



# GLORIOUS SUN ENTERPRISES LIMITED

(Incorporated in Bermuda with limited liability)  
(Stock Code: 385)

## Interim Report 2007





JEANSWEST  
真維斯

[www.jeanswest.com.cn](http://www.jeanswest.com.cn)

## INTERIM RESULTS

The Directors of Glorious Sun Enterprises Limited (the “Company”) are pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 together with the comparative figures for the same period as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2007	2006
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	(2)	<b>2,230,713</b>	2,002,435
Cost of sales		<b>(1,240,021)</b>	(1,156,378)
Gross profit		<b>990,692</b>	846,057
Other income and gains		<b>82,709</b>	96,041
Selling and distribution costs		<b>(596,472)</b>	(491,811)
Administrative expenses		<b>(278,029)</b>	(258,110)
Other operating expenses		<b>(16,522)</b>	(27,844)
Finance costs		<b>(8,211)</b>	(7,016)
Share of profits and losses of:			
Jointly-controlled entities		<b>614</b>	(640)
Associates		<b>10,431</b>	24,595
Profit before tax	(2) & (3)	<b>185,212</b>	181,272
Tax	(4)	<b>(34,543)</b>	(32,204)
Profit for the period		<b><u>150,669</u></b>	<u>149,068</u>
Attributable to:			
Equity holders of the Company		<b>139,506</b>	125,223
Minority interests		<b>11,163</b>	23,845
Profit for the period		<b><u>150,669</u></b>	<u>149,068</u>
Interim dividend declared	(9)	<b><u>37,607</u></b>	<u>33,743</u>
		<b>HK cents</b>	HK cents
Earnings per share			
Basic	(5a)	<b><u>13.26</u></b>	<u>11.91</u>
Diluted	(5b)	<b><u>13.18</u></b>	<u>11.82</u>
Interim dividend per share		<b><u>3.55</u></b>	<u>3.20</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		746,679	737,086
Investment property		22,097	21,433
Prepaid land lease payments		18,003	17,510
Goodwill		38,612	38,612
Interests in jointly-controlled entities		28,795	20,186
Interests in associates		225,685	207,023
Deferred tax assets		18,346	16,966
		<u>1,098,217</u>	<u>1,058,816</u>
<b>CURRENT ASSETS</b>			
Inventories		603,366	609,313
Trade and bills receivables	(6)	375,220	548,870
Prepayments, deposits and other receivables		300,195	267,296
Due from related companies		1,190	724
Equity investments at fair value through profit or loss		82,527	180,266
Pledged bank deposits		21,858	21,784
Cash and cash equivalents		1,020,606	1,024,926
		<u>2,404,962</u>	<u>2,653,179</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	(7)	436,167	552,205
Other payables and accruals		693,290	666,160
Interest-bearing bank and other borrowings		234,345	329,600
Tax payable		296,676	285,456
		<u>1,660,478</u>	<u>1,833,421</u>

## CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	30 June 2007 (Unaudited) <i>Notes</i> <b>HK\$'000</b>	31 December 2006 (Audited) <b>HK\$'000</b>
<b>NET CURRENT ASSETS</b>	<b>744,484</b>	819,758
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>1,842,701</b>	1,878,574
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	701	671
Long term loans from minority shareholders	9,400	9,400
Deferred tax liabilities	380	269
	<b>10,481</b>	10,340
Net assets	<b>1,832,220</b>	1,868,234
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Company</b>		
Issued capital (8)	105,935	105,486
Reserves	1,522,884	1,382,915
Proposed dividends	37,607	234,601
	<b>1,666,426</b>	1,723,002
<b>Minority interests</b>	<b>165,794</b>	145,232
Total equity	<b>1,832,220</b>	1,868,234

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	<b>379,593</b>	34,762
Net cash inflow/(outflow) from investing activities	<b>71,369</b>	(368,814)
Net cash outflow from financing activities	<b>(323,574)</b>	(172,033)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	<b>127,388</b>	(506,085)
Cash and cash equivalents at 1 January	<b>846,544</b>	1,243,078
Effect of foreign exchange rate changes, net	<b>15,174</b>	4,670
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	<b><u>989,106</u></b>	<b><u>741,663</u></b>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>503,006</b>	444,182
Non-pledged time deposits with original maturity of less than three months when acquired	<b>508,872</b>	311,408
Bank overdrafts	<b>(22,772)</b>	(13,927)
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	<b><u>989,106</u></b>	<b><u>741,663</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000
Total equity attributable to the equity holders of the Company at 1 January	<u>1,723,002</u>	<u>1,663,138</u>
Net gains not recognized in the consolidated income statement:–		
Exchange differences on translation of financial statements of foreign entities	<u>28,639</u>	<u>10,470</u>
Net profit from ordinary activities attributable to equity holders of the Company	<b>139,506</b>	125,223
Issue of new shares	(8) <b>449</b>	508
Premium on issue of new shares, net	<b>10,429</b>	14,024
Dividends paid	(9) <b>(235,599)</b>	(220,383)
	<u><b>(85,215)</b></u>	<u>(80,628)</u>
Total equity attributable to the equity holders of the Company at 30 June	<u><b>1,666,426</b></u>	<u>1,592,980</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## (1) Principal accounting policies and basis of presentation

These condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34: Interim Financial Reporting and other relevant HKASs and Interpretations, the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Appendix 16 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These interim financial statements for the period ended 30 June 2007 are unaudited and have been reviewed by the Audit Committee of the Company.

The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those adopted in preparing the audited financial statements for the year ended 31 December 2006 except for the new adoption of HKFRSs and HKASs with effect from accounting periods commencing on or after 1 January 2007, as disclosed below: –

HKAS 1 Amendment	Capital Disclosures
HK (IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK (IFRIC)-Int 8	Scope of HKFRS 2
HK (IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK (IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above new and revised accounting standards has no material impact on the Group’s balance sheet and income statement.

Certain new standards, amendments and interpretations to existing standard have been published that are relevant to the Group and are mandatory for the Group to adopt in accounting period beginning on or after 1 January 2008 or later periods. The Group has not early adopted the following new and revised standards and interpretations for the period ended 30 June 2007:

HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK (IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK (IFRIC)-Int 12	Service Concession Arrangements



**(2) Revenue and segment information***(a) Business segments*

	Six months ended 30 June							
	Retail operations		Export operations		Other operations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:								
Sales to external								
Customers	1,688,317	1,318,714	454,164	590,646	88,232	93,075	2,230,713	2,002,435
Other income and gains	31,164	21,601	12,423	16,761	7,245	8,497	50,832	46,859
<b>Total</b>	<b>1,719,481</b>	<b>1,340,315</b>	<b>466,587</b>	<b>607,407</b>	<b>95,477</b>	<b>101,572</b>	<b>2,281,545</b>	<b>2,049,294</b>
Segment results	153,400	107,815	23,844	33,656	2,647	2,808	179,891	144,279
Interest income and unallocated revenue							31,877	49,182
Unallocated expenses							(29,390)	(29,128)
Finance costs							(8,211)	(7,016)
Share of profits and losses of:								
Jointly-controlled entities	-	-	(73)	72	687	(712)	614	(640)
Associates	-	-	10,431	24,595	-	-	10,431	24,595
Profit before tax							185,212	181,272
Tax							(34,543)	(32,204)
Profit for the period							150,669	149,068

## (b) Geographical segments

	Six months ended 30 June 2007 (Unaudited)						
	Mainland		United States of	Australia and	Canada	Others	Consolidated
	China	Hong Kong	America	New Zealand			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:							
Sales to external customers	1,239,235	45,583	380,612	483,741	37,495	44,047	2,230,713

	Six months ended 30 June 2006 (Unaudited)						
	Mainland		United States of	Australia and	Canada	Others	Consolidated
	China	Hong Kong	America	New Zealand			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:							
Sales to external customers	980,551	74,961	466,571	370,948	84,278	25,126	2,002,435

**(3) Profit before tax**

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

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	87,217	65,730
Recognition of prepaid land lease payments	222	211
Impairment of interests in associates	369	12,172
Fair value net (gain)/loss on equity investments		
through profit or loss	2,712	(22,138)
Interest income	(16,986)	(18,937)

**(4) Tax**

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on corporate income assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current – Hong Kong	<b>10,825</b>	3,282
Current – Elsewhere	<b>23,607</b>	26,457
Deferred	<b>111</b>	2,465
	<hr/> <b>34,543</b> <hr/>	<hr/> 32,204 <hr/>

The share of tax credit attributable to associates amounting to HK\$875,000 (2006: tax expenses HK\$4,217,000) is included in "Share of profits and losses of associates" on the face of the condensed consolidated income statement.

**(5) Earnings per share***(a) Basic earnings per share*

The calculation of basic earnings per share for the six months ended 30 June 2007 is based on the profit attributable to equity holders of the Company of HK\$139,506,000 (2006: HK\$125,223,000) and the weighted average number of 1,052,157,569 (2006: 1,051,506,177) ordinary shares in issue during the period.

(b) *Diluted earnings per share*

The calculation of diluted earnings per share for the six months ended 30 June 2007 is based on the profit attributable to equity holders of the Company of HK\$139,506,000 (2006: HK\$125,223,000). The weighted average number of ordinary shares used in the calculation is the 1,052,157,569 (2006: 1,051,506,177) ordinary shares in issue during the period, as used in the basic earnings per share calculation; and the weighted average of 6,513,342 (2006: 8,282,624) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

**(6) Trade and bills receivables**

The trade and bills receivables include trade receivables, net of provision for impairments, of HK\$209,788,000 (31 December 2006: HK\$279,400,000) and bills receivables of HK\$165,432,000 (31 December 2006: HK\$269,470,000). The bills receivables were aged less than four months at the balance sheet date. The aged analysis of trade receivables is as follows:

	<b>30 June</b>	31 December
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Less than 4 months	<b>194,578</b>	264,957
4 – 6 months	<b>5,421</b>	6,988
Over 6 months	<b>9,789</b>	7,455
	<b><u>209,788</u></b>	<u>279,400</u>

The Groups allows an average credit period of 45 days to its trade customers.

**(7) Trade and bills payables**

The trade and bills payables include trade payables of HK\$366,596,000 (31 December 2006: HK\$477,383,000). The aged analysis of trade payables is as follows:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Less than 4 months	311,201	435,818
4 – 6 months	41,450	38,255
Over 6 months	13,945	3,310
	<u>366,596</u>	<u>477,383</u>

The trade payables are non-interest bearing and are normally settled on 90-day terms.

**(8) Share capital**

	<b>Number of ordinary shares '000</b>	<b>Nominal value HK\$'000</b>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1 January 2007	1,054,864	105,486
Newly issued during period	4,486	449
	<u>1,059,350</u>	<u>105,935</u>

**(9) Dividends**

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Dividends for equity holders of the Company:		
Final dividend paid	<b>129,664</b>	114,936
Special dividend paid	<b>105,935</b>	105,447
	<hr/>	<hr/>
Total dividends paid	<b><u>235,599</u></b>	<b><u>220,383</u></b>
	<hr/>	<hr/>
Interim dividend declared	<b><u>37,607</u></b>	<b><u>33,743</u></b>

**INTERIM DIVIDEND**

The Directors have resolved to pay an interim dividend of HK3.55 cents (2006: HK3.20 cents) per share for the six months ended 30 June 2007 to shareholders whose names appear on the register of members of the Company as at the close of business on Friday, 5 October 2007. The interim dividend is expected to be paid to shareholders by post on or around Wednesday, 10 October 2007.

**CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 3 October 2007 to Friday, 5 October 2007, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:00 p.m. on Tuesday, 2 October 2007.

## REVIEW OF OPERATIONS

Benefited from the good performance of the Group's retail operations, the Group saw healthy growth in the first half of the financial year ending 31 December 2007 (the "Period") with gross sales increasing by 11.40% year-on-year. The markets in which the Group's retail division operated were buoyant during the Period and the market share captured by Jeanswest China managed to expand further. Gross sales from the Group's retail operations had risen by 28.03% year-on-year with improvement in gross profit margin, representing 75.69% (2006: 65.86%) of the Group's total sales. Profit contribution increased continuously from 74.73% recorded in the corresponding period in the previous year to the current level of 85.27%. Performance of Quiksilver Glorious Sun has been encouraging. The fast-growing sales achieved during the Period under review had evidenced that the initial investment period for this operation has been over and positive profit contribution is now being made. When compared with the previous year, performance of GSit has been improving. However, negatively affected by the appreciation of Renminbi and rises in the production costs in the Mainland, performance of the Group's export operations worsened slightly during the Period. Sales and operating profit from export operations, however, took up only 20.36% and 13.25% of the Group's total sales and segment results respectively, thus, having least impact on the Group's overall performance.

The Management of the Group has been prudent when performing its strategic financial management functions. As a result, the Group managed to maintain good financial health during the Period. As at 30 June 2007, the Group had net cash of HK\$807,418,000 (2006: HK\$640,206,000) with inventory staying at a healthy level. Inventory level for sales also improved from 54 days recorded in the previous period to 49 days.

For the six months ended 30 June 2007, the Group's unaudited gross sales amounted to HK\$2,230,713,000 (2006: HK\$2,002,435,000) with net profit attributable to shareholders increasing to HK\$139,506,000 (2006: HK\$125,223,000), representing a year-on-year improvement of 11.40% and 11.41% respectively.

## 1. Retail Operations

Jeanswest remains the flagship brandname of the Group in its Mainland retail operations. For the Period under review, sales from the Group's retail operations in the Mainland amounted to HK\$1,219,085,000 (2006: HK\$953,800,000), representing a 27.81% year-on-year growth. The market, however, had been highly competitive with rallying rentals. These, together with an exceptionally warm Lunar New Year holiday for this year, had brought challenges to the Group's Management. Nevertheless, on account of the growing popularity of the Jeanswest brandname, fashionably and trendy designed products as well as the flexible strategies adopted by the Management, the challenges had been adequately met, leading to double-digit growth in both same store sales and sales. Gross profit margin also improved.

The Group's retail operations in the Australasian market during the Period performed remarkably well, recording a 28.59% year-on-year growth in sales to HK\$469,232,000 (2006: HK\$364,914,000). The strong growth was principally fuelled by the newly acquired Jeanswest New Zealand operations, strong Australian dollar as well as same store sales growth.

For the first half of the financial year 2007, the Group's total sales from the retail division was HK\$1,688,317,000 (2006: HK\$1,318,714,000), up 28.03% year-on-year, representing 75.69% of the Group's total gross sales and 85.27% of the Group's segment results.

As at 30 June 2007, the Group's retail network, including that of Quiksilver Glorious Sun and GSit, consisted of 1,916 outlets (2006: 1,640 outlets), in which 1,477 outlets (2006: 1,263 outlets) were operated in the Mainland under the Jeanswest brandname. Among the Mainland Jeanswest outlets, 687 outlets (2006: 619 outlets) were operated directly by the Group. In the Australasian market, there were 222 outlets (2006: 218 outlets) operated under the Jeanswest brandname, of which 6 outlets (2006: 6 outlets) were operated under franchised arrangements.



During the Period under review, a breakthrough was witnessed in the Quiksilver Glorious Sun operation. On the top of a 78% year-on-year increase in sales, gross profit margin also improved dramatically. Quiksilver Glorious Sun had passed successfully over its initial investment period and is now making positive profit contribution to the Group. At the end of June, Quiksilver Glorious Sun operated 17 outlets (2006: 6 outlets) in the Mainland as well as 15 outlets (2006: 9 outlets) in Hong Kong and Macau, making up a total of 32 retail outlets (2006: 15 outlets). After consolidating the loss-making operation in Taiwan, GSit saw an improvement in its overall performance. At the end of June, GSit operated 185 outlets (2006: 144 outlets) in China, in which 164 outlets (2006: 116 outlets) were operated directly and 21 outlets (2006: 29 outlets) were operated in Taiwan.

## **2. Export Business**

During the Period under review, value of Renminbi appreciated and the production costs incurred by the Group in the Mainland also increased. However, the increase in costs could not be transferred to customers, building up pressure on the Group's operating margin in this division. In the first half of the financial year 2007, turnover from the Group's export operations dropped by 23.11% year-on-year, with pre-tax profit margin slipping slightly from 5.70% recorded in the previous year to the current level of 5.25%. For the Period, the Group's exports were HK\$454,164,000 (2006: HK\$590,646,000), representing 20.36% of the Group's total sales.

## **3. Financial Position**

As previously mentioned, the Group's overall financial position was solid during the Period with both net cash position and inventory level staying at healthy levels.

During the Period, the Group had entered into foreign currency forward contracts, mainly to hedge its exposure to exchange risks in respect of the Australian dollars.

## 4. Human Resources

As at 30 June 2007, the Group employed a total of about 30,000 staff. The Group offers competitive remuneration packages to its employees. In addition, incentives are granted to employees with reference to the Group's overall performance and performance of each individual.

### PROSPECTS

The Management remains optimistic towards its overall performance in the second half of the current financial year in spite of the concerns associated with the subprime mortgage crisis in the US. The Group's positive point of view is built upon the strong economic growth in the Mainland markets. Although competitiveness is stiff in the retail market there, sentiment in the consumption market in China is good. Meanwhile, Jeanswest products have been growing even more popular among the young consumers, resulting in strong sales growth. The Management will continue to focus on the development of the Group's retail operations in China in order to enhance its market share and to lift its profitability. It is anticipated that overall performance of the Australasian market will perform better in the second half of the current financial year. The Group will continue to expand its Jeanswest network in the Middle East under a franchise arrangement. In August, new Jeanswest stores were opened in Thailand and Vietnam under various franchise arrangements. Quiksilver Glorious Sun had already started to contribute profit in July. As a result, we expect this operation to make positive profit contribution this year. Owing to a series of cost-saving exercises as well as efficiency improving measures, the Group also anticipates that its export business will improve in the second half of the current financial year.

Barring unforeseen circumstance, growth of the Group's operating performance in the second half of the current financial year is anticipated to be in line with that achieved in the first half.

## **BOARD OF DIRECTORS**

### **Executive**

- Dr. Charles Yeung, SBS, JP ( *Chairman* )  
Mr. Yeung Chun Fan ( *Vice-chairman* )  
Mr. Yeung Chun Ho  
Mr. Pau Sze Kee, Jackson  
Mr. Hui Chung Shing, Herman, JP  
Ms. Cheung Wai Yee  
Mr. Chan Wing Kan, Archie

### **Independent non-executive**

- Mr. Wong Man Kong, Peter, BBS, JP  
Mr. Lau Hon Chuen, Ambrose, GBS, JP  
Mr. Chung Shui Ming, Timpson, GBS, JP

### **Non-executive**

- Dr. Lam Lee G.

## **COMPANY SECRETARY**

- Mr. Mui Sau Keung, Isaac

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2007, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Name of director	Capacity	No. of shares held		Total	Percentage of issued share capital (%)
		Long Position	Short Position		
Dr. Charles Yeung, SBS, JP	Interest of controlled corporations	527,668,000	6,600,000	534,268,000 <sup>(1)</sup>	50.434
Mr. Yeung Chun Fan	(i) Interest of controlled corporations	527,668,000	6,600,000	540,998,000 <sup>(1) &amp; (3)</sup>	51.069
	(ii) Interest of spouse	6,730,000	-		
Mr. Yeung Chun Ho	Interest of a controlled corporation	32,430,000	-	32,430,000 <sup>(2)</sup>	3.061
Mr. Pau Sze Kee, Jackson	Beneficial owner	9,370,000	-	9,370,000	0.885
Mr. Hui Chung Shing, Herman, JP	Beneficial owner	6,250,000	-	6,250,000	0.590
Ms. Cheung Wai Yee	(i) Beneficial owner	6,730,000	-	540,998,000 <sup>(1) &amp; (3)</sup>	51.069
	(ii) Interest of spouse	527,668,000	6,600,000		
Mr. Lau Hon Chuen, Ambrose, GBS, JP	Beneficial owner	956,000	-	956,000	0.090

Notes:

- (1) 398,988,000 shares (of which interests in 6,600,000 shares are short position) were held by Glorious Sun Holdings (BVI) Limited (the entire issued voting share capital of which was held as to 51.934% by Dr. Charles Yeung, SBS, JP and as to 48.066% by Mr. Yeung Chun Fan), 133,540,000 shares were held by Advancetex Holdings (BVI) Limited (the entire issued voting share capital of which was held as to 51.934% by Dr. Charles Yeung, SBS, JP and as to 48.066% by Mr. Yeung Chun Fan) and 1,740,000 shares were held by G. S. Strategic Investment Limited (the entire issued voting share capital of which was held as to 50% by each of Dr. Charles Yeung, SBS, JP and Mr. Yeung Chun Fan).
- (2) 32,430,000 shares were held by Unicom Consultants Limited, a company wholly owned by Mr. Yeung Chun Ho.
- (3) Ms. Cheung Wai Yee is the spouse of Mr. Yeung Chun Fan. 6,730,000 shares related to the same block of shares held by Ms. Cheung Wai Yee and 534,268,000 shares related to the same block of shares held by three companies controlled by Mr. Yeung Chun Fan.

Save as disclosed above, as at 30 June 2007, none of the Directors had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Divisions 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## **SHARE OPTION SCHEME**

On 1 September 2005, the shareholders of the Company approved the termination (to the effect that the Company can no longer grant any further options) of the share option scheme adopted by the Company on 2 September 1996 (the "Old Scheme") and the adoption of a new share option scheme (the "New Scheme"). All share options granted and outstanding prior to the termination of the Old Scheme will remain in full force and effect.

**(a) Old Scheme**

The Old Scheme was adopted by the Company on 2 September 1996.

The following share options were outstanding under the Old Scheme during the period for the six months ended 30 June 2007:

Category of participant	Number of shares subject to options				Share options			Price of Company's share***		
	As at 1 January 2007		During the period		As at 30 June 2007	Date of grant*	Exercise period	Subscription Price**	exercise before the date of exercise	As at date of share options
	'000	Exercised '000	Lapsed '000	Cancelled '000	'000			HK\$	HK\$	HK\$
Employees in aggregate	2,600	2,600	-	-	-	16/06/1997	15/06/2000 to 14/06/2007	2.876	3.965	3.977
	11,476	30	-	-	11,446	30/08/1997	16/09/1997 to 29/08/2007	2.564	4.180	4.180
	5,604	1,856	-	-	3,748	31/10/1997	31/10/1997 to 30/10/2007	1.800	3.654	3.658
	<u>19,680</u>	<u>4,486</u>	<u>-</u>	<u>-</u>	<u>15,194</u>					

Notes to the reconciliation of share options under the Old Scheme outstanding during the period:

\* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

\*\* The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

\*\*\* The price of the Company's shares disclosed immediately before the exercise date of the share options is the weighted average of the Stock Exchange closing prices immediately before the dates on which the options were exercised.

No theoretical value of share options is disclosed as no share options were granted during the period.

## **(b) New Scheme**

The New Scheme was adopted by the Company on 1 September 2005, unless otherwise terminated or amended, the New Scheme will remain in force for 10 years from the date of adoption. Details of the terms of the New Scheme were disclosed in the Annual Report of the Company for the year 2006.

During the period, no share options were granted or exercised under the New Scheme. Therefore, no theoretical value of share options is disclosed.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, the register required to be kept by the Company pursuant to Section 336 of the SFO showed that the following shareholders (other than Directors of the Company) had disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO an interest or a short position in the shares or underlying shares of the Company:

Name of shareholder	Capacity	Number of shares held		Total	Percentage of issued share capital (%)
		Long Position	Short Position		
Glorious Sun Holdings (BVI) Limited	Beneficial owner	392,388,000	6,600,000	398,988,000	37.663
AdvanceTex Holdings (BVI) Limited	Beneficial owner	133,540,000	-	133,540,000	12.606
Mr. Cheah Cheng Hye	(i) Beneficial owner (ii) Interest of child under 18 or spouse (iii) Interest of a controlled corporation	500,000 240,000 62,495,000 <sup>(1)</sup>	- - -	63,235,000	5.969
Value Partners Limited	Investment manager	62,857,000	-	62,857,000	5.934
Commonwealth Bank of Australia	Interest of controlled corporations	73,875,100	-	73,875,100 <sup>(2)</sup>	6.974
Matthews International Capital Management, LLC	Investment manager	53,647,000	-	53,647,000	5.064



Notes:

- (1) Mr. Cheah Cheng Hye was deemed to be interested in these shares held by Value Partners Limited, a company controlled by Mr. Cheah Cheng Hye.
- (2) 73,875,100 shares were held by various wholly-owned subsidiaries of Commonwealth Bank of Australia.

Save as disclosed above, no other parties (other than Directors of the Company) disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 30 June 2007.

## **CORPORATE GOVERNANCE**

The Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2007, with deviation from code provision A.4.2 of the Code in respect of rotation of directors.

Under the code provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

However, in accordance with bye-law 110(A) of the Bye-laws of the Company, Dr. Charles Yeung, SBS, JP, the Chairman of the Board of Directors of the Company (the “Board”), shall not be subject to retirement by rotation. The Board considers that Dr. Charles Yeung, SBS, JP, being the founder of the Group, is eligible for being the Chairman of the Board during his lifetime and need not be subject to retirement by rotation.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the code of conduct regarding Directors' securities transaction as set out in the Model Code.

The Board confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standards set out in the Model Code throughout the period for the six months ended 30 June 2007.

## **AUDIT COMMITTEE**

The Company's audit committee is composed of three independent non-executive Directors (Mr. Lau Hon Chuen, Ambrose, GBS, JP, Mr. Wong Man Kong, Peter, BBS, JP and Mr. Chung Shui Ming, Timpson, GBS, JP) and the non-executive Director (Dr. Lam Lee G.). The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the interim report of the Company for the six months ended 30 June 2007.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2007.

By Order of the Board  
**Dr. Charles Yeung, SBS, JP**  
*Chairman*

Hong Kong, 13 September 2007



