable to shareholders</b> | 153.0                  | <b>190.1</b> | +24.2%   |
| <i>Net margin (%)</i>                      | 25.5%                  | <b>25.1%</b> | -0.4ppt  |
| <b>EPS* – Basic (RMB cents)</b>            | 23.2                   | <b>19.7</b>  | -15.1%   |
| <b>Dividend per share (RMB cents)</b>      |                        |              |          |
| • Interim                                  | 6.4                    | <b>3.7</b>   | NA       |
| • Final                                    | 6.3                    | <b>7.0</b>   | +11.1%   |
| • Special final                            | --                     | <b>7.0</b>   | NA       |
| • Full-year                                | 12.7                   | <b>17.7</b>  | +39.4%   |
| <b>Dividend payout ratio</b>               | 54.7%                  | 89.9%        | +35.2ppt |
| <b>Effective tax rate</b>                  | 13.1%                  | 25.2%        | +12.1ppt |

# REVENUE ANALYSIS

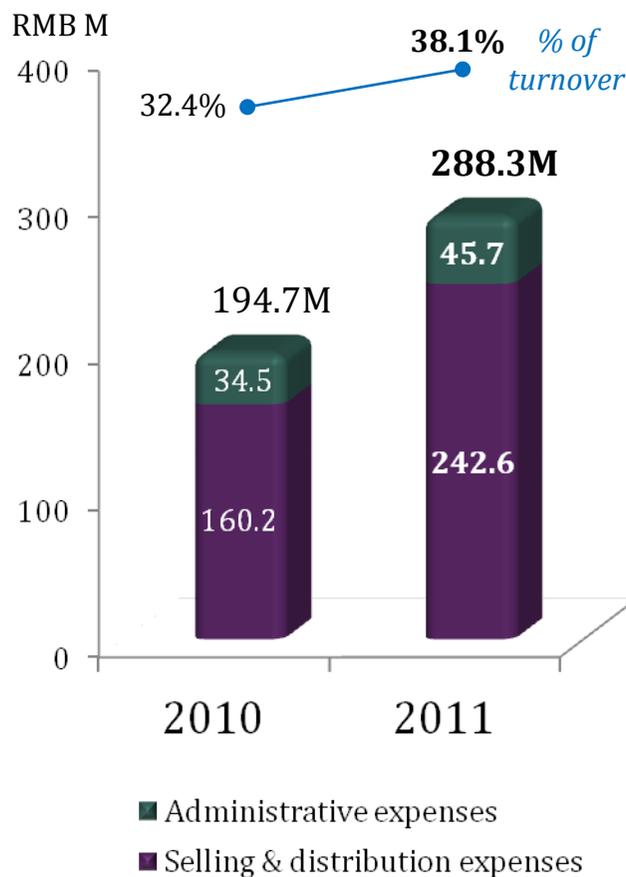


# EXPENSE ANALYSIS

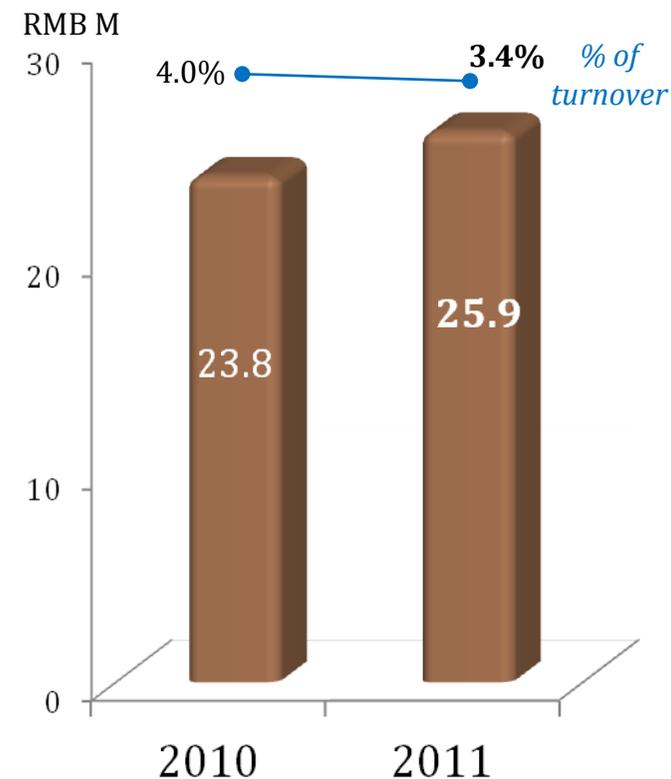
## Cost of sales



## SD&A



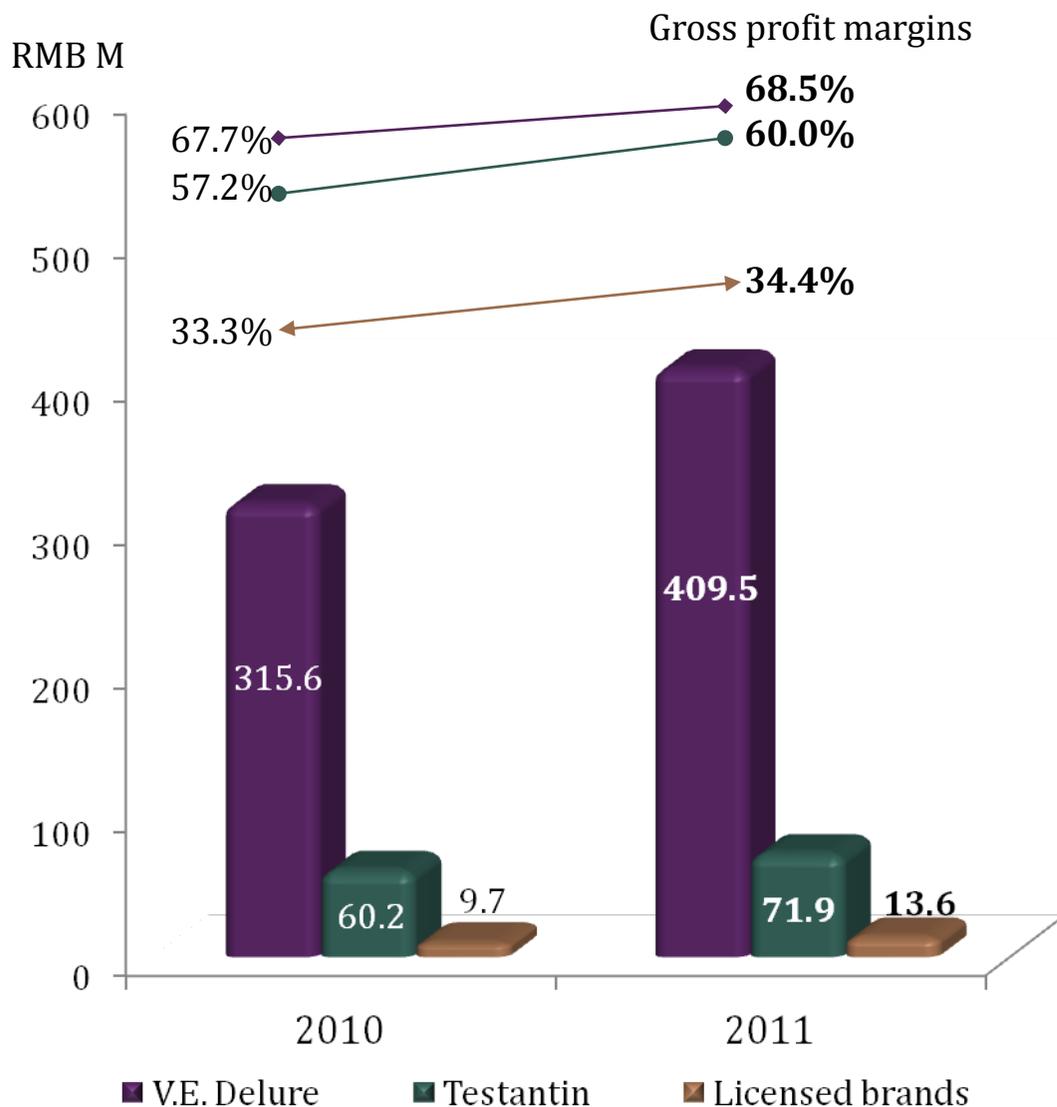
## A&P



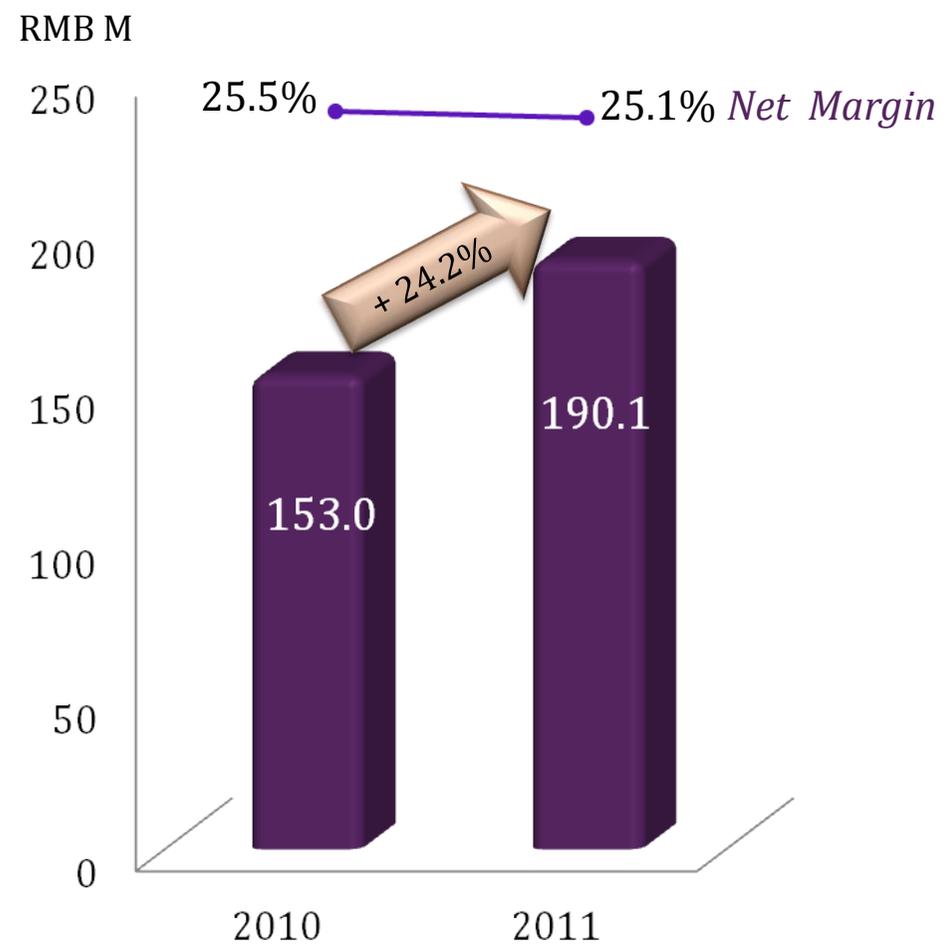
Includes media advertising expenses, promotion event expenses, sales fair & fashion show expenses and rental subsidies to distributors

# PROFIT & MARGIN

## Gross profit & margin



## Net profit & margin



# KEY FINANCIAL INDICATORS

## Financial position

|                                   | Year ended 31 December |                |          |
|-----------------------------------|------------------------|----------------|----------|
|                                   | 2010                   | 2011           | Change   |
| Trade receivables turnover days   | 62                     | <b>70</b>      | +8 days  |
| Trade payables turnover days      | 66                     | <b>79</b>      | +13 days |
| Inventory turnover days           | 281                    | <b>325</b>     | +44 days |
| <i>Exclude licensed brands</i>    | 264                    | <b>317</b>     | +53 days |
| Net working capital turnover days | 277                    | <b>316</b>     | +39 days |
| Cash and bank balances(RMB M)     | 1,138.0                | <b>1,050.7</b> | -7.7%    |
| NAV per share (HK\$)              | 1.79                   | <b>1.87</b>    | 4.5%     |
| Net cash per share (HK\$)         | 1.39                   | <b>1.36</b>    | -2.2%    |

## Cashflows

| (RMB M)              | Year ended 31 December |                |
|----------------------|------------------------|----------------|
|                      | 2010                   | 2011           |
| Operating cashflow   | 6.8                    | <b>144.3</b>   |
| Investing cashflow   | 103.6                  | <b>(131.3)</b> |
| Financing cashflow   | 1,015.4                | <b>(206.2)</b> |
| <b>Net cash flow</b> | 1,125.8                | <b>(193.2)</b> |

# USE OF PROCEEDS

V.E. DELURE

*Testantin*  *Collection*

|  | Planned %   | Amount of net proceeds (RMB M) | As at 31 December 2011  |                          |
|--|-------------|--------------------------------|-------------------------|--------------------------|
|  |             |                                | Utilized amount (RMB M) | Remaining amount (RMB M) |
| Expansion and improvement of retail network                      | 45%         | 457.8                          | 160.4                   | 297.4                    |
| Developing independent lines of branded apparels and accessories | 10%         | 101.7                          | --                      | 101.7                    |
| Acquisitions or licensing of additional brands                   | 20%         | 203.5                          | --                      | 203.5                    |
| Marketing and promotion activities                               | 7%          | 71.2                           | 7.2                     | 64.0                     |
| Upgrade of ERP system and database management system             | 5%          | 50.9                           | 0.6                     | 50.3                     |
| Hiring international design talent and design consultant firms   | 5%          | 50.9                           | 0.8                     | 50.1                     |
| General working capital  | 8%          | 81.4                           | --                      | 81.4                     |
| <b>TOTAL</b>   | <b>100%</b> | <b>1,107.4</b>                 | <b>169.0</b>            | <b>848.4</b>             |

# ASP, SALES VOLUME, SSSG

## Self-operated stores only

| <i>ASP of the apparel products (RMB)</i> | Year ended 31 December |              |           |
|--|------------------------|--------------|-----------|
|  | 2010                   | 2011         | Change(%) |
| V.E. Delure                              | 1,922                  | <b>2,054</b> | +6.9%     |
| Testantin                                | 1,065                  | <b>1,121</b> | +5.3%     |

| <i>Sales volume of apparel products (pcs)</i> | Year ended 31 December |                |           |
|---|------------------------|----------------|-----------|
|   | 2010                   | 2011           | Change(%) |
| V.E. Delure                                   | 117,652                | <b>157,264</b> | +33.7%    |
| Testantin                                     | 26,074                 | <b>47,483</b>  | +82.1%    |

| <i>SSSG</i> | Year ended 31 December |              |
|-------------|------------------------|--------------|
|             | 2010                   | 2011         |
| V.E. Delure | 33.6%                  | <b>18.5%</b> |
| Testantin   | 28.4%                  | <b>10.7%</b> |

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# NATIONWIDE RETAIL NETWORK

To cope with business expansion and raise operating efficiency, the Group has strategically used a combination of self-operated retail stores as well as distributors of various degrees to cater to different stages of development and target markets for each of its brands.

- **422** stores in **30** provinces, municipalities & autonomous regions with the coverage of **191** cities
- Net stores opened in 2011: **97**
- In **Aug 2011**, V.E. DELURE and TESTANTIN each launched a new store at the **Venetian Macao**

| Region            | No. of shops |            | % of revenue |               |
|-------------------|--------------|------------|--------------|---------------|
|                   | 2010         | 2011       | 2010         | 2011          |
| Central           | 33           | <b>34</b>  | 9.7%         | <b>8.2%</b>   |
| North Eastern     | 31           | <b>43</b>  | 6.8%         | <b>6.6%</b>   |
| East              | 62           | <b>70</b>  | 14.8%        | <b>13.1%</b>  |
| North Western     | 35           | <b>46</b>  | 8.0%         | <b>10.5%</b>  |
| North             | 58           | <b>72</b>  | 20.1%        | <b>20.1%</b>  |
| South Western     | 42           | <b>61</b>  | 11.9%        | <b>13.1%</b>  |
| South             | 61           | <b>91</b>  | 26.3%        | <b>24.7%</b>  |
| Hong Kong & Macau | 3            | <b>5</b>   | 2.6%         | <b>3.7%</b>   |
| <b>TOTAL</b>      | 325          | <b>422</b> | 100.0%       | <b>100.0%</b> |



V.E. Delure and Testantin stores in Venetian Macao

# NATION-WIDE RETAIL NETWORK BY BRANDS

V.E. DELURE

*Testantin*  *Collection*

## V.E. DELURE



| City          | 2010       | 2011       | Change<br>(no. of stores) |
|---------------|------------|------------|---------------------------|
| Self-operated | 92         | <b>127</b> | +35                       |
| Franchised    | 148        | <b>174</b> | +26                       |
| <b>TOTAL</b>  | <b>240</b> | <b>301</b> | <b>+61</b>                |

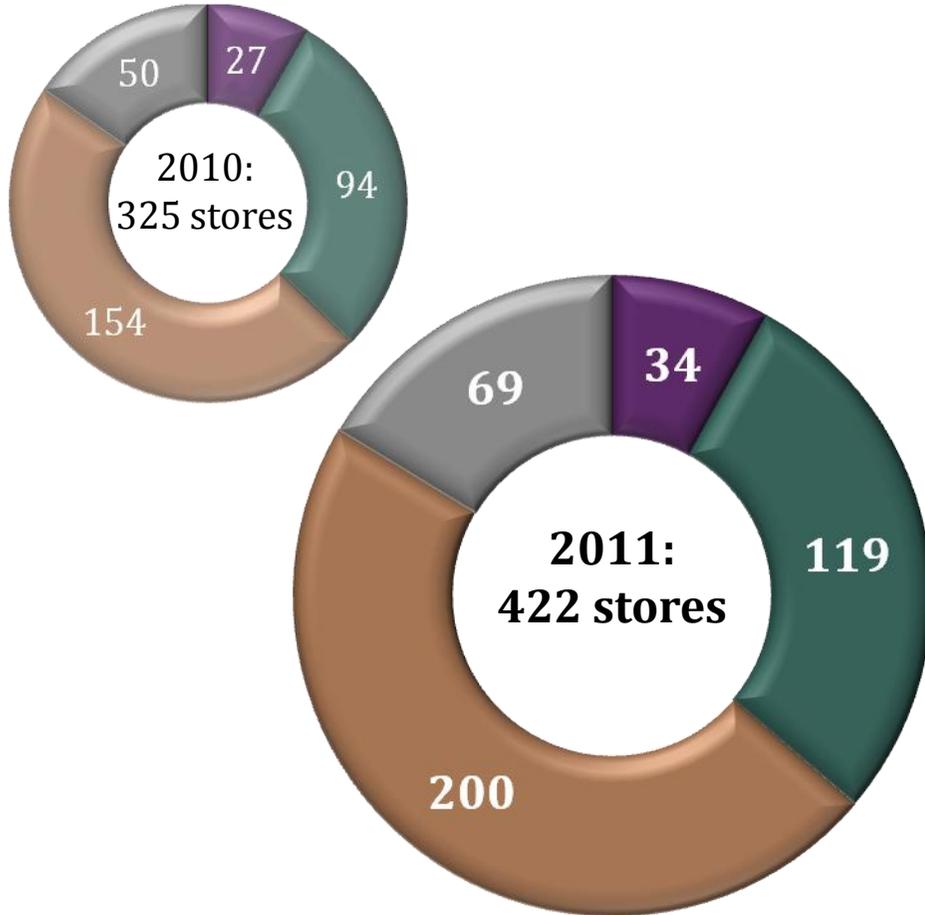
| City          | 2010      | 2011       | Change<br>(no. of stores) |
|---------------|-----------|------------|---------------------------|
| Self-operated | 19        | <b>44</b>  | +25                       |
| Franchised    | 66        | <b>77</b>  | +11                       |
| <b>TOTAL</b>  | <b>85</b> | <b>121</b> | <b>+36</b>                |

*Testantin*  *Collection*



# NATION-WIDE RETAIL NETWORK BY TIER OF CITIES

## Total number of stores by tier of cities



-  **Tier 1:** Beijing, Shanghai, Guangzhou, Hong Kong & Macau
-  **Tier 2:** Provincial capital cities excl. Beijing, Shanghai & Guangzhou
-  **Tier 3:** Prefecture-level cities excl. provincial capital cities
-  **Tier 4:** County-level cities

 Evergreen International



Yanshan Youyi, Beijing



Shin Kong Place, Beijing



Dream Island, Nanning



iSquare, Hong Kong



Gingko, Kunming



North Mall, Shijiazhuang



Springland, Wuxi



Golden Eagle, Nanjing



Maison Mode, Chongqing



Hisense Shopping Plaza  
Qingdao



Charter Shopping Center  
Shenyang



Hangzhou Tower  
Hangzhou

## Franchised stores only

| <i>(RMB)</i>  | 2011          | 2012          | % change    | Delivery commences |
|---------------|---------------|---------------|-------------|--------------------|
| Spring/Summer | 96.1M         | <b>128.4M</b> | +34%        | January            |
| Fall/Winter   | 135.3M        | <b>164.7M</b> | +22%        | August             |
| <b>Total</b>  | <b>231.4M</b> | <b>293.1M</b> | <b>+27%</b> |                    |



- Continued commitment to innovative product designs and strict quality control, and launched unique product portfolios for its dual proprietary brands, V.E. Delure and Testantin
- Design team at the Guangzhou headquarters expanded from 13 staff to 20 staff, which is led by an experienced supervisor with over ten years of design experience in the industry

*New "V.E. Series" under V.E. Delure to be launched in 2012 F/W*



# NEW RETAIL LAYOUT & DESIGN

- The Group considers stores as one of the important channels to promote and enhance brand image
- During the year, the two brands continued to carry out retail shop image upgrade work, broaden the display space, to further enhance its high-end brand image in order to more effectively promote the brands and attract more customers
- The new design and layout of Testantin and V.E. Delure was launched in 2011



*Various Testantin shops renovated in China displaying new design and layout*



*New V.E. Delure shop in Venetian Macao*



# MARKETING & PROMOTION

## Events

- Exclusive sponsorships of formal attire of the **PRC national table tennis team and badminton team** with sponsorship period until **2015**



- “**2011 V.E. Delure VIP members Equestrian Family Carnival**” (迪萊VIP馬術親子嘉年華) was held in Nanning on 9 July 2011 for its VIP customers’

- Jointly organized “**New Youth of Arts**” (藝術新青年) and “**Journey of Love & Art Dinner Gala**” (藝術愛心之旅大型慈善晚會) with the PRC national table tennis team, top international arts magazine “**BAZAAR Art**” 《芭莎藝術》 and renowned artists



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## SALES NETWORK EXPANSION

- Plan to have a net opening of **105** stores by the end of 2012, of which 45 would be self-operated stores, while 60 are franchised stores
- Self-operated stores in higher-tier cities help enhance brand influence in lower-tier cities
- **Overall strategy:** open self-operated stores in high-tier cities, while penetrating into the market of low-tier cities through franchised stores



# PROSPECTS (cont'd)

## OTHER STRATEGIES

- Cautiously select suitable brands for merger and acquisition to **enrich brand portfolio**
- Strengthen **VIP programs** to establish long-term relationship
- Enhance **ERP system** for long-term development
- Reasonably **raise prices** to minimize impact of rise in raw materials costs
- Seeking design talents to **strengthen design team**



*Become the  
leading operator  
in the mid to high-end  
menswear market*



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