



Interim Report 2010



GLORIOUS SUN ENTERPRISES LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 393)



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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 2010 together with the comparative figures for the same period as follows:

INTERIM CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2010

	Notes	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Revenue	(2)	2,806,390	2,614,668
Cost of sales		<u>(1,566,789)</u>	<u>(1,474,207)</u>
Gross profit		1,239,601	1,140,461
Other income and gains		64,747	62,999
Selling and distribution costs		(813,207)	(726,693)
Administrative expenses		(340,798)	(327,421)
Other expenses		(17,076)	(15,060)
Finance costs		(5,403)	(4,469)
Share of profits and losses of:			
Jointly-controlled entities		(409)	(477)
Associates		4,861	19,998
Profit before tax	(2) & (3)	132,316	149,338
Income tax expense	(4)	<u>(23,094)</u>	<u>(28,067)</u>
Profit for the period		<u>109,222</u>	<u>121,271</u>
Attributable to:			
Ordinary equity holders of the Company		108,920	123,643
Minority interests		302	(2,372)
Profit for the period		<u>109,222</u>	<u>121,271</u>
Interim dividend declared	(9)	<u>42,377</u>	<u>42,377</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to ordinary equity holders of the Company			
Basic	(5a)	<u>10.28</u>	<u>11.67</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 2010

	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Profit for the period	<u>109,222</u>	<u>121,271</u>
Exchange difference on translation of foreign operations	(1,629)	27,439
Change in fair value of an available-for-sale investment	108,998	26,221
Share of other comprehensive income of associates	<u>166</u>	–
Other comprehensive income for the period	<u>107,535</u>	<u>53,660</u>
Total comprehensive income for the period	<u>216,757</u>	<u>174,931</u>
Attributable to:		
Ordinary equity holders of the Company	216,334	176,783
Minority interest	423	(1,852)
	<u>216,757</u>	<u>174,931</u>

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2010

	30 June 2010 (Unaudited) <i>HK\$'000</i>	31 December 2009 (Audited) <i>HK\$'000</i>
<i>Notes</i>		
NON-CURRENT ASSETS		
Property, plant and equipment	952,933	974,903
Investment properties	52,667	52,667
Prepaid land lease payments	18,222	18,460
Goodwill	36,119	36,119
Interests in a jointly-controlled entity	7,502	7,911
Interests in associates	151,834	146,807
Available-for-sale investment	264,267	155,269
Deferred tax assets	23,668	17,583
	<hr/>	<hr/>
Total non-current assets	1,507,212	1,409,719
CURRENT ASSETS		
Inventories	761,134	749,840
Trade and bills receivables	429,076	487,532
Prepayments, deposits and other receivables	358,280	332,389
Derivative financial instruments	–	157
Due from related companies	3,185	4,088
Due from associates	1,732	1,266
Pledged deposits	28,006	24,508
Cash and cash equivalents	1,259,737	1,291,638
	<hr/>	<hr/>
Total current assets	2,841,150	2,891,418

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

as at 30 June 2010

		30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
	Notes		
CURRENT LIABILITIES			
Trade and bills payables	(7)	565,895	645,764
Other payables and accruals		853,887	828,125
Due to a jointly-controlled entity		–	9,921
Due to associates		8,084	7,013
Interest-bearing bank and other borrowings		217,396	188,691
Tax payable		373,788	370,103
		<hr/>	<hr/>
Total current liabilities		2,019,050	2,049,617
		<hr/>	<hr/>
NET CURRENT ASSETS		822,100	841,801
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,329,312	2,251,520
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		279	471
Long term loans from minority shareholders		9,400	9,400
Deferred tax liabilities		19,833	19,827
		<hr/>	<hr/>
Total non-current liabilities		29,512	29,698
		<hr/>	<hr/>
Net assets		2,299,800	2,221,822
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	(8)	105,941	105,941
Reserves		2,000,351	1,826,249
Proposed dividends		42,377	138,889
		<hr/>	<hr/>
		2,148,669	2,071,079
		<hr/>	<hr/>
Minority interests		151,131	150,743
		<hr/>	<hr/>
Total equity		2,299,800	2,221,822
		<hr/> <hr/>	<hr/> <hr/>

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2010

	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Net cash flows from operating activities	158,752	123,852
Net cash flows used in investing activities	(59,893)	(46,671)
Net cash flows used in financing activities	(142,869)	(297,193)
Net decrease in cash and cash equivalents	(44,010)	(220,012)
Cash and cash equivalents at 1 January	1,224,522	1,151,858
Effect of foreign exchange rate changes, net	(1,130)	21,368
Cash and cash equivalents at 30 June	<u>1,179,382</u>	<u>953,214</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	822,202	376,169
Non-pledged time deposits with original maturity of less than three months when acquired	430,936	624,773
Bank overdrafts	(73,756)	(47,728)
	<u>1,179,382</u>	<u>953,214</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2010

2010 (Unaudited)

	Attributable to ordinary equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000	Asset revaluation reserves HK\$'000	Exchange fluctuation reserve HK\$'000	Non-distributable reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
As at 1 January 2010	105,941	384,521	114,266	175,015	46,899	3,537	1,240,900	2,071,079	150,743	2,221,822
Profit for the period	-	-	-	-	-	-	108,920	108,920	302	109,222
Other comprehensive income	-	-	-	108,998	(1,584)	-	-	107,414	121	107,535
Total comprehensive income	-	-	-	108,998	(1,584)	-	108,920	216,334	423	216,757
Transfer to retained earnings	-	-	-	-	-	(40)	40	-	-	-
Equity-settled share option arrangement	-	-	145	-	-	-	-	145	-	145
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	(35)	(35)
Dividends paid	-	-	-	-	-	-	(138,889)	(138,889)	-	(138,889)
As at 30 June 2010	<u>105,941</u>	<u>384,521</u>	<u>114,411</u>	<u>284,013</u>	<u>45,315</u>	<u>3,497</u>	<u>1,210,971</u>	<u>2,148,669</u>	<u>151,131</u>	<u>2,299,800</u>

for the six months ended 30 June 2009

2009 (Unaudited)

	Attributable to ordinary equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000	Asset revaluation reserves HK\$'000	Exchange fluctuation reserve HK\$'000	Non-distributable reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
As at 1 January 2009	105,941	384,521	113,975	69,617	2,373	2,413	1,163,752	1,842,592	138,497	1,981,089
Profit for the period	-	-	-	-	-	-	123,643	123,643	(2,372)	121,271
Other comprehensive income	-	-	-	26,221	26,919	-	-	53,140	520	53,660
Total comprehensive income	-	-	-	26,221	26,919	-	123,643	176,783	(1,852)	174,931
Transfer from 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>95,838</u>	<u>29,292</u>	<u>2,418</u>	<u>1,148,501</u>	<u>1,880,631</u>	<u>136,645</u>	<u>2,017,276</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 2010 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 2009 except for the new adoption of HKFRSs and HKASs as disclosed below.

The Group has applied the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are or have become effective for the first time for the current year's financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>

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HK(IFRIC) – Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>

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 in these financial statements.

HKFRS 1 Amendment	<i>Amendment to HKFRS 1 Limited Exemption from Comparatives HKFRS 7 Disclosures for First-time Adopters</i> ²
HKFRS 9	<i>Financial Instruments</i> ⁴
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ³
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i> ¹
HK(IFRIC) – Int 14	<i>Amendments to HK(IFRIC) – Int 14 Prepayments of a Minimum Funding Requirement</i> ³
HK(IFRIC) – Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ²

¹ Effective for annual periods beginning on or after 1 February 2010

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

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

(2) Segment information

The following table presents segment revenue and result of the Group's operating segments for the six months ended 30 June 2010 and 2009, respectively.

	Six months ended 30 June (Unaudited)							
	Retail operations		Export operations		Other operations		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue (*):								
Sales to external								
customers	2,347,101	2,167,585	379,885	364,583	79,404	82,500	2,806,390	2,614,668
Other income and gains	17,164	24,117	24,066	17,269	10,976	6,485	52,206	47,871
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	2,364,265	2,191,702	403,951	381,852	90,380	88,985	2,858,596	2,662,539
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Segment result	157,535	157,958	2,718	2,485	789	850	161,042	161,293
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>		
Interest income							3,650	4,013
Unallocated revenue							8,891	11,115
Unallocated expenses							(40,316)	(42,135)
Finance costs							(5,403)	(4,469)
Share of profits and losses of:								
Jointly-controlled entities	-	-	(409)	(477)	-	-	(409)	(477)
Associates	-	-	4,861	19,998	-	-	4,861	19,998
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Profit before tax							132,316	149,338
Tax							(23,094)	(28,067)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Profit for the period							109,222	121,271
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

(3) Profit before tax

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

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Depreciation	91,321	88,422
Recognition of prepaid land lease payments	238	238
Interest Income	(3,650)	(4,013)
	<u>91,321</u>	<u>88,422</u>

(4) Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates:

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Current – Hong Kong	1,830	4,816
Current – Elsewhere	28,219	23,251
Deferred	(6,955)	–
	<u>23,094</u>	<u>28,067</u>

The share of tax expenses attributable to associates amounting to HK\$7,455,000 (2009: HK\$7,563,000) 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 2010 is based on the profit attributable to equity holders of the Company of HK\$108,920,000 (2009: HK\$123,643,000) and the weighted average number of 1,059,414,000 (2009: 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 2010 and no diluting events existed during the period ended 30 June 2009.

(6) Trade and bills receivables

The trade and bills receivables include trade receivables, net of provision for impairments, of HK\$338,191,000 (31 December 2009: HK\$351,516,000) and bills receivables of HK\$90,885,000 (31 December 2009: HK\$136,016,000). 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 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Current	186,802	277,964
Less than 4 months	136,888	67,104
4 – 6 months	9,987	4,258
Over 6 months	4,514	2,190
	<hr/> 338,191 <hr/>	<hr/> 351,516 <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\$519,364,000 (31 December 2009: HK\$592,002,000). The aged analysis of trade payable is as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Less than 4 months	507,441	583,679
4 – 6 months	5,430	4,167
Over 6 months	6,493	4,156
	<u>519,364</u>	<u>592,002</u>

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

(8) Share capital

	Number of ordinary shares '000	Nominal value HK\$'000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 31 December 2009 and 30 June 2010	<u>1,059,414</u>	<u>105,941</u>

(9) Dividends

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends for equity holders of the Company:		
Final dividend paid	138,889	138,889
	<u><u> </u></u>	<u><u> </u></u>
Interim dividend declared	42,377	42,377
	<u><u> </u></u>	<u><u> </u></u>

INTERIM DIVIDEND

The Directors have resolved to pay an interim dividend of HK4.00 cents (2009: HK4.00 cents) per share for the six months ended 30 June 2010 to shareholders whose names appear on the register of members of the Company as at the close of business on Friday, 27 August 2010. The interim dividend will be paid to shareholders by post on Monday, 6 September 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 25 August 2010 to Friday, 27 August 2010, 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 registrar 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, 24 August 2010.

REVIEW OF OPERATIONS

In the first half of the year under review, the Group's core business – retail operations in the Mainland progressed smoothly with improvement in both turnover and gross margin. The gross margin had increased fairly in line with the Management's strategic expectation by two percent. Even the recovery of the retail market in US was fragile; the Group managed to pass the rise of wages and cotton cost to our export buyers and thus successfully kept our export gross margin intact. Export turnover rose slightly due to the increase of the export unit price. However, in Australia, Jeanswest encountered a set back due to the sluggish market conditions. Both margin and turnover in Australian dollars were in decline year-on-year. The net profit of the Group was thus adversely affected.

Hereunder are the highlights of our performance in the first half of the year under review.

	2010	2009	
	1st Half	1st Half	Changes
<i>(Unit: HK\$'000)</i>			
Consolidated sales	2,806,390	2,614,668	↑ 7.33%
of which:			
A. Total retail sales in Mainland China	1,878,350	1,736,674	↑ 8.16%
B. Total retail sales in Australia & New Zealand	468,751	430,911	↑ 8.78%*
Sub-total	2,347,101	2,167,585	↑ 8.28%
C. Total export sales	379,885	364,583	↑ 4.20%
Profit attributable to ordinary equity holders of the Company	108,920	123,643	↓ 11.91%
<i>(Unit: HK cents)</i>			
Interim earnings per share (basic)	10.28	11.67	↓ 11.91%
Interim dividend per share	4.00	4.00	–
<i>(Unit: HK\$'000)</i>			
Net cash in hand	1,070,068	835,875	↑ 28.02%

* In the period, the Australian dollars exchange rate was volatile. Turnover in Australian dollars declined 13.29% year-on-year.

1. Retail Operations

Jeanswest remains the flagship brand of the Group's retail business in the Mainland market. Attributed to the stimulus economic measures launched in last year, the macro economic development in the Mainland recovered quite strongly in the period under review. Some sectors such as property were even over-heated and the inflation pressure heightened. Therefore in the recent months Chinese Government lightly tightened the lenient monetary measures to cool down the economy especially those sectors in question. Retail sentiment was resilient because Government policy favoured domestic consumption, which was expected to function as the main driving force of the economic development. However the retail environment was very tough. All retail operators had to face with the ever-rising operating costs such as wages and rental. The Management in consideration of our retail operations in recent years relied more on increase of turnover in volume rather than improvement of margin to grow the profitability in the Mainland, therefore tuned the development strategy accordingly. On top of increasing investment in brand building and up-lifting the quality of the product as well as the efficiency in inventory management, slightly more trendy elements have been taken up in product design so as to enhance our pricing power. In the period under review, our retail operations in the Mainland with turnover increased by 8.16% to HK\$1,878,350,000 (2009: HK\$1,736,674,000) and the gross profit margin improved by more than two percent.

The Group's retail operations under-performed in Australia and New Zealand. It was attributed to the market sentiment which turned sluggish after a series of interest increases of Australian dollars. The data gathered in recent customer survey also indicated that our relatively trendy design in previous collections though drew in new customers also caused some former customers to shy away. The Management promptly responded to the issue by cleaning the inventory in question resolutely and adjusting the design of the ensuing seasons hopefully to contain the adverse impact in the first half of the year. For the six months ended 30 June 2010, the aggregate retail turnover in Australia and New Zealand was HK\$468,751,000 (2009: HK\$430,911,000) showing an increase of 8.78% but in Australian dollars term, a drop of 13.29%.

For the period, the retail operations collectively registered an aggregate turnover of HK\$2,347,101,000 (2009: HK\$2,167,585,000), increased by 8.28% year-on-year representing 83.63% of the Group's consolidated turnover compared with 82.90% last year.

In the period, the turnover of Quiksilver Glorious Sun operations was lower than the same period of last year due to the closure of 5 high rental shops in the Mainland which had not been replaced till the second quarter in 2010. However the Management managed to uplift the gross profit margin by more than three percent. As at 30 June 2010, the total number of Quiksilver Glorious Sun stores was 59 shops (2009: 61 shops) including 24 shops in Hong Kong and Macao (2009: 23 shops) and 35 shops in the Mainland (2009: 38 shops).

As at 30 June 2010, 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 2,798 shops (2009: 2,473 shops), of which 2,467 shops (2009: 2,152 shops) were operated under the brand name of Jeanswest in the Mainland. Among the Mainland Jeanswest shops, 1,058 shops were directly managed by the Group (2009: 965 shops). The Jeanswest network in Australia and New Zealand comprised 232 shops (2009: 230 shops), out of which 6 shops were operated under franchised arrangement.

2. Export Business

In the period under review, the recovery of the US retail market was flimsy and the production cost rose due to the escalation of cotton price and wages. Balanced by the upward adjustment of selling price to cover the increase of our production costs, we managed to keep our margin away from encroachment. For the six months ended 30 June 2010, the Group's exports amounted to HK\$379,885,000 (2009: HK\$364,583,000) representing an increase of 4.20% and accounted for 13.54% of the Group's consolidated turnover.

3. Financial Position

In the first half of the year under review, the Group's overall financial position was sound and solid with both net cash position and inventory 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 2010, the Group employed a total of about 28,000 staff. The Group offered competitive remuneration packages to its employees. In addition, incentives were granted to employees with reference to the Group's overall performance and performance of each individual.

PROSPECTS

Looking forwards to the ensuing period of the year, the Management attitude is relatively cautious. Although we are convinced that the most difficult period was over, it may be a bit too optimistic to expect a forceful and sustainable global economic recovery to come smoothly. Our development plan in the Mainland was fairly prudent as we assumed only a moderate and gradual recovery ahead when we formulated the said strategy. Improvement of margin will be the main focus. Of course we will endeavour to upkeep our cost control and inventory management too. In Australia and New Zealand, adjustment in the product design will be made to ensure that the trendy touch in our products can draw in new buyers and at the same time to keep our loyal customers happy to continue with their patronage. The Australian and New Zealand operations are expected to achieve their budget targets in the second half of the year.

Our export business is expected to have a fairly mild improvement and its trading arm will continue to explore more new business to improve the profitability.

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, MH, 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 2010, 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

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Name of director	Capacity	Number of shares held	Total	Percentage of issued share capital (%)
Long position				
Mr. Hui Chung Shing, Herman, BBS, MH, JP	Beneficial owner	6,250,000	6,250,000	0.590
Ms. Cheung Wai Yee	(i) Beneficial owner (ii) Interest of spouse	6,730,000 555,228,000	561,958,000 ^{(1), (2) & (4)}	53.044
Mr. Lau Hon Chuen, Ambrose, GBS, JP	Beneficial owner	956,000		
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⁾	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 2010, 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 2009.

During the six months ended 30 June 2010, 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 the same number of share options were outstanding as at 30 June 2009 and at 30 June 2010. 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 2010, 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	73,196,100 ⁽¹⁾	6.909
Dr. Jens Alfred Karl Ehrhardt	Investment manager	85,810,000 ⁽²⁾	8.100
Dr. Jens Ehrhardt Kapital AG	Investment manager	85,810,000 ⁽²⁾	8.100
DJE Investment S.A.	Investment manager	85,810,000 ⁽²⁾	8.100
Short position			
Glorious Sun Holdings (BVI) Limited	Beneficial owner	4,000,000	0.378

Notes:

- (1) 73,196,100 shares were held by various wholly-owned subsidiaries of Commonwealth Bank of Australia.
- (2) 85,810,000 shares were held by DJE Investment S.A. which was 100% 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 2010.

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 2010.

ADOPTION OF CHINESE NAME AS SECONDARY NAME

Pursuant to a special resolution passed by the shareholders of the Company at the annual general meeting of the Company held on 4 June 2010, and with subsequent approval by the Registrar of Companies in Bermuda and the Registrar of Companies in Hong Kong on 14 June 2010 and 22 July 2010, respectively, the Chinese name of “旭日企業有限公司” has been adopted as the secondary name of the Company.

DISCLOSURE OF INFORMATION ON DIRECTORS

Changes in Directors' biographical details since the date of the Annual Report of the Company for the year 2009, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below.

Mr. Wong Man Kong, Peter is a director of New Times Group Holdings Limited, a public listed company in Hong Kong which has changed its name to New Times Energy Corporation Limited since 2 June 2009.

Mr. Chung Shui Ming, Timpson has been appointed as a director of China Overseas Grand Oceans Group Limited, a public listed company in Hong Kong, with effect from 18 May 2010.

Dr. Lam Lee G. has been appointed as a director of Top Global Limited, a company listed in Singapore, with effect from 26 April 2010 and he has also been appointed as a director of Imagi International Holdings Limited, a public listed company in Hong Kong, with effect from 11 May 2010.

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 2010.

AUDIT COMMITTEE

The audit committee of the Company 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 2010.

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 2010.

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

Hong Kong, 5 August 2010



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