



GLORIOUS SUN ENTERPRISES LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 808)

Interim Report 2009





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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 2009 together with the comparative figures for the same period as follows:

INTERIM CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2009

		2009 (Unaudited) <i>HK\$'000</i>	2008 (Unaudited) <i>HK\$'000</i>
	<i>Notes</i>		
Revenue	(2)	2,614,668	2,582,822
Cost of sales		<u>(1,474,207)</u>	<u>(1,418,222)</u>
Gross profit		1,140,461	1,164,600
Other income and gains		62,999	101,977
Selling and distribution costs		(726,693)	(734,187)
Administrative expenses		(327,421)	(315,560)
Other expenses		(15,060)	(12,159)
Finance costs		(4,469)	(6,898)
Share of profits and losses of:			
Jointly-controlled entities		(477)	(2,153)
Associates		19,998	4,441
Profit before tax	(2) & (3)	149,338	200,061
Tax	(4)	(28,067)	(43,943)
Profit for the period		<u>121,271</u>	<u>156,118</u>
Attributable to:			
Ordinary equity holders of the Company		123,643	153,929
Minority interests		(2,372)	2,189
Profit for the period		<u>121,271</u>	<u>156,118</u>
Interim dividend declared	(9)	<u>42,377</u>	<u>42,377</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	(5a)	<u>11.67</u>	<u>14.53</u>
Diluted	(5b)	<u>N/A</u>	<u>N/A</u>
Interim dividend per share		<u>4.00</u>	<u>4.00</u>

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2009

	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Profit for the period	<u>121,271</u>	<u>156,118</u>
Exchange difference on translation of foreign operations	27,439	55,683
Change in fair value of an available-for-sale investment	26,221	(98,715)
Share of other comprehensive income of jointly-controlled entities and associates	—	5,539
Other comprehensive income for the period	<u>53,660</u>	<u>(37,493)</u>
Total comprehensive income for the period	<u>174,931</u>	<u>118,625</u>
Attributable to:		
Ordinary equity holders of the company	176,783	106,884
Minority interest	(1,852)	11,741
	<u>174,931</u>	<u>118,625</u>

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2009

	30 June 2009 (Unaudited) Notes	31 December 2008 (Audited)
	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	945,356	917,081
Investment properties	51,111	51,111
Prepaid land lease payments	18,698	18,937
Goodwill	30,388	30,388
Interests in jointly-controlled entities	3,604	2,997
Interests in associates	143,944	124,922
Available-for-sale investment	76,092	49,871
Deposit paid for purchase of a property	–	11,430
Deferred tax assets	16,640	14,369
	1,285,833	1,221,106
CURRENT ASSETS		
Inventories	774,642	844,223
Trade and bills receivables	(6) 435,913	522,602
Prepayments, deposits and other receivables	342,069	368,106
Derivative financial instruments	–	6,004
Due from related companies	5,551	3,609
Financial asset at fair value through profit or loss	–	23,337
Pledged deposits	–	3,388
Cash and cash equivalents	1,020,886	1,233,538
	2,579,061	3,004,807

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

as at 30 June 2009

		30 June 2009 (Unaudited) <i>HK\$'000</i>	31 December 2008 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade and bills payables	(7)	560,391	706,293
Other payables and accruals		705,251	803,707
Interest-bearing bank and other borrowings		184,242	333,499
Tax payable		368,042	371,460
		<u>1,817,926</u>	<u>2,214,959</u>
NET CURRENT ASSETS		<u>761,135</u>	<u>789,848</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,046,968</u>	<u>2,010,954</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		769	953
Long term loans from minority shareholders		9,400	9,400
Deferred tax liabilities		19,523	19,512
		<u>29,692</u>	<u>29,865</u>
Net assets		<u><u>2,017,276</u></u>	<u><u>1,981,089</u></u>
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	(8)	105,941	105,941
Reserves		1,732,313	1,597,762
Proposed dividends		42,377	138,889
		<u>1,880,631</u>	<u>1,842,592</u>
Minority interests		<u>136,645</u>	<u>138,497</u>
Total equity		<u><u>2,017,276</u></u>	<u><u>1,981,089</u></u>

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2009

	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Net cash inflow from operating activities	123,852	227,271
Net cash outflow from investing activities	(46,671)	(130,240)
Net cash outflow from financing activities	(297,193)	(243,096)
Net decrease in cash and cash equivalents	(220,012)	(146,065)
Cash and cash equivalents at 1 January	1,151,858	1,251,073
Effect of foreign exchange rate changes, net	21,368	25,335
Cash and cash equivalents at 30 June	<u>953,214</u>	<u>1,130,343</u>

Analysis of balances of cash and cash equivalents

Cash and bank balances	376,169	587,198
Non-pledged time deposits with original maturity of less than three months when acquired	624,773	578,441
Bank overdrafts	(47,728)	(35,296)
	<u>953,214</u>	<u>1,130,343</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2009

	Attributable to ordinary equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000	Retained profits HK\$'000	Exchange fluctuation reserve HK\$'000	Asset revaluation reserves HK\$'000	Non-distributable reserves HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
2009 (Unaudited)										
As at 1 January 2009	105,941	384,521	113,975	1,163,752	2,373	69,617	2,413	1,842,592	138,497	1,981,089
Profit for the period	-	-	-	123,643	-	-	-	123,643	(2,372)	121,271
Other comprehensive income	-	-	-	-	26,919	26,221	-	53,140	520	53,660
Total comprehensive income	-	-	-	123,643	26,919	26,221	-	176,783	(1,852)	174,931
Transfer to retained earnings	-	-	-	(5)	-	-	5	-	-	-
Equity-settled share option arrangement	-	-	145	-	-	-	-	145	-	145
Dividends paid	-	-	-	(138,889)	-	-	-	(138,889)	-	(138,889)
As at 30 June 2009	<u>105,941</u>	<u>384,521</u>	<u>114,120</u>	<u>1,148,501</u>	<u>29,292</u>	<u>95,838</u>	<u>2,418</u>	<u>1,880,631</u>	<u>136,645</u>	<u>2,017,276</u>
2008 (Unaudited)										
As at 1 January 2008	105,941	384,521	115,551	1,357,724	34,375	52,924	6,797	2,057,833	148,924	2,206,757
Profit for the period	-	-	-	153,929	-	-	-	153,929	2,189	156,118
Other comprehensive income	-	-	-	-	51,670	(98,715)	-	(47,045)	9,552	(37,493)
Total comprehensive income	-	-	-	153,929	51,670	(98,715)	-	106,884	11,741	118,625
Transfer to retained earnings	-	-	(1,649)	(650)	2,281	-	18	-	-	-
Capital contributed by minority shareholders	-	-	-	-	-	-	-	-	544	544
Dividends paid	-	-	-	(235,613)	-	-	-	(235,613)	-	(235,613)
As at 30 June 2008	<u>105,941</u>	<u>384,521</u>	<u>113,902</u>	<u>1,275,390</u>	<u>88,326</u>	<u>(45,791)</u>	<u>6,815</u>	<u>1,929,104</u>	<u>161,209</u>	<u>2,090,313</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of preparation and accounting policies

These interim condensed consolidated 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 2009 are unaudited and have been reviewed by the Audit Committee of the Company.

The principal accounting policies used in the preparation of these interim financial statements are the same as those adopted in preparing the audited financial statements for the year ended 31 December 2008 except for the new adoption of HKFRSs and HKASs as disclosed below.

In the current year, the Group has applied the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are or have become effective.

HKFRS 1 and HKAS 27 (Amendments)	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Amendments to HKFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs

HKAS 32 & HKAS 1 (Amendments)	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC) – Int 9 and HKAS 39 (Amendments)	Amendments to HK(IFRIC) – Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 2 (Amendments)	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions ²
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 5 (Amendments)	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations ¹
HKAS 39 (Amendments)	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 18	Transfers of Assets from Customers ¹

¹ Effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2010

(2) Segment information

The Group determined that the operating segments were the same as the business segments previously identified under HKAS14 "Segment Reporting". The following table presents segment revenue and profit of the Group's operating segments for the six months ended 30 June 2009 and 2008, respectively.

	Six months ended 30 June (Unaudited)							
	Retail operations		Export operations		Other operations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue (*):								
Sales to external customers	2,167,585	2,106,767	364,583	362,410	82,500	113,645	2,614,668	2,582,822
Other income and gains	24,117	27,440	17,269	18,652	6,485	8,102	47,871	54,194
Total	2,191,702	2,134,207	381,852	381,062	88,985	121,747	2,662,539	2,637,016
Segment profit	157,958	181,095	2,485	4,528	850	2,616	161,293	188,239
Interest income and unallocated revenue							15,128	47,783
Unallocated expenses							(42,135)	(31,351)
Finance costs							(4,469)	(6,898)
Share of profits and losses of:								
Jointly-controlled entities	-	-	(477)	(289)	-	(1,864)	(477)	(2,153)
Associates	-	-	19,998	4,441	-	-	19,998	4,441
Profit before tax							149,338	200,061
Tax							(28,067)	(43,943)
Profit for the period							121,271	156,118

* There were no inter-segment sales and transfers during the periods concerned.

The following table presents segment assets of the Group's operating segments as at 30 June 2009 and 31 December 2008, respectively.

	Retail Operations <i>HK\$'000</i>	Export Operations <i>HK\$'000</i>	Other Operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets				
At 30 June 2009 (Unaudited)	<u>1,388,581</u>	<u>481,360</u>	<u>415,186</u>	<u>2,285,127</u>
At 31 December 2008 (Audited)	<u>1,395,718</u>	<u>461,314</u>	<u>526,261</u>	<u>2,383,293</u>

- (a) Segment assets as at 30 June 2009 do not include interests in jointly-controlled entities HK\$3,604,000, interests in associates HK\$143,944,000 and unallocated assets HK\$1,432,219,000.
- (b) Segment assets as at 31 December 2008 do not include interests in jointly-controlled entities HK\$2,997,000, interest in associates HK\$124,922,000 and unallocated assets HK\$1,714,701,000.

(3) Profit before tax

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

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	88,422	88,346
Recognition of prepaid land lease payments	238	238
Fair value net gain on equity investments through profit or loss	–	(6,960)
Interest income	<u>(4,013)</u>	<u>(15,993)</u>

(4) Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) 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.

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong	4,816	9,246
Current – Elsewhere	23,251	34,697
	<hr/>	<hr/>
	28,067	43,943
	<hr/> <hr/>	<hr/> <hr/>

The share of tax expenses attributable to associates amounting to HK\$7,563,000 (2008: HK\$3,572,000) is included in "Share of profits and losses of associates" on the face of the interim 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 2009 is based on the profit attributable to equity holders of the Company of HK\$123,643,000 (2008: HK\$153,929,000) and the weighted average number of 1,059,414,000 (2008: 1,059,414,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

There were no diluted earnings per share amount in existence during both periods, as the subscription price of the share options outstanding is higher than the respective average market price of the Company's shares during the period ended 30 June 2009 and no diluting events existed during the period ended 30 June 2008.

(6) Trade and bills receivables

The trade and bills receivables include trade receivables, net of provision for impairments, of HK\$274,992,000 (31 December 2008: HK\$318,882,000) and bills receivables of HK\$160,921,000 (31 December 2008: HK\$203,720,000). The bills receivables were aged less than four months at the balance sheet date. The aged analysis of trade receivables is as follows:

	30 June	31 December
	2009	2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Current	197,241	226,770
Less than 4 months	68,680	79,068
4 – 6 months	3,807	10,077
Over 6 months	5,264	2,967
	<hr/>	<hr/>
	274,992	318,882
	<hr/> <hr/>	<hr/> <hr/>

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\$497,034,000 (31 December 2008: HK\$632,016,000). The aged analysis of trade payable is as follows:

	30 June	31 December
	2009	2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Less than 4 months	483,695	621,955
4 – 6 months	6,820	6,286
Over 6 months	6,519	3,775
	<hr/>	<hr/>
	497,034	632,016
	<hr/> <hr/>	<hr/> <hr/>

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

(8) Share capital

	Number of ordinary shares <i>'000</i>	Nominal value <i>HK\$'000</i>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1 January 2009 and at 30 June 2009	1,059,414	105,941

(9) Dividends

	Six months ended 30 June	
	2009 (Unaudited) <i>HK\$'000</i>	2008 (Unaudited) <i>HK\$'000</i>
Dividends for equity holders of the Company:		
Final dividend paid	138,889	129,672
Special dividend paid	–	105,941
Total dividends paid	138,889	235,613
Interim dividend declared	42,377	42,377

INTERIM DIVIDEND

The Directors have resolved to pay an interim dividend of HK4.00 cents (2008: HK4.00 cents) per share for the six months ended 30 June 2009 to shareholders whose names appear on the register of members of the Company as at the close of business on Friday, 18 September 2009. It is expected that the interim dividend will be paid to shareholders by post on or around Monday, 28 September 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 16 September 2009 to Friday, 18 September 2009, 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 no later than 4:30 p.m. on Tuesday, 15 September 2009.

REVIEW OF OPERATIONS

The economy in the first half of 2009 was tough. Most business sectors were adversely affected by the financial tsunami. Though the main markets of the Group, namely the PRC and Australasia, were comparatively in a better shape, retail activities therein were still lukewarm as China export and import plummeted 21.8% and 25.4% respectively during the period under review. The publicity of the financial tsunami also dismayed retail sentiment and heightened discount expectation among consumers. The apparel market in the PRC especially in March and April was fairly sluggish. During the period, our retail competitors aggressively marked down the pricing and dumped their inventory. Competition turned fierce. Despite the economic slow-down, rental, salary level and the likes had not yet been deflated accordingly. Thus deepened the difficulties of retail operation and slowed down our sale growth. Meanwhile Jeanswest operations in Australia and New Zealand were fairly stable. Sales continued to grow in local dollar terms. Although the turnover of the Group's retail operations stood firmly in the up-trend, their profit contributions inevitably lessened. In North America the retail sectors after the financial tsunami were waning. Our main export business engaged with this region and thus encountered sharp challenges. Although the turnover volume was maintained, the selling price was depressed. As a result, the Group's net profit in the period slipped.

With strict 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 2009, the Group had net cash in hand amounting to HK\$835,875,000 (2008: HK\$946,352,000) and was in a position to keep the interim dividend amount at the same level as last year.

For the six months ended 30 June 2009, the Group recorded a turnover of HK\$2,614,668,000 (2008: HK\$2,582,822,000) representing a year-on-year rise of 1.2%. However, the net profit attributable to equity holders of the Company decreased from the previous HK\$153,929,000 to HK\$123,643,000 representing a drop of 19.7%.

1. Retail Operations

Jeanswest remains the flagship brand of the Group's retail business in the Mainland market. During the period, although the PRC government used various means to stimulate the economic growth by encouraging internal consumption and increasing investments in infrastructure, retail sentiment, particularly in March and April, was still slothful due to the 21.8% decrease in exports and sharp drop in foreign direct investments. Even the market improved thereafter but the rebound was far from resilient. Rental, salary level and the likes had not yet been adjusted according to the depressed macro economic condition. Our competitors also aggressively dumped their excess inventories into the market and thus intensified competitions and encroached operating margin. Under such a condition, the Management still managed to grow the sales of our retail operations with turnover amounting to HK\$1,736,674,000 (2008: HK\$1,541,948,000) representing an increase of 12.6% (2008: 26.5%). During the period, the Management focused on inventory management to ensure stock being kept at healthy level. Stringent cost saving measures were also re-enforced. As the full effect of cost control had to take a bit of time to emerge, our operating profit in the Mainland market showed a negative growth in the first half of the year.

Our retail operations in Australia and New Zealand consistently out-performed the market as Jeanswest had been a well-established brand

there. In local dollar terms, Jeanswest sales there were firmly in the up-trend while margin was basically maintained. However, in the period under review, the Australian dollars depreciated 24.5% against Hong Kong dollars thereby dragging down our turnover to HK\$430,911,000 (2008: HK\$564,819,000) representing a drop of 23.7%.

For the period, the retail operations collectively registered an aggregate turnover of HK\$2,167,585,000 (2008: HK\$2,106,767,000), increasing 2.9% year-on-year and representing 82.9% of the Group consolidated turnover compared with 81.6% last year. In term of the contribution to the Group's operating profit, retail operations amounted for 97.9%.

In the period, Quiksilver Glorious Sun operations grew better in Hong Kong than in the Mainland market but was still contained by the indolent sentiment in the retail markets. The Management had shut down 4 shops with high rentals in the Mainland. As at 30 June 2009, the total number of Quiksilver Glorious Sun stores was 61 (2008: 55 outlets) including 23 outlets in Hong Kong and Macau (2008: 21 outlets) and 38 outlets in the Mainland (2008: 34 outlets). Turnover of Quiksilver Glorious Sun grew 8.8% year-on-year.

As at 30 June 2009, 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 2,473 outlets (2008: 1,940 outlets), of which 2,152 outlets (2008: 1,646 outlets) were operated under the brand name of Jeanswest in the Mainland. Among the Mainland Jeanswest stores, 965 outlets were directly Group managed stores (2008: 775 outlets). The Jeanswest network in Australia and New Zealand comprised 230 outlets (2008: 220 outlets), out of which 6 outlets were operated under franchised arrangement.

2. Export Business

In the period under review, the Group's main export market – US was still under the adverse impact of the financial tsunami. Americans were in the process of saving up their disposable income for de-leveraging. Retail market there was at the low ebb. Consequentially exports to US were under pressure especially in the aspect of average selling price. As the Group is one of the core suppliers of our US buyers, our export volume was maintained but margin was encroached. For the six months ended on 30 June 2009, the Group's exports amounted to HK\$364,583,000 (2008: HK\$362,410,000) similar to the previous level accounting for 13.9% of the Group 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 2009, 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 adopts a more prudent approach in running our business. The recent retail sale data may suggest that the most difficult period was over but it is a bit too early to expect strong rebound. The Management will continue to enforce our cost saving measures and lean stock policy to keep the Group in a healthy condition. Meanwhile investment in brand building will be increased to further uplift the brand image and its awareness. Our export business is expected to perform better in the remaining year and its trading arm may be able to grasp some new business opportunities.

Barring unforeseen circumstances, the Management will continue to bring reasonable returns to the shareholders in the ensuing 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, BBS, 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 2009, 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 (%)
Long position				
Dr. Charles Yeung, SBS, JP	(i) Interest of controlled corporations	538,228,000	554,228,000 ^{(1) & (2)}	52.315
	(ii) Joint interest	16,000,000		
Mr. Yeung Chun Fan	(i) Beneficial owner	1,000,000	561,958,000 ^{(1), (2) & (4)}	53.044
	(ii) Interest of controlled corporations	538,228,000		
	(iii) Joint interest	16,000,000		
	(iv) Interest of spouse	6,730,000		
Mr. Yeung Chun Ho	Interest of a controlled corporation	27,430,000	27,430,000 ⁽³⁾	2.589
Mr. Pau Sze Kee, Jackson	Beneficial owner	9,370,000	9,370,000	0.884
Mr. Hui Chung Shing, Herman, BBS, JP	Beneficial owner	6,250,000	6,250,000	0.590
Ms. Cheung Wai Yee	(i) Beneficial owner	6,730,000	561,958,000 ^{(1), (2) & (4)}	53.044
	(ii) Interest of spouse	555,228,000		
Mr. Lau Hon Chuen, Ambrose, GBS, JP	Beneficial owner	956,000	956,000	0.090

Name of director	Capacity	Number of shares held	Total	Percentage of issued share capital (%)
Short position				
Dr. Charles Yeung, SBS, JP	Interest of a controlled corporation	4,000,000	4,000,000 ⁽⁵⁾	0.378
Mr. Yeung Chun Fan	Interest of a controlled corporation	4,000,000	4,000,000 ^{(5) & (6)}	0.378
Ms. Cheung Wai Yee	Interest of spouse	4,000,000	4,000,000 ⁽⁶⁾	0.378

Notes:

- (1) 396,988,000 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), 138,540,000 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 2,700,000 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) 16,000,000 shares were held by Dr. Charles Yeung, SBS, JP and Yeung Chun Fan jointly.
- (3) 27,430,000 shares were held by Unicom Consultants Limited, a company wholly owned by Mr. Yeung Chun Ho.
- (4) 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 538,228,000 shares related to the same block of shares held by three companies controlled by Mr. Yeung Chun Fan.
- (5) 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).
- (6) 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 2009, 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 2008.

During the six months ended 30 June 2008 and 2009, no share options were granted under the Scheme.

Share options over 2,000,000 shares were granted to an employee on 23 September 2008 and outstanding as at 30 June 2009. The subscription price of the options is HK\$3.31 per share and the options have an exercise period from 1 October 2010 to 22 September 2018. 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, 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	Percentage of issued share capital (%)
Long position			
Glorious Sun Holdings (BVI) Limited	Beneficial owner	396,988,000	37.472
Advancetex Holdings (BVI) Limited	Beneficial owner	138,540,000	13.077
Commonwealth Bank of Australia	Interest of controlled corporations	76,027,100 ⁽¹⁾	7.176
Dr. Jens Alfred Karl Ehrhardt	Investment manager	69,266,000 ⁽²⁾	6.538
Dr. Jens Ehrhardt Kapital AG	Investment manager	69,266,000 ⁽²⁾	6.538
DJE Investment S.A.	Investment manager	69,266,000 ⁽²⁾	6.538
Short position			
Glorious Sun Holdings (BVI) Limited	Beneficial owner	4,000,000	0.378

Notes:

- (1) 76,027,100 shares were held by various wholly-owned subsidiaries of Commonwealth Bank of Australia.
- (2) 69,266,000 shares were held by DJE Investment S.A. which was 81% controlled by Dr. Jens Ehrhardt Kapital AG, and Dr. Jens Ehrhardt Kapital AG was 68.5% controlled by Dr. Jens Alfred Karl Ehrhardt.

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 2009.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2009.

DISCLOSURE OF INFORMATION ON DIRECTORS

Changes in Directors' biographical details since the date of the Annual Report 2008 of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below.

Mr. Chung Shui Ming, Timpson, GBS, JP is an independent director of China State Construction Engineering Corporation Limited, the securities of which have been listed on the securities market in Shanghai, the People's Republic of China since 29 July 2009.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding Directors' securities transactions 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 2009.

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 2009.

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 2009.

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

Hong Kong, 1 September 2009



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