



# Evergreen International Holdings Limited

Stock code: 238

Interim Results 2014  
August 2014



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



# RESULTS HIGHLIGHTS

- Revenue amounted to RMB297.9M, down 20% y-o-y
- Gross profit margin improved by 0.8 percentage points to 68.3%
- Operating profit down by 56.0% to RMB34.4M
- Profit attributable to ordinary equity holders down by RMB37.4M or 61.1% to RMB23.8M
- Net asset value per share was RMB1.45 (HK\$1.81) as at 30 June 2014
- Total number of stores decreased by 26 to 394 stores



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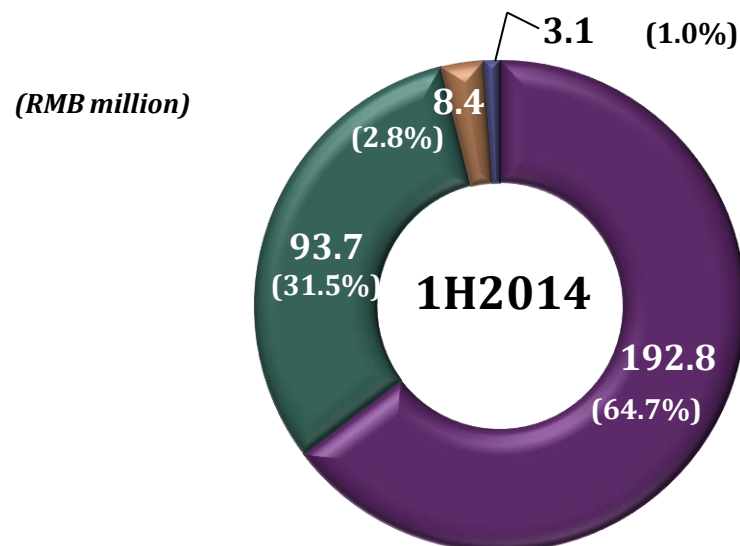
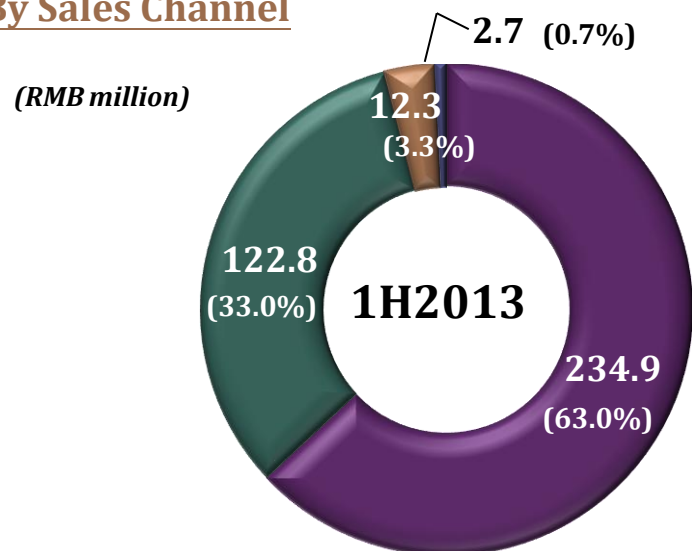
# FINANCIAL HIGHLIGHTS

(RMB million)	Six months ended 30 June		
	2013	2014	Change
<b>Revenue</b>	372.7	<b>297.9</b>	-20.0%
<b>Gross profit</b>	251.5	<b>203.6</b>	-19.0%
<i>Gross profit margin (%)</i>	67.5%	<b>68.3%</b>	+0.8ppt
<b>Operating profit</b>	78.2	<b>34.4</b>	-56.0%
<i>Operating profit margin (%)</i>	21.0%	<b>11.6%</b>	-9.4ppt
<b>Profit attributable to shareholders</b>	61.2	<b>23.8</b>	-61.1%
<i>Net profit margin (%)</i>	16.4%	<b>8.0%</b>	-8.4ppt
<b>EPS – Basic (RMB cents)</b>	6.5	<b>2.5</b>	-61.5%
<b>Effective Tax rate</b>	28.0%	<b>35.1%</b>	+7.1ppt

# REVENUE ANALYSIS

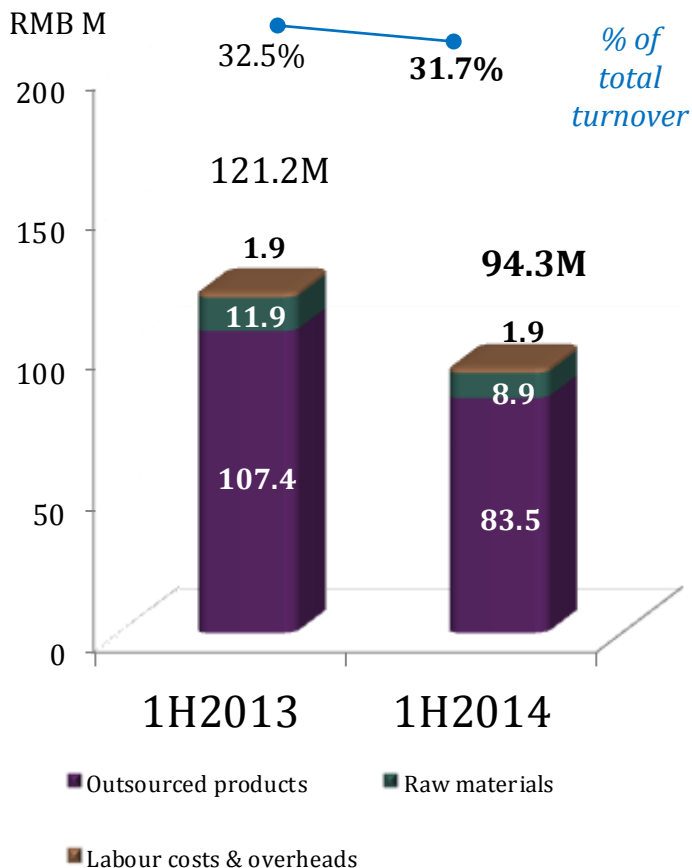
By Brand	1H2013 (RMB million)	1H2014 (RMB million)	% Change
<b>V.E. DELURE</b>	<b>296.4</b>	<b>245.5</b>	-17.2%
- Self-operated stores	188.7	<b>158.9</b>	-15.8%
- Distributors	105.0	<b>83.5</b>	-20.4%
- Corporate sales	2.7	<b>3.1</b>	+12.0%
<b>TESTANTIN</b>	<b>64.0</b>	<b>44.1</b>	-31.2%
- Self-operated stores	46.2	<b>33.9</b>	-26.6%
- Distributors	17.8	<b>10.2</b>	-42.9%
<b>LICENSED brands - Cartier</b>	12.3	<b>8.4</b>	-31.8%
<b>Total</b>	<b>372.7</b>	<b>297.9</b>	-20.0%

## By Sales Channel

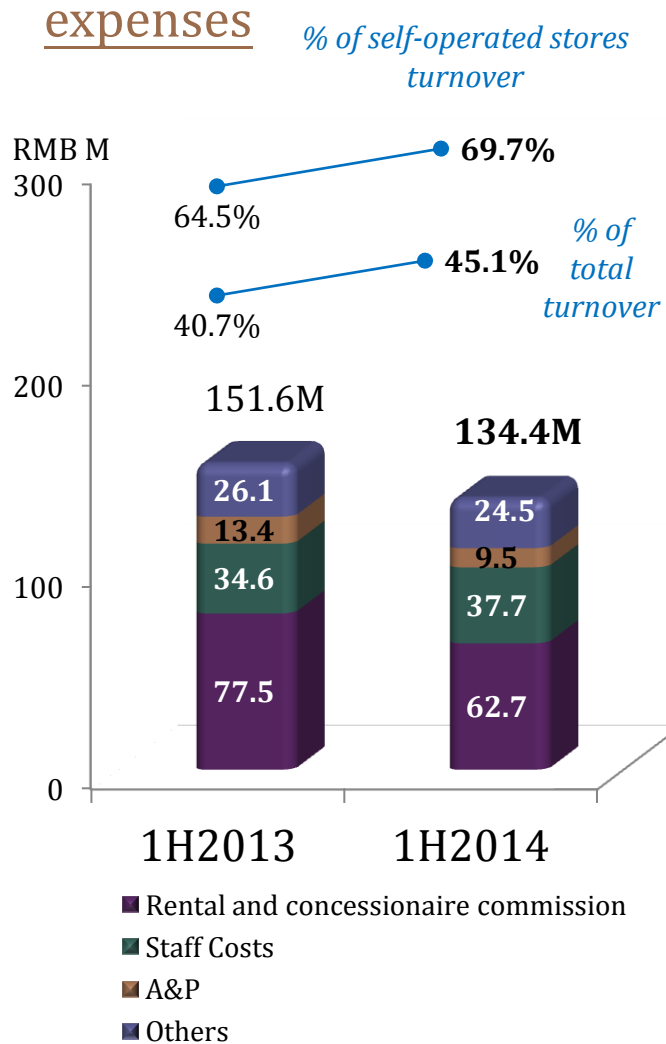


Self-operated stores
  Distributors
  Licensed brands
  Corporate sales

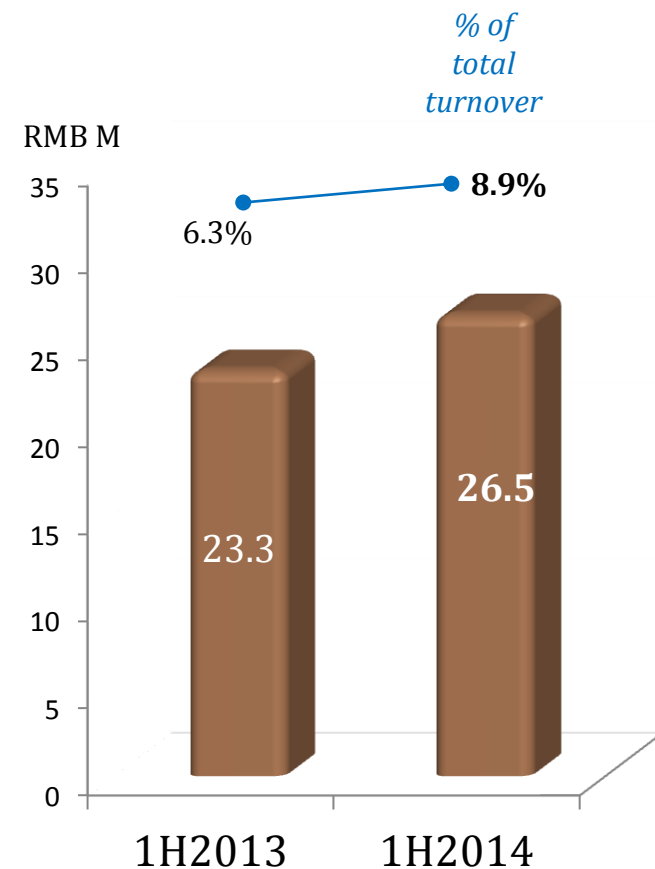
## Cost of sales



## Selling & distribution expenses



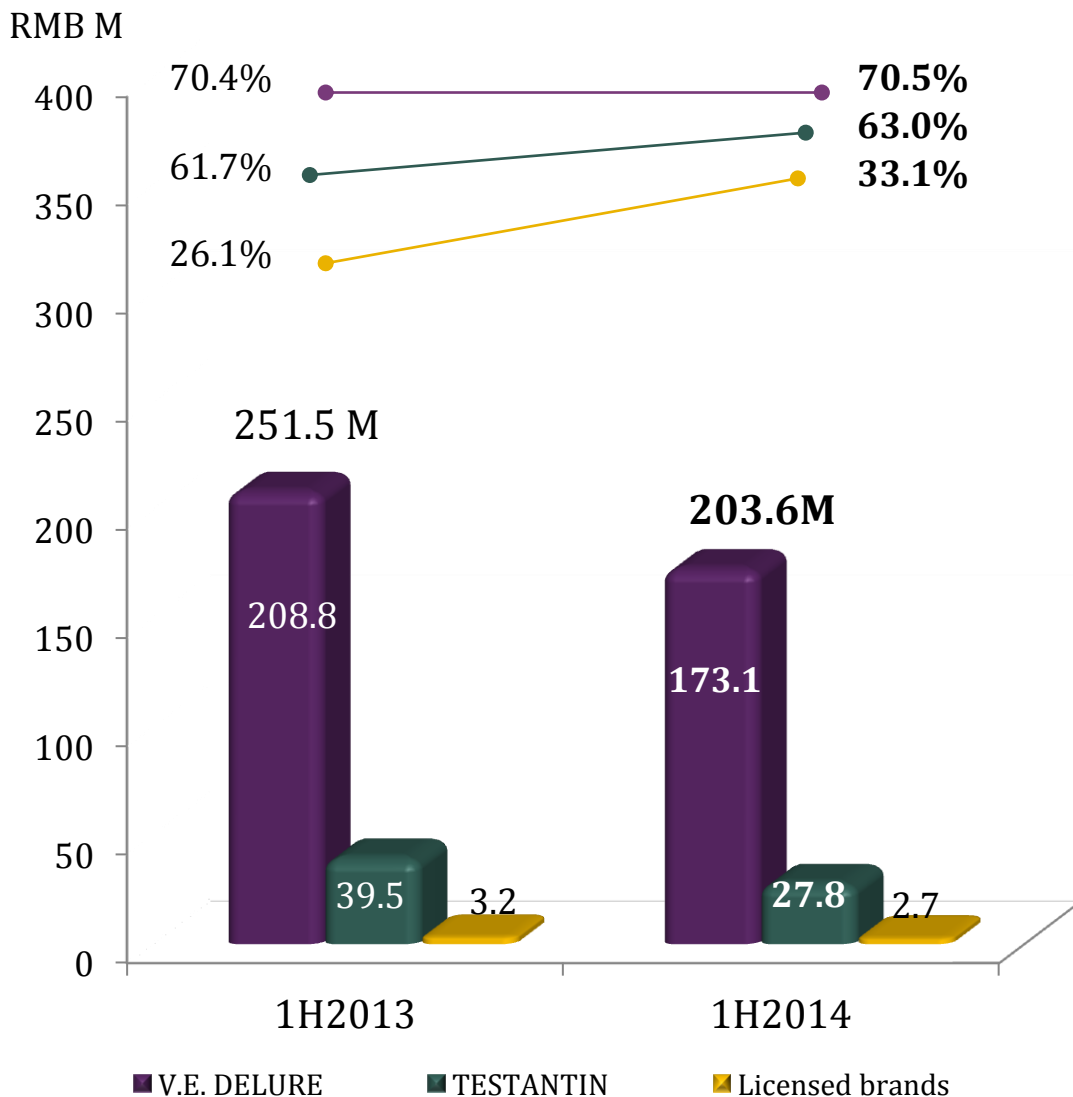
## Administrative expenses



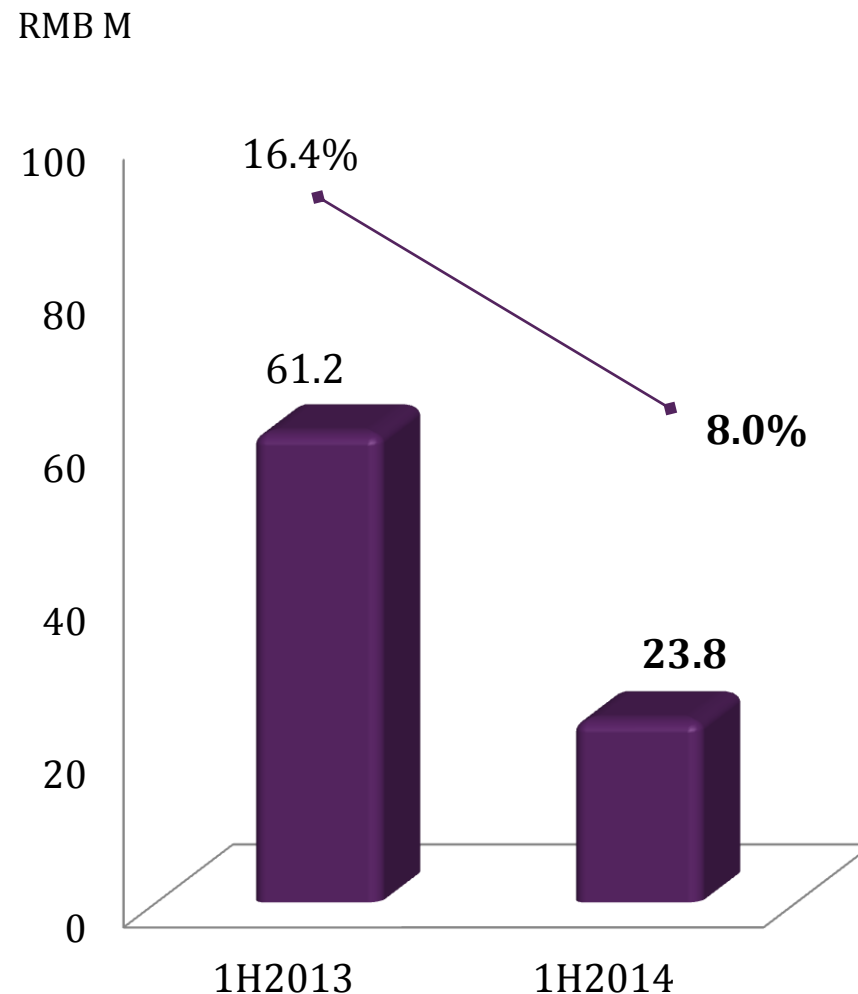


# PROFIT & MARGIN

## Gross profit & margin



## Net profit & margin



# KEY FINANCIAL INDICATORS

## Financial position

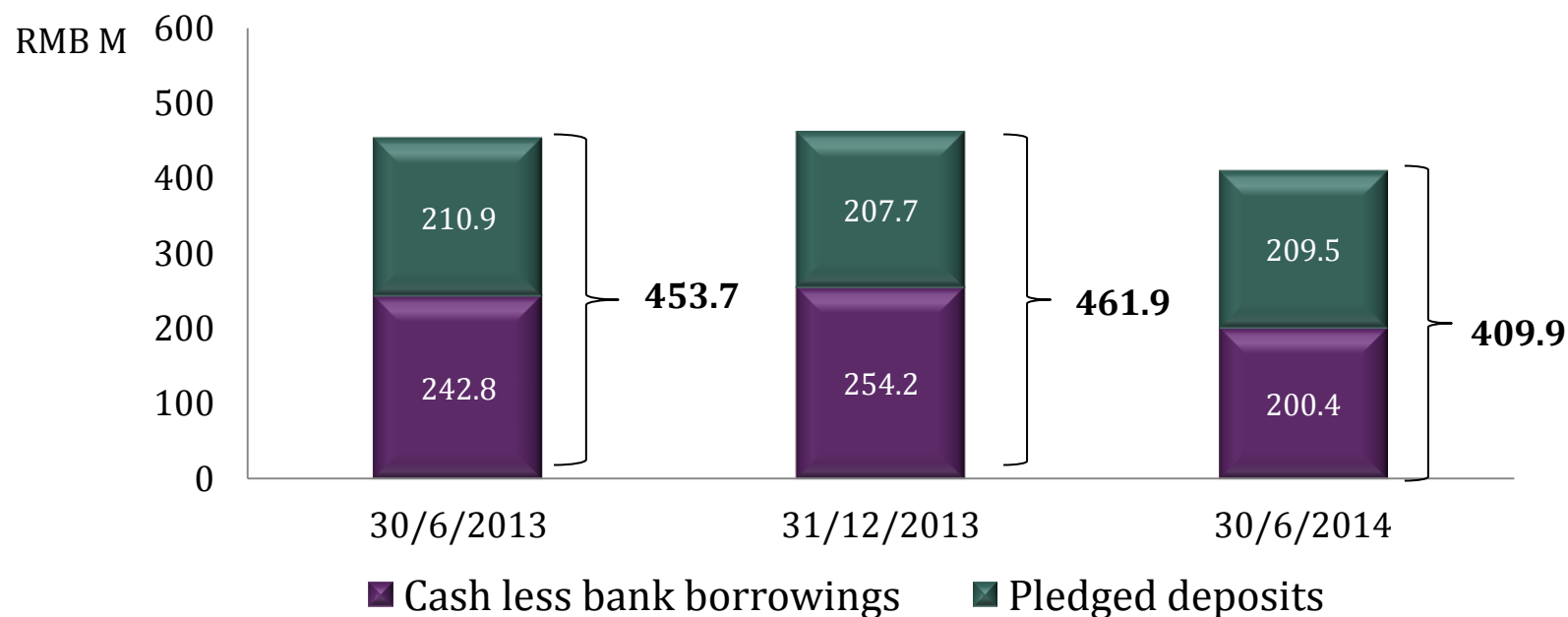
	1H 2013	FY 2013	1H 2014
Trade receivables turnover days	75	81	<b>83</b>
Trade and bills payables turnover days	102	76	<b>97</b>
Inventory turnover days	454	497	<b>618</b>
<i>V.E. DELURE</i>	393	472	<b>541</b>
<i>TESTANTIN</i>	356	436	<b>665</b>
Net working capital turnover days	427	502	<b>604</b>
Inventory balance (RMB million)	317.8	339.6	<b>304.8</b>
Net cash position (RMB million)	453.7	461.9	<b>409.9</b>
NAV per share (HK\$)	1.85	1.85	<b>1.81</b>
Net cash per share (HK\$)	0.60	0.62	<b>0.54</b>

# KEY FINANCIAL INDICATORS (CONT' D)

## Cashflows

(RMB Million)	1H2013	FY2013	1H2014
Operating cashflow	12.3	65.7	40.7
Investing cashflow	(135.4)	(137.3)	(69.1)
Financing cashflow	65.7	99.4	(23.4)
<b>Net cash flow</b>	<b>(57.4)</b>	<b>27.8</b>	<b>(51.8)</b>

## Net Cash Position



# USE OF PROCEEDS

	Planned %	Amount of net proceeds (RMB M)	As at 30 June 2014	
			Utilized amount (RMB M)	Remaining amount (RMB M)
Expansion and improvement of retail network	45%	457.8	456.2	1.6
Developing independent lines of branded apparels and accessories	10%	101.7	99.1	2.6
Acquisitions or licensing of additional brands	20%	203.5	-	203.5
Marketing and promotion activities	7%	71.2	65.9	5.3
Upgrade of ERP system and database management system	5%	50.9	3.7	47.2
Hiring international design talent and design consultant firms	5%	50.9	3.0	47.9
General working capital	8%	81.4	72.5	8.9
<b>TOTAL</b>	<b>100%</b>	<b>1,017.4</b>	<b>700.4</b>	<b>317.0</b>



## *Self-operated stores only*

<i>Sales volume of apparel products (pcs)</i>	Six months ended 30 June		
	2013	2014	Change(%)
V.E. DELURE	85,121	<b>73,553</b>	-13.6%
TESTANTIN	35,060	<b>25,152</b>	-28.3%

<i>ASP of the apparel products (RMB)</i>	Six months ended 30 June		
	2013	2014	Change(%)
V.E. DELURE	2,080	<b>2,054</b>	-1.3%
TESTANTIN	1,225	<b>1,289</b>	+5.2%

<i>SSSG</i>	1H 2013	FY2013	1H 2014
V.E. DELURE	1.5%	-9.0%	<b>-5.0%</b>
TESTANTIN	1.0%	-5.0%	<b>-8.0%</b>

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# NATIONWIDE RETAIL NETWORK

- **394** stores of V.E. DELURE and TESTANTIN in **32** provinces, municipalities & autonomous regions with the coverage of **182** cities
- Net stores closed in 1H2014: -26(Stores opened: 11, stores closed: 37)

Region	No. of shops		Revenue		Change (%)
	As at 31 Dec 2013	As at 30 Jun 2014	1H 2013 (RMB '000)	1H 2014 (RMB '000)	
Central	36	<b>36</b>	23,501	<b>24,769</b>	+5.4%
North Eastern	39	<b>38</b>	39,182	<b>24,480</b>	-37.5%
East	62	<b>57</b>	47,906	<b>35,043</b>	-26.9%
North Western	48	<b>46</b>	40,624	<b>33,431</b>	-17.7%
North	68	<b>64</b>	69,862	<b>54,030</b>	-22.7%
South Western	77	<b>70</b>	41,317	<b>42,714</b>	+3.4%
South	86	<b>79</b>	80,505	<b>58,886</b>	-26.9%
Hong Kong & Macau	4	<b>4</b>	17,504	<b>16,237</b>	-7.2%
<b>TOTAL</b>	420	<b>394</b>	360,401	<b>289,590</b>	<b>-19.6%</b>



V.E. DELURE and TESTANTIN stores in Venetian Macao



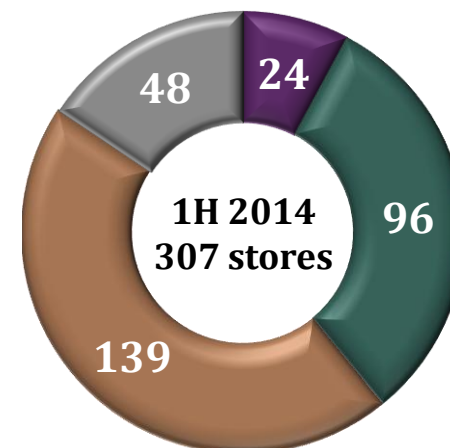
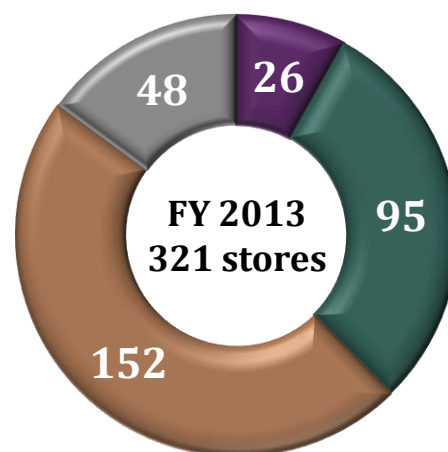
# NATION-WIDE RETAIL NETWORK BY BRANDS

## V.E. DELURE



	31 Dec 2013	30 Jun 2014	Change (no. of stores)
Self-operated	151	140	-11
Franchised	170	167	-3
<b>TOTAL</b>	<b>321</b>	<b>307</b>	<b>-14</b>

### Total number of stores by tier of cities



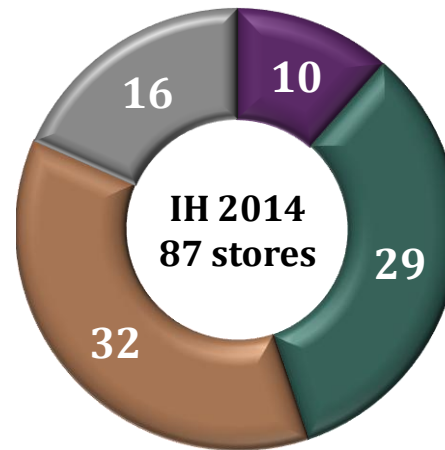
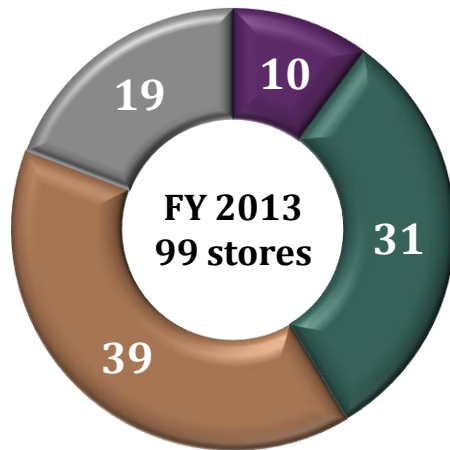
- **Tier 1:** Beijing, Shanghai, Guangzhou, Hong Kong & Macau
- **Tier 2:** Provincial capital cities excl. Beijing, Shanghai & Guangzhou
- **Tier 3:** Prefecture-level cities excl. provincial capital cities
- **Tier 4:** County-level cities



# NATION-WIDE RETAIL NETWORK BY BRANDS (CONT' D)

	31 Dec 2013	30 Jun 2014	Change (no. of stores)
Self-operated	54	51	-3
Franchised	45	36	-9
<b>TOTAL</b>	<b>99</b>	<b>87</b>	<b>-12</b>

## Total number of stores by tier of cities



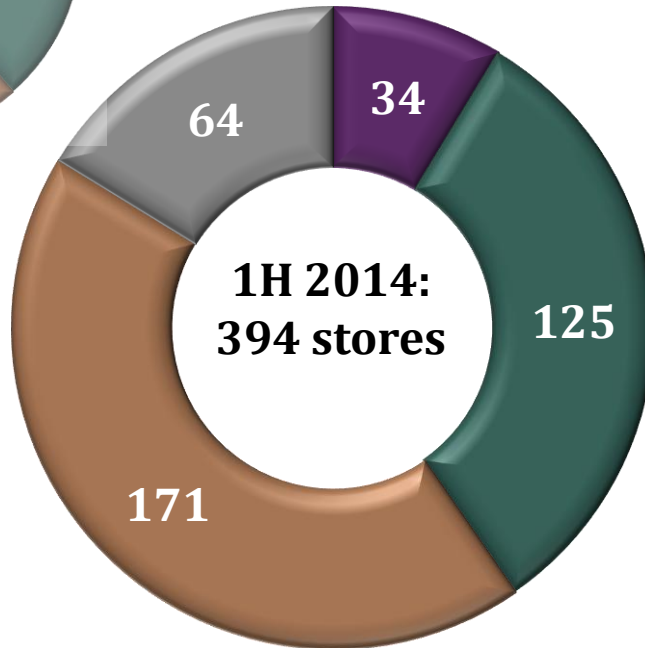
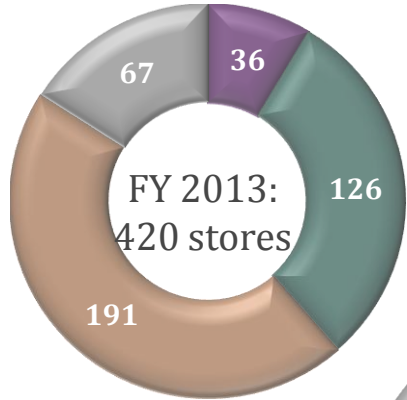
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*Testantin*  *Collection*



# 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



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

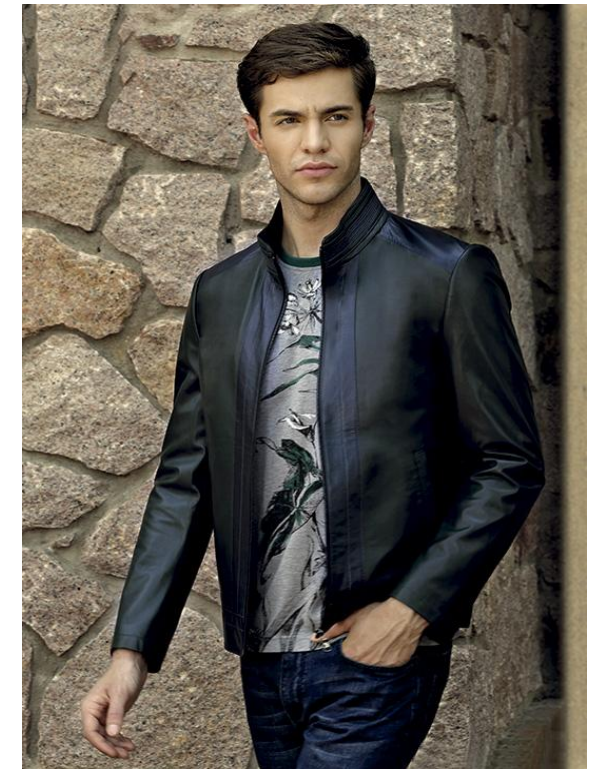
## Franchised stores only

	Growth rate	Delivery commences
Fall/Winter 2014	-25%	August 2014
	Growth rate	Delivery commences
Spring/Summer 2015	-25%	January 2015



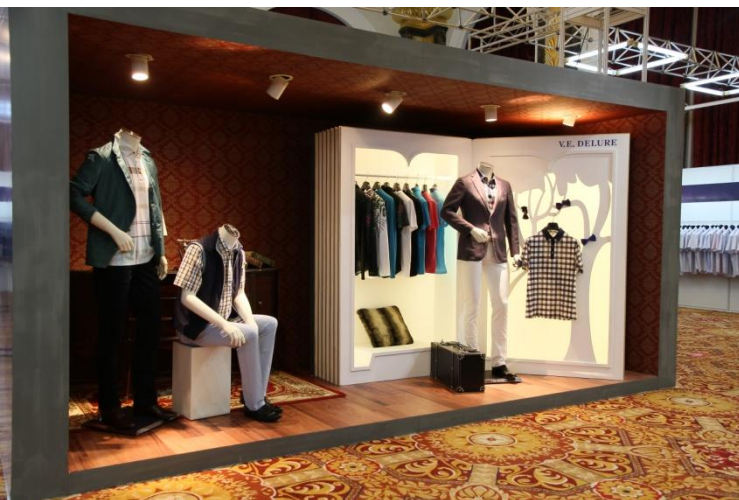


- Continued commitment to innovative product designs and strict quality control, and launched unique product portfolios for its dual proprietary brands, V.E. DELURE and TESTANTIN
- Design team at the Guangzhou headquarters led by experienced chief supervisors with substantial design experience in the industry





- The Group considers stores as one of the important channels to promote and enhance brand image
- During the period, the two brands continued to carry out retail shop image upgrade work, enhance the display space, to further enhance its high-end brand image in order to more effectively promote the brands and attract more customers



## *Sponsorship*

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

## *Events*

- Collaborated with China National Table Tennis Team and shopping malls to organize charity activities



- VIP event organized in various cities to increase brand loyalty
- VIP Family Outdoor Day organized in various cities to strengthen brand equity of the Group



## *Training sessions*

- Held intensive training sessions for our distributors and staff to meet changing customer needs and better management of the self-operated stores and distributor stores
- Successfully developed our brand culture among the staff
- Collaborated with professional consultants to conduct training sessions





# AGENDA

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## SALES NETWORK EXPANSION

- Plans to open approximately **10** new retail stores in 2014, of which approximately 5 would be self-operated stores, while the remaining 5 will be franchised stores
- Continue to consolidate inefficient 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

- will continue to enhance our **brand image**
- Strengthen **VIP programs** to establish long-term relationship
- Organise various **specific marketing initiatives** to strengthen the brand recognition and value
- More actively select suitable brands for **merger and acquisition** to enrich brand portfolio
- Launch new business segment of **high-end children's wear and accessories** in Hong Kong as a trial in Q3 2014 to diversify business and create synergy with the existing menswear business



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



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