



# GLORIOUS SUN ENTERPRISES LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 393)

## Interim Report 2008



真的,更精彩

JEANSWEST  
真维斯

[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 2008 together with the comparative figures for the same period as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	(2)	<b>2,582,822</b>	2,230,713
Cost of sales		<b>(1,418,222)</b>	(1,240,021)
Gross profit		<b>1,164,600</b>	990,692
Other income and gains		<b>101,977</b>	82,709
Selling and distribution costs		<b>(734,187)</b>	(596,472)
Administrative expenses		<b>(315,560)</b>	(278,029)
Other expenses		<b>(12,159)</b>	(16,522)
Finance costs		<b>(6,898)</b>	(8,211)
Share of profits and losses of:			
Jointly-controlled entities		<b>(2,153)</b>	614
Associates		<b>4,441</b>	10,431
Profit before tax	(2) & (3)	<b>200,061</b>	185,212
Tax	(4)	<b>(43,943)</b>	(34,543)
Profit for the period		<b>156,118</b>	150,669
Attributable to:			
Equity holders of the Company		<b>153,929</b>	139,506
Minority interests		<b>2,189</b>	11,163
Profit for the period		<b>156,118</b>	150,669
Interim dividend declared	(9)	<b>42,377</b>	37,607
		<b>HK cents</b>	<b>HK cents</b>
Earnings per share			
Basic	(5a)	<b>14.53</b>	13.26
Diluted	(5b)	<b>N/A</b>	13.18
Interim dividend per share		<b>4.00</b>	3.55

## CONDENSED CONSOLIDATED BALANCE SHEET

	30 June 2008 (Unaudited) <i>Notes</i> <b>HK\$'000</b>	31 December 2007 (Audited) <b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	827,347	777,291
Investment property	43,644	40,367
Prepaid land lease payments	19,213	17,863
Goodwill	38,612	38,612
Interests in jointly-controlled entities	36,967	18,706
Interests in associates	135,529	127,498
Available-for-sale investment	199,485	298,200
Financial asset at fair value through profit or loss	–	24,511
Deferred tax assets	20,038	18,434
	<u>1,320,835</u>	<u>1,361,482</u>
<b>CURRENT ASSETS</b>		
Inventories	729,055	657,681
Trade and bills receivables	(6) 415,491	437,372
Prepayments, deposits and other receivables	351,353	285,604
Due from related companies	1,916	1,567
Equity investments at fair value through profit or loss	32,152	81,475
Financial asset at fair value through profit or loss	26,222	–
Pledged deposits	44,733	4,337
Cash and cash equivalents	1,172,512	1,280,776
	<u>2,773,434</u>	<u>2,748,812</u>
<b>CURRENT LIABILITIES</b>		
Trade and bills payables	(7) 568,863	556,302
Other payables and accruals	804,340	757,821
Interest-bearing bank and other borrowings	269,066	267,447
Tax payable	350,086	311,091
	<u>1,992,355</u>	<u>1,892,661</u>

## CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	30 June 2008 (Unaudited) <i>Notes</i> <b>HK\$'000</b>	31 December 2007 (Audited) <b>HK\$'000</b>
<b>NET CURRENT ASSETS</b>	<b>781,079</b>	856,151
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>2,101,914</b>	2,217,633
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	1,827	1,102
Long term loans from minority shareholders	9,400	9,400
Deferred tax liabilities	374	374
	<b>11,601</b>	10,876
Net assets	<b>2,090,313</b>	2,206,757
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Company</b>		
Issued capital (8)	105,941	105,941
Reserves	1,780,786	1,716,279
Proposed dividends	42,377	235,613
	<b>1,929,104</b>	2,057,833
<b>Minority interests</b>	<b>161,209</b>	148,924
Total equity	<b>2,090,313</b>	2,206,757

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow from operating activities	227,271	379,593
Net cash inflow/(outflow) from investing activities	(130,240)	71,369
Net cash outflow from financing activities	(243,096)	(323,574)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	(146,065)	127,388
Cash and cash equivalents at 1 January	1,251,073	846,544
Effect of foreign exchange rate changes, net	25,335	15,174
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	<b>1,130,343</b>	989,106
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	587,198	503,006
Non-pledged time deposits with original maturity of less than three months when acquired	578,441	508,872
Bank overdrafts	(35,296)	(22,772)
	<hr/>	<hr/>
	<b>1,130,343</b>	989,106
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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000
Total equity attributable to the equity holders of the Company at 1 January	<b>2,057,833</b>	1,723,002
Change in fair value of an available-for-sale investment	<b>(98,715)</b>	–
Exchange differences on translation of financial statements of foreign entities	<b>51,670</b>	28,639
Net gains/(losses) not recognized in the consolidated income statement	<b>(47,045)</b>	28,639
Net profit from ordinary activities attributable to equity holders of the Company	<b>153,929</b>	139,506
Issue of new shares (8)	–	449
Premium on issue of new shares, net	–	10,429
Dividends paid (9)	<b>(235,613)</b>	(235,599)
	<b>(81,684)</b>	(85,215)
Total equity attributable to the equity holders of the Company at 30 June	<b>1,929,104</b>	1,666,426

# 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 2008 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 2007 except for the new adoption of HKFRSs and HKASs as disclosed below:

New and revised HKFRSs adopted for the first time for the current period's unaudited interim condensed consolidated financial statements:

HK (IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK (IFRIC)-Int 12	Service Concession Arrangements
HK (IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

The adoption of the above new and revised accounting standards has no material impact on the Group's results of operations or financial position.

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 July 2008 or later periods. The Group has not early adopted the following new and revised standards and interpretations for the period ended 30 June 2008:

HKFRS 2 Amendment	Share-based Payment – Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 32 & HKAS 1	Financial Instruments: Presentation & Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HK (IFRIC)-Int 13	Customer Loyalty Programmes <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2008



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

	Six months ended 30 June (Unaudited)							
	Retail operations		Export operations		Other operations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	2,106,767	1,688,317	362,410	454,164	113,645	88,232	2,582,822	2,230,713
Other income and gains	27,440	31,164	18,652	12,423	8,102	7,245	54,194	50,832
<b>Total</b>	<b>2,134,207</b>	<b>1,719,481</b>	<b>381,062</b>	<b>466,587</b>	<b>121,747</b>	<b>95,477</b>	<b>2,637,016</b>	<b>2,281,545</b>
Segment results	181,095	153,400	4,528	23,844	2,616	2,647	188,239	179,891
Interest income and unallocated revenue							47,783	31,877
Unallocated expenses							(31,351)	(29,390)
Finance costs							(6,898)	(8,211)
Share of profits and losses of:								
Jointly-controlled entities	-	-	(289)	(73)	(1,864)	687	(2,153)	614
Associates	-	-	4,441	10,431	-	-	4,441	10,431
Profit before tax							200,061	185,212
Tax							(43,943)	(34,543)
Profit for the period							156,118	150,669

## (b) Geographical segments

	Six months ended 30 June 2008 (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	1,604,265	43,366	268,514	566,186	34,173	66,318	2,582,822
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	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
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**(3) Profit before tax**

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

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Depreciation	88,346	87,217
Recognition of prepaid land lease payments	238	222
Impairment of interests in associates	–	369
Fair value net (gain)/loss on equity investments		
through profit or loss	(6,960)	2,712
Interest income	(15,993)	(16,986)
	<u>          </u>	<u>          </u>

**(4) Tax**

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – Hong Kong	<b>9,246</b>	10,825
Current – Elsewhere	<b>34,697</b>	23,607
Deferred	–	111
	<hr/>	<hr/>
	<b>43,943</b>	<b>34,543</b>
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The share of tax expenses attributable to associates amounting to HK\$3,572,000 (2007: tax credit HK\$875,000) 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 2008 is based on the profit attributable to equity holders of the Company of HK\$153,929,000 (2007: HK\$139,506,000) and the weighted average number of 1,059,414,000 (2007: 1,052,157,569) ordinary shares in issue during the period.

(b) *Diluted earnings per share*

A diluted earnings per share amount for the period ended 30 June 2008 has not been disclosed as no diluting events existed during that period.

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. The weighted average number of ordinary shares used in the calculation is 1,052,157,569 ordinary shares in issue during the period, as used in the basic earnings per share calculation; and the weighted average of 6,513,342 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\$266,659,000 (31 December 2007: HK\$283,857,000) and bills receivables of HK\$148,832,000 (31 December 2007: HK\$153,515,000). 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>2008</b>	2007
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Current	<b>149,258</b>	197,820
Less than 4 months	<b>103,686</b>	67,000
4 – 6 months	<b>2,922</b>	12,703
Over 6 months	<b>10,793</b>	6,334
	<hr/>	<hr/>
	<b>266,659</b>	283,857
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The Group allows an average credit period of 45 days to its trade customers.

**(7) Trade and bills payables**

The trade and bills payables include trade payable of HK\$518,298,000 (31 December 2007: HK\$519,751,000). The aged analysis of trade payable is as follows:

	<b>30 June</b>	31 December
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Less than 4 months	<b>505,221</b>	507,449
4 – 6 months	<b>8,386</b>	6,029
Over 6 months	<b>4,691</b>	6,273
	<b>518,298</b>	519,751

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

**(8) Share capital**

	<b>Number of</b>	<b>Nominal</b>
	<b>ordinary shares</b>	<b>value</b>
	<b>'000</b>	<b>HK\$'000</b>
Issued and fully paid: Ordinary shares of HK\$0.10 each		
At 1 January 2008 and at 30 June 2008	<b>1,059,414</b>	<b>105,941</b>

**(9) Dividends**

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Dividends for equity holders of the Company:		
Final dividend paid	<b>129,672</b>	129,664
Special dividend paid	<b>105,941</b>	105,935
Total dividends paid	<b>235,613</b>	235,599
Interim dividend declared	<b>42,377</b>	37,607

## **INTERIM DIVIDEND**

The Directors have resolved to pay an interim dividend of HK4.00 cents (2007: HK3.55 cents) per share for the six months ended 30 June 2008 to shareholders whose names appear on the register of members of the Company as at the close of business on Tuesday, 30 September 2008. It is expected that the interim dividend will be paid to shareholders by post on or around Monday, 6 October 2008.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 26 September 2008 to Tuesday, 30 September 2008, 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 4:30 p.m. on Thursday, 25 September 2008.

## **REVIEW OF OPERATIONS**

The advent of the year of 2008 marked with the phenomena of global economic slow down and the hike of inflation. The economic development in the PRC also decelerated but its GDP growth still maintained at 10.40% level with the retail market remaining buoyant. Benefited from the double-digit increase of its retail sales, the Group's business registered a healthy growth in the first half of the year. Retail turnover accounted for 81.57% of the Group's total turnover. Operating profit derived from retail business even rose from the previous 85.27% to the current 96.20% of the Group.

Besides the strong retail operations in the Mainland China, Jeanswest had remarkable performance in Australasia having a double-digit increase of its sales as well. Quiksilver Glorious Sun also had an impressive growth. However, the Group's export volume and margin declined in the first half of the year due to the depressed retail market in the US caused by the Sub-prime crisis there and the appreciation of RMB on top of the rising production costs in the Mainland. However the negative impact of the export operations to the Group was insignificant.

With firm adherence to the prudent financial management policy, the Management managed to keep the financial position of the Group sound and solid. As at 30 June 2008, the Group had net cash of HK\$946,352,000 (2007: HK\$807,418,000). Inventory was kept at a healthy level.

For the six months ended 30 June 2008, the Group recorded a turnover of HK\$2,582,822,000 (2007: HK\$2,230,713,000) and net profit attributable to equity holders of the Group of HK\$153,929,000 (2007: HK\$139,506,000) in its unaudited consolidated accounts, representing year-on-year increases of 15.78% and 10.34%.

## **1. Retail Operations**

Jeanswest remains the flagship brand of the Group's retail business in the Mainland market. In the first half of the year under review, retail sales in the Mainland grew to HK\$1,541,948,000 (2007: HK\$1,219,085,000) increasing by 26.48% when compared with the corresponding period in the previous year. The retail market in the Mainland has been resilient but highly competitive under the environment of ever rising operation costs especially the rallying rentals. Our retail operation in Sichuan came out from the earthquake in May without too much of a negative impact although

the overall retail sentiment in the Mainland was set back until the middle of June. The Management and the staff enthusiastically participated in most of the relief activities to help those affected by the earthquake including personal donations and holding a series of charity sales in Jeanswest stores in the Mainland. Notwithstanding the hike of operation costs and the increase of rental in particular, the Management managed to improve the gross margin by adjusting upwards the average selling price of Jeanswest products so as to be able to off set part of the escalating costs. The improvement of pricing power was attributed to strong brand building of Jeanswest and the warm acceptance of our comparatively trendy designs. Of course, the Management had also enforced a series of stringent cost control measures.

The Group's retail operations in the Australasian markets also performed. In the first half of the year under review, turnover there went up 20.37% to HK\$564,819,000 (2007: HK\$469,232,000). The appreciation of Australian dollars did help, but even in local dollar terms they still outperformed their peers.

For the period, the retail operations collectively registered an aggregate turnover of HK\$2,106,767,000 (2007: HK\$1,688,317,000), increasing 24.79% year-on-year and representing 81.57% of the Group consolidated turnover compared with 75.69% last year. In term of the contribution to the Group's operating profit, retail operations even accounted for 96.20%.



The brand awareness of Quiksilver in the Mainland has been greatly uplifted and the momentum of store opening thus gained steam. Sales grew more than 40% when compared with the same period in last year. The total number of Quiksilver Glorious Sun stores increased to 55 outlets (2007: 32 outlets) including 21 outlets in Hong Kong and Macau (2007: 15 outlets) and 34 outlets in the Mainland (2007: 17 outlets).

As at 30 June 2008, the total number of the Group's retail network of shops including those of Quiksilver Glorious Sun and the Jeanswest franchised stores in the Middle East and Southeast Asia increased to 1,940 outlets (2007: 1,731 outlets), of which 1,646 outlets (2007: 1,477 outlets) were operated under the brand name of Jeanswest in the Mainland. Among the Mainland Jeanswest stores, 775 outlets were directly Group managed stores (2007: 687 outlets). The Jeanswest network in Australia and New Zealand comprised 220 outlets (2007: 222 outlets), out of which 6 outlets were operated under franchised arrangement.

## **2. Export Business**

In the period under review, the gross margin of the Group's export business was cut back by the escalating production costs in the Mainland caused by the appreciation of RMB against US dollars and the sluggish US retail market caused by the extended Sub-prime crisis. The Management opted for reducing the export volume and shifting the sales to local retailing in the Mainland. As at 30 June 2008, the Group's exports declined 20.20% to HK\$362,410,000 (2007: HK\$454,164,000) representing 14.03% of the Group's consolidated turnover.

### **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 written foreign exchange future contracts, principally for the purpose of stabilizing the Group's currency risks exposed to the Australian dollar income.

### **4. Human Resources**

As at 30 June 2008, 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**

Looking forwards to the second half of the year, the Management remains cautiously optimistic. The deterioration of the US Sub-prime issue and its spreading out to Europe have made the global economy to slow down inevitably. However, China economic development is still in the up-trend with its retail market remaining robust. Due to the recent year's improvement and innovations, Jeanswest brand gradually gains market share with stronger pricing power. It should be able to absorb the rising operating costs. The Management will expedite the expansion of Jeanswest operations in the Mainland market to maintain its leading position.

It is expected that the overall performance of Jeanswest in the Australia and New Zealand markets will do better in the second half of the year. Jeanswest franchising operations in the Middle East and Southeast Asian markets will be more aggressive. The store opening of Quiksilver Glorious Sun will also be speeded up to hit the target of 70 by the end of the year. The Group will have to face the present difficulties in its export operations in the second half of the year but the Management will reinforce its buying agent services for its US buyers.

Barring unforeseen circumstances, the Management expects the growth rate recorded in the first half to retain in the remaining half of its financial year.

## **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 2008, 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	Number of shares held	Total	Percentage of issued share capital (%)
<b>Long position</b>				
Dr. Charles Yeung, SBS, JP	Interest of controlled corporations	537,528,000	537,528,000 <sup>(1)</sup>	50.738
Mr. Yeung Chun Fan	(i) Interest of controlled corporations (ii) Interest of spouse	537,528,000 6,730,000	544,258,000 <sup>(1) &amp; (3)</sup>	51.373
Mr. Yeung Chun Ho	Interest of a controlled corporation	27,430,000		
Mr. Pau Sze Kee, Jackson	Beneficial owner	9,370,000	9,370,000	0.884
Mr. Hui Chung Shing, Herman, JP	Beneficial owner	6,250,000	6,250,000	0.590
Ms. Cheung Wai Yee	(i) Beneficial owner (ii) Interest of spouse	6,730,000 537,528,000	544,258,000 <sup>(1) &amp; (3)</sup>	51.373
Mr. Lau Hon Chuen, Ambrose, GBS, JP	Beneficial owner	956,000		

Name of director	Capacity	Number of shares held	Total	Percentage of issued share capital (%)
<b>Short position</b>				
Dr. Charles Yeung, SBS, JP	Interest of controlled corporation	4,000,000	4,000,000 <sup>(4)</sup>	0.378
Mr. Yeung Chun Fan	Interest of controlled corporation	4,000,000	4,000,000 <sup>(4)&amp;(5)</sup>	0.378
Ms. Cheung Wai Yee	Interest of spouse	4,000,000	4,000,000 <sup>(5)</sup>	0.378

*Notes:*

- (1) 398,988,000 shares 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) and 138,540,000 shares were held by Advantetex 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).
- (2) 27,430,000 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 537,528,000 shares related to the same block of shares held by two companies controlled by Mr. Yeung Chun Fan.
- (4) 4,000,000 shares 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).
- (5) 4,000,000 shares related to the same block of shares held by a company controlled by Mr. Yeung Chun Fan.

Save as disclosed above, as at 30 June 2008, 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

A share option scheme (the "Scheme") was adopted by the Company on 1 September 2005, unless otherwise terminated or amended, the Scheme will remain in force for 10 years from the date of adoption. Details of the terms of the Scheme were disclosed in the Annual Report of the Company for the year 2007.

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

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, the register required to be kept by the Company pursuant to Section 336 of the SFO showed that the following shareholders (other than Directors) 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 (%)
<b>Long position</b>				
Glorious Sun Holdings (BVI) Limited	Beneficial owner	398,988,000	398,988,000	37.661
Advancetex Holdings (BVI) Limited	Beneficial owner	138,540,000	138,540,000	13.077

Name of shareholder	Capacity	Number of shares held	Total	Percentage of issued share capital (%)
<b>Long position</b>				
Matthews International Capital Management, LLC	Investment manager	74,693,000	74,693,000	7.050
Commonwealth Bank of Australia	Interest of controlled corporations	74,727,100	74,727,100 <sup>(1)</sup>	7.054
Mr. Cheah Cheng Hye	(i) Beneficial owner (ii) Interest of child under 18 or spouse (iii) Founder of a discretionary trust	500,000 240,000 57,563,000 <sup>(2)</sup>	58,303,000	5.503
Ms. To Hau Yin	(i) Interest of child under 18 or spouse (ii) Interest of child under 18 or spouse	240,000 58,063,000 <sup>(2)</sup>		
Hang Seng Bank Trustee International Limited	Trustee	57,563,000	57,563,000 <sup>(2)</sup>	5.433
Cheah Company Limited	Interests of a controlled corporation	57,563,000	57,563,000 <sup>(2)</sup>	5.433
Cheah Capital Management Limited	Interests of a controlled corporation	57,563,000	57,563,000 <sup>(2)</sup>	5.433
Value Partners Group Limited	Interests of a controlled corporation	57,563,000	57,563,000 <sup>(2)</sup>	5.433
Value Partners Limited	Investment manager	57,563,000	57,563,000 <sup>(2)</sup>	5.433
<b>Short position</b>				
Glorious Sun Holdings (BVI) Limited	Beneficial owner	4,000,000	4,000,000	0.378

*Notes:*

- (1) 74,727,100 shares were held by various wholly-owned subsidiaries of Commonwealth Bank of Australia.
- (2) Hang Seng Bank Trustee International Limited, the trustee of The C H Cheah Family Trust, has 100% control of Cheah Company Limited, which has 100% control of Cheah Capital Management Limited, which has 35.65% control of Value Partners Group Limited, which in turn has 100% control of Value Partners Limited. Mr. Cheah Cheng Hye is the founder of The C H Cheah Family Trust. Ms. To Hau Yin is the spouse of Mr. Cheah Cheng Hye. They are all deemed to be interested in 57,563,000 shares held by Value Partners Limited pursuant to the SFO.

Save as disclosed above, no other parties (other than Directors) 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 2008.

## **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 2008, with deviation from code provision A.4.2 of the Code in respect of rotation of directors.

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



In accordance with bye-law 110(A) of the Bye-laws of the Company, Dr. Charles Yeung, SBS, JP, the executive Chairman of the Board of Directors of the Company (the "Board"), shall not be subject to retirement by rotation. The Board considers that this deviation is well-founded as Dr. Charles Yeung, SBS, JP, being the founder of the Group, has a wealth of experience which is essential to the Board and helps the continued stability of the Company's business. Hence, he is eligible for being the Chairman of the Board during his lifetime and need not be subject to retirement by rotation. However, in view of good corporate governance practices, the Chairman shall be subject to retirement by rotation in the same way as other members of the Board. At the annual general meeting of the Company for 2009, Dr. Charles Yeung, SBS, JP, will voluntarily retire from his office and offer himself for re-election notwithstanding that he is not required to do so by the Company's Bye-laws. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

## **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 2008.

## **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 2008.

## **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 2008.

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

Hong Kong, 10 September 2008



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