



GLORIOUS SUN ENTERPRISES LIMITED

(Incorporated in Bermuda with limited liability) (Stock Code:393)

Interim
Report
2011



HISTORIC
FIRE
ENGINE

LOADING
AND
UNLOADING

THE CANNERY



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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 2011 together with the comparative figures for the same period as follows:

INTERIM CONSOLIDATED INCOME STATEMENT for the six months ended 30 June 2011

	Notes	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Revenue	(2)	3,184,521	2,806,390
Cost of sales		(1,807,364)	(1,566,789)
Gross profit		1,377,157	1,239,601
Other income and gains		136,385	64,747
Selling and distribution costs		(931,590)	(813,207)
Administrative expenses		(362,704)	(340,798)
Other expenses		(12,343)	(17,076)
Finance costs		(3,602)	(5,403)
Share of profits and losses of:			
Jointly-controlled entities		–	(409)
Associates		767	4,861
Profit before tax	(2) & (3)	204,070	132,316
Income tax expense	(4)	(45,877)	(23,094)
Profit for the period		<u>158,193</u>	<u>109,222</u>
Attributable to:			
Ordinary equity holders of the Company		161,123	108,920
Non-controlling interests		(2,930)	302
Profit for the period		<u>158,193</u>	<u>109,222</u>
Interim dividend declared	(9)	<u>42,377</u>	<u>42,377</u>
		HK cents	HK cents
Earnings per share attributable to ordinary equity holders of the Company			
Basic	(5a)	<u>15.21</u>	<u>10.28</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 2011

	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Profit for the period	<u>158,193</u>	<u>109,222</u>
Exchange difference on translation of foreign operations	6,293	(1,629)
Change in fair value of an available-for-sale investment	114,942	108,998
Share of other comprehensive income of associates	<u>735</u>	<u>166</u>
Other comprehensive income for the period	<u>121,970</u>	<u>107,535</u>
Total comprehensive income for the period	<u><u>280,163</u></u>	<u><u>216,757</u></u>
Attributable to:		
Ordinary equity holders of the Company	284,082	216,334
Non-controlling interests	<u>(3,919)</u>	<u>423</u>
	<u><u>280,163</u></u>	<u><u>216,757</u></u>

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2011

	Notes	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		918,320	1,001,923
Prepaid land lease payments		18,149	18,392
Goodwill		39,048	39,048
Investments in associates		116,519	115,017
Held-to-maturity investment		70,851	–
Available-for-sale investment		520,336	405,394
Deposit paid for purchase of properties		56,000	–
Deferred tax assets		33,217	35,717
		<hr/>	<hr/>
Total non-current assets		1,772,440	1,615,491
CURRENT ASSETS			
Inventories		862,542	918,329
Trade and bills receivables	(6)	396,427	442,119
Prepayments, deposits and other receivables		458,867	442,900
Due from related companies		2,779	2,308
Due from associates		1,863	1,285
Equity investment at fair value through profit and loss		–	12,018
Pledged deposits		27,130	28,799
Cash and cash equivalents		1,478,033	1,712,043
		<hr/>	<hr/>
Total current assets		3,227,641	3,559,801

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

as at 30 June 2011

	Notes	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
CURRENT LIABILITIES			
Trade and bills payables	(7)	632,647	838,661
Other payables and accruals		931,932	933,203
Due to associates		7,763	10,624
Interest-bearing bank and other borrowings		146,058	225,318
Tax payable		434,401	420,439
Total current liabilities		<u>2,152,801</u>	<u>2,428,245</u>
NET CURRENT ASSETS		<u>1,074,840</u>	<u>1,131,556</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,847,280</u>	<u>2,747,047</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		334	568
Long term loans from non-controlling shareholders		9,400	9,400
Deferred tax liabilities		15,834	19,774
Total non-current liabilities		<u>25,568</u>	<u>29,742</u>
Net assets		<u>2,821,712</u>	<u>2,717,305</u>
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	(8)	105,941	105,941
Reserves		2,532,294	2,290,482
Proposed dividends		42,377	175,863
		<u>2,680,612</u>	<u>2,572,286</u>
Non-controlling interests		<u>141,100</u>	<u>145,019</u>
Total equity		<u>2,821,712</u>	<u>2,717,305</u>

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2011

	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Net cash flows from operating activities	89,909	158,752
Net cash flows used in investing activities	(74,560)	(59,893)
Net cash flows used in financing activities	(257,486)	(142,869)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(242,137)	(44,010)
Cash and cash equivalents at 1 January	1,666,374	1,224,522
Effect of foreign exchange rate changes, net	2,974	(1,130)
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	<u>1,427,211</u>	<u>1,179,382</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	780,330	822,202
Non-pledged time deposits with original maturity of less than three months when acquired	690,934	430,936
Bank overdrafts	(44,053)	(73,756)
	<hr/>	<hr/>
	<u>1,427,211</u>	<u>1,179,382</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2011

2011 (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	Non-controlling interests HK\$'000	Total equity HK\$'000
As at 1 January 2011	105,941	384,521	114,538	441,514	99,362	4,523	1,421,887	2,572,286	145,019	2,717,305
Profit for the period	-	-	-	-	-	-	161,123	161,123	(2,930)	158,193
Other comprehensive income	-	-	-	114,942	8,017	-	-	122,959	(989)	121,970
Total comprehensive income	-	-	-	114,942	8,017	-	161,123	284,082	(3,919)	280,163
Transfer to retained earnings	-	-	-	(12,096)	-	-	12,096	-	-	-
Equity-settled share option arrangement	-	-	107	-	-	-	-	107	-	107
Dividends paid	-	-	-	-	-	-	(175,863)	(175,863)	-	(175,863)
As at 30 June 2011	105,941	384,521	114,645	544,360	107,379	4,523	1,419,243	2,680,612	141,100	2,821,712

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	Non-controlling 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 non-controlling shareholders	-	-	-	-	-	-	-	-	(35)	(35)
Dividends paid	-	-	-	-	-	-	(138,889)	(138,889)	-	(138,889)
As at 30 June 2010	105,941	384,521	114,411	284,013	45,315	3,497	1,210,971	2,148,669	151,131	2,299,800

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 2011 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 2010 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	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 Amendments	Classification of Rights Issues
HK(IFRIC)-Int 14 Amendments	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

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.

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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	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ¹
HKFRS 7 Amendments	Disclosures – Transfers of Financial Assets ¹
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosure of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴
HKAS 1 (Revised)	Presentation of Financial Statements ³
HKAS 12 Amendments	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (2011)	Employee Benefits ⁴
HKAS 27 (2011)	Separate Financial Statements ⁴
HKAS 28 (2011)	Investments in Associates and Joint Ventures ⁴

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

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 2011 and 2010, respectively.

	Six months ended 30 June (Unaudited)							
	Retail operations		Export operations		Other operations		Consolidated	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Segment revenue (*):								
Sales to external customers	2,742,177	2,347,101	387,344	379,885	55,000	79,404	3,184,521	2,806,390
Other income and gains	23,523	17,164	25,614	24,066	12,285	10,976	61,422	52,206
Total	2,765,700	2,364,265	412,958	403,951	67,285	90,380	3,245,943	2,858,596
Segment results	173,124	157,535	897	2,718	732	789	174,753	161,042
Interest income							9,708	3,650
Unallocated revenue							65,255	8,891
Unallocated expenses							(42,811)	(40,316)
Finance costs							(3,602)	(5,403)
Share of profits and losses of:								
Jointly-controlled entities	-	-	-	(409)	-	-	-	(409)
Associates	-	-	767	4,861	-	-	767	4,861
Profit before tax							204,070	132,316
Income tax expense							(45,877)	(23,094)
Profit for the period							158,193	109,222

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

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(3) Profit before tax

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

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Depreciation	85,778	91,321
Recognition of prepaid land lease payments	244	238
Loss on disposal/write-off of items of property, plant and equipment	5,804	4,892
Net compensation received from resumption of a property (*)	(63,385)	–
Interest income	(9,708)	(3,650)
	<u> </u>	<u> </u>

(*) Net compensation received from resumption of a property is before income tax of HK\$19,142,000 for the period, which has been accounted for under tax expense in note (4).

(4) Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current – Hong Kong	2,647	1,830
Current – Elsewhere	44,452	28,219
Deferred	(1,222)	(6,955)
	<u> </u>	<u> </u>
	<u>45,877</u>	<u>23,094</u>

The share of tax expenses attributable to associates amounting to HK\$361,000 (2010: HK\$7,455,000) 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 2011 is based on the profit attributable to equity holders of the Company of HK\$161,123,000 (2010: HK\$108,920,000) and the weighted average number of 1,059,414,000 (2010: 1,059,414,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

As the subscription prices of the share options outstanding during the periods ended 30 June 2011 and 2010 are higher than the respective average market prices of the Company's shares during the periods ended 30 June 2011 and 2010, there is no dilution effect on the basic earnings per share.

(6) Trade and bills receivables

The trade and bills receivables include trade receivables, net of provision for impairment, of HK\$347,378,000 (31 December 2010: HK\$390,124,000) and bills receivables of HK\$49,049,000 (31 December 2010: HK\$51,995,000). The bills receivables were aged less than four months at the end of the reporting period. The aged analysis of trade receivables is as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Current	276,655	263,484
Less than 4 months	60,690	117,362
4 – 6 months	3,461	3,576
Over 6 months	6,572	5,702
	<hr/>	<hr/>
	347,378	390,124
	<hr/> <hr/>	<hr/> <hr/>

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

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(7) Trade and bills payables

An aged analysis of the trade and bills payables as at the end of the reporting period, based on payment due date, is as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Less than 4 months	621,592	827,252
4 – 6 months	5,750	7,185
Over 6 months	5,305	4,224
	<u>632,647</u>	<u>838,661</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 2010 and 30 June 2011	<u>1,059,414</u>	<u>105,941</u>

(9) Dividends

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Dividends for ordinary equity holders of the Company:		
Final dividend paid	<u>175,863</u>	<u>138,889</u>
Interim dividend declared	<u>42,377</u>	<u>42,377</u>

INTERIM DIVIDEND

The Directors have resolved to pay an interim dividend of HK4.00 cents (2010: HK4.00 cents) per share for the six months ended 30 June 2011 to shareholders whose names appear on the register of members of the Company as at the close of business on Friday, 26 August 2011. The interim dividend will be paid to shareholders on Monday, 5 September 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 24 August 2011 to Friday, 26 August 2011, 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, 23 August 2011.

Review of Operations

In the first half of the year under review, attributed to the resilient retail sentiment in Mainland China and the improved operations in Australia and New Zealand, our total retail revenue grew in double digits. The rising of inflation and the escalation of operation costs, especially in the Mainland, demanded the upward adjustment of our retail price since the second quarter of the year. However, the increased retail price was still insufficient to absorb the inflated cost. The growth of our operation profit therefore could not catch up with the rise of turnover. In the first half of the year, export revenue stayed at the same level as last year but margin shrank because the improvement in the export unit prices could not match the appreciation in the production costs. As the export business only accounted for less than 12.16% of the Group's consolidated sales, the adverse effect on the overall result was insignificant.

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

	2011 1st Half	2010 1st Half	Changes
<i>(Unit: HK\$'000)</i>			
Consolidated sales	3,184,521	2,806,390	↑ 13.47%
of which:			
A. Total retail sales in Mainland China	2,194,115	1,878,350	↑ 16.81%
B. Total retail sales in Australia & New Zealand	548,062	468,751	↑ 16.92%
Sub-total	2,742,177	2,347,101	↑ 16.83%
C. Total export sales	387,344	379,885	↑ 1.96%
Profit attributable to ordinary equity holders of the Company	161,123	108,920	↑ 47.93%
A. Net profit on compensation for a resumed property	44,243	–	–
B. Net profit before non-recurrent items	116,880	108,920	↑ 7.31%
<i>(Unit: HK cents)</i>			
Interim earnings per share (basic)	15.21	10.28	↑ 47.96%
Interim dividend per share	4.00	4.00	–
<i>(Unit: HK\$'000)</i>			
Net cash in hand	1,358,771	1,070,068	↑ 26.98%

1. Retail Operations

Jeanswest remained the flagship brand of the Group's retail business in the Mainland market. During the period, although the PRC Government steered up macro economic controls to cool down the over-heated sectors and slow down inflation, yet she also encouraged internal consumption so as to boost up domestic economic development. Retail sentiment therefore remained resilient. In the period, both the ex-factory prices of apparel and the rental expenses increased in double digits. The challenges to the Management were to ameliorate operational efficiency, costs control as well as the pricing power of our products to keep margin intact and at the same time to keep the sales momentum in the up trend to enlarge our market share. Given such a competitive market environment, the Management opted for gradual adjustment of our retail prices, rather than shifting all the additional costs to the consumers immediately. Therefore our retail turnover in the Mainland increased in double digits but the growth of our operational profit could not keep the same pace.

In the period under review, our retail operations in the Mainland achieved a turnover of HK\$2,194,115,000 (2010: HK\$1,878,350,000) showing an increase of 16.81%.

The Jeanswest operations in Australia and New Zealand performed better than the same period of last year. Although the costs of merchandise at source went up, the double-digit exchange gain from the Australian dollar to the US dollar reduced materially the percentage of the cost of goods sold. After solving the design issue, both the turnover and the profit margin improved.

For the six months ended 30 June 2011, the aggregate retail turnover in Australia and New Zealand was HK\$548,062,000 (2010: HK\$468,751,000) showing an increase of 16.92%.

For the period, the total retail operations registered an aggregate turnover of HK\$2,742,177,000 (2010: HK\$2,347,101,000), increased by 16.83% year-on-year representing 86.11% of the Group's consolidated turnover compared with 83.63% last year.

In the period, Quiksilver Glorious Sun benefited from the booming retail market in Hong Kong and the enhancement of brand recognition in the Mainland. The sales increased by 20.71% with improvement of operational margin as well. As at 30 June 2011, the total number of Quiksilver Glorious Sun stores was 60 shops (2010: 59 shops) including 30 shops (2010: 24 shops) in Hong Kong and Macao and 30 shops (2010: 35 shops) in the Mainland.

As at 30 June 2011, 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 3,197 shops (2010: 2,798 shops), of which 2,864 Jeanswest shops (2010: 2,467 shops) were operated in the Mainland. Among the Mainland Jeanswest shops, 1,192 shops (2010: 1,058 shops) were directly managed by the Group. The Jeanswest network in Australia and New Zealand comprised 228 shops (2010: 232 shops), out of which 6 shops (2010: 6 shops) were operated under franchised arrangement.

2. Export Business

In the period under review, the US retail market recovery was still fragile. The additional costs could not be entirely shifted to the export customers and led to encroachment of our margin. In addition to tightening cost control, the Management even had to opt for declining orders of flimsy margins. In the period, although the export revenue had a slight improvement, the margin sustained negative growth when compared with the same period of last year.

For the six months ended 30 June 2011, the Group's exports amounted to HK\$387,344,000 (2010: HK\$379,885,000) representing a slight increase of 1.96% and accounted for 12.16% 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 2011, the Group employed a total of about 23,000 members of 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 the performance of each individual.

PROSPECTS

Looking forwards to the ensuing period of the year, the Management adopts a cautious but optimistic attitude. The market sentiment of those countries in which we have retail operations is quite resilient. However the surge of operational costs especially in the Mainland market may squeeze the margin because the additional costs cannot be easily translated in full to the retail prices under such a competitive market environment. On top of the endeavour in cost saving and uplifting the standard of store services, the Management will increase investment in brand building. Hopefully our customers will keep on finding our products competitive and worth for the dollars and be willing to continue their patronage. The momentum of rolling out of new stores in the Mainland will be accelerated. In the period under review, three Jeanswest stores had already been put up in Hong Kong. The market response was quite encouraging. It is expected that the number of Jeanswest stores in Hong Kong will increase to around ten by the end of this fiscal year. Jeanswest operations in Australia and New Zealand will also be expanded moderately to gain bigger market share. Fashion elements in our product design will be enhanced accordingly but in a more prudent pace.

Our export business is expected to perform slightly better in the second half and its trading arm will continue to explore more new business aiming for profit improvement.

Barring unforeseen circumstances, the Management will continue to bring reasonable returns to the shareholders for 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 2011, 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		

Name of director	Capacity	Number of shares held	Total	Percentage of issued share capital (%)
Long position				
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, 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	956,000	0.090
Mr. Chung Shui Ming, Timpson, GBS, JP	Beneficial owner	408,000	408,000	0.039
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 2011, 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 2010.

Share options over 2,000,000 shares were granted to an employee on 23 September 2008 and share options over 2,000,000 shares were granted to the same employee on 8 October 2010.

During the six months ended 30 June 2011, no share options were granted, exercised, cancelled or lapsed under the Scheme.

Particulars of the share options outstanding as at 30 June 2011 are as follows:

Grant date	Number of options as at 1 January 2011 '000	Subscription price* HK\$ per share	Fully vested by	Exercise Period	Number of options as at 30 June 2011 '000
23/9/2008	2,000	3.31	23/9/2010	1/10/2010 to 22/9/2018	2,000
8/10/2010	2,000	3.32	8/10/2014	8/10/2014 to 7/10/2020	2,000
	4,000				4,000
	4,000				4,000

* 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 2011, 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
Dr. Jens Alfred Karl Ehrhardt	Investment manager	95,666,000 <i>(note)</i>	9.030
Dr. Jens Ehrhardt Kapital AG	Investment manager	95,666,000 <i>(note)</i>	9.030
DJE Investment S.A.	Investment manager	95,666,000 <i>(note)</i>	9.030
Short position			
Glorious Sun Holdings (BVI) Limited	Beneficial owner	4,000,000	0.378

Note:

95,666,000 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 2011.

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 2011.

DISCLOSURE OF INFORMATION ON DIRECTORS

Changes in Directors' biographical details since the date of the Annual Report of the Company for the year 2010, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below.

Mr. Lau Hon Chuen, Ambrose is a director of GZI Transport Limited, a public listed company in Hong Kong which has changed its name to Yuexiu Transport Infrastructure Limited.

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 2011.

Audit Committee

The audit committee of the Company comprises the 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 2011.

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 2011.

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

Hong Kong, 4 August 2011

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