

Interim Report  
**2013**

**JWJ**



**GLORIOUS SUN  
ENTERPRISES LIMITED**

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



2013 A NEW

**Bling!** 闪亮T恤  
**Bling!**



### 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 2013 together with the comparative figures for the same period as follows:

### INTERIM CONSOLIDATED INCOME STATEMENT

*for the six months ended 30 June 2013*

	<i>Notes</i>	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>
Revenue	(2)	3,550,079	3,254,373
Cost of sales		(2,074,163)	(1,842,751)
Gross profit		1,475,916	1,411,622
Other income and gains		83,558	99,880
Selling and distribution costs		(1,078,320)	(1,027,143)
Administrative expenses		(390,228)	(391,424)
Other expenses		(39,626)	(12,566)
Finance costs		(4,881)	(3,729)
Operating Profit		46,419	76,640
Share of profits and losses of associates		432	738
Profit before tax	(2) & (3)	46,851	77,378
Income tax expense	(4)	(5,683)	(8,291)
Profit for the period		41,168	69,087
Attributable to:			
Ordinary equity holders of the Company		53,236	81,293
Non-controlling interests		(12,068)	(12,206)
Profit for the period		41,168	69,087
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to ordinary equity holders of the Company			
Basic	(5a)	5.03	7.67
Diluted	(5b)	5.03	7.67
Interim dividend per share		4.00	4.00

Details of the dividends paid and declared for the period are disclosed in note 9 of the financial statements.

### INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2013

	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Profit for the period	<u>41,168</u>	<u>69,087</u>
Other Comprehensive income: Items that may be reclassified subsequently to profit or loss		
Exchange difference on translation of foreign operations	(43,504)	1,978
Change in fair value of an available-for-sale investment	(31,660)	(64,009)
Share of other comprehensive income of associates	<u>92</u>	<u>853</u>
Other comprehensive income for the period	<u>(75,072)</u>	<u>(61,178)</u>
Total comprehensive income for the period	<u>(33,904)</u>	<u>7,909</u>
Attributable to:		
Ordinary equity holders of the Company	(20,158)	18,676
Non-controlling interests	<u>(13,746)</u>	<u>(10,767)</u>
	<u>(33,904)</u>	<u>7,909</u>

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*as at 30 June 2013*

	30 June 2013 (Unaudited) <i>HK\$'000</i>	31 December 2012 (Audited) <i>HK\$'000</i>
<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	975,242	916,116
Prepaid land lease payments	18,209	18,467
Goodwill	41,000	41,000
Investments in associates	127,951	130,971
Held-to-maturity investments	224,551	224,551
Available-for-sale investment	190,652	222,313
Prepayments	–	102,692
Deferred tax assets	29,119	32,242
	<b>1,606,724</b>	<b>1,688,352</b>
<b>CURRENT ASSETS</b>		
Inventories	967,071	1,095,163
Trade and bills receivables	(6) 501,034	527,476
Prepayments, deposits and other receivables	512,492	533,966
Due from associates	4,078	3,674
Due from related companies	3,507	1,864
Pledged deposits	57,489	23,403
Cash and cash equivalents	973,240	1,370,036
	<b>3,018,911</b>	<b>3,555,582</b>
<b>CURRENT LIABILITIES</b>		
Trade and bills payables	(7) 666,019	1,037,080
Other payables and accruals	942,769	933,253
Due to associates	1,662	2,134
Interest-bearing bank and other borrowings	250,149	338,250
Tax payable	357,297	398,103
	<b>2,217,896</b>	<b>2,708,820</b>
Total current liabilities	<b>2,217,896</b>	<b>2,708,820</b>

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## GLORIOUS SUN ENTERPRISES LIMITED

### INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

as at 30 June 2013

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Notes		
NET CURRENT ASSETS	<u>801,015</u>	<u>846,762</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,407,739</u>	<u>2,535,114</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	90	155
Deferred tax liabilities	<u>833</u>	<u>835</u>
Total non-current liabilities	<u>923</u>	<u>990</u>
Net assets	<u><u>2,406,816</u></u>	<u><u>2,534,124</u></u>
EQUITY		
Equity attributable to ordinary equity holders of the Company		
Issued capital	(8) 105,941	105,941
Reserves	<u>2,207,411</u>	<u>2,313,804</u>
	2,313,352	2,419,745
Non-controlling interests	<u>93,464</u>	<u>114,379</u>
Total equity	<u><u>2,406,816</u></u>	<u><u>2,534,124</u></u>

## **INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

*for the six months ended 30 June 2013*

	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>
Net cash flows from/(used in)		
operating activities	(103,503)	(93,412)
Net cash flows used in investing activities	(86,834)	(225,907)
Net cash flows used in financing activities	<u>(183,216)</u>	<u>(165,859)</u>
Net decrease in cash and cash equivalents	(373,553)	(485,178)
Cash and cash equivalents at 1 January	1,334,650	1,441,729
Effect of foreign exchange rate changes, net	<u>(24,859)</u>	<u>1,463</u>
Cash and cash equivalents at 30 June	<u><u>936,238</u></u>	<u><u>958,014</u></u>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	972,923	618,257
Non-pledged time deposits with original maturity of less than three months when acquired	317	385,053
Bank overdrafts	<u>(37,002)</u>	<u>(45,296)</u>
	<u><u>936,238</u></u>	<u><u>958,014</u></u>

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2013

2013 (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 2013	105,941	384,521	114,966	188,931	156,149	7,956	1,461,281	2,419,745	114,379	2,534,124
Profit for the period	-	-	-	-	-	-	53,236	53,236	(12,068)	41,168
Other comprehensive income	-	-	-	(31,660)	(41,734)	-	-	(73,394)	(1,678)	(75,072)
Total comprehensive income	-	-	-	(31,660)	(41,734)	-	53,236	(20,158)	(13,746)	(33,904)
Equity-settled share option arrangement	-	-	107	-	-	-	-	107	-	107
Dividends paid	-	-	-	-	-	-	(86,342)	(86,342)	(7,169)	(93,511)
As at 30 June 2013	<u>105,941</u>	<u>384,521</u>	<u>115,073</u>	<u>157,271</u>	<u>114,415</u>	<u>7,956</u>	<u>1,428,175</u>	<u>2,313,352</u>	<u>93,464</u>	<u>2,406,816</u>

2012 (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 2012	105,941	384,521	114,752	261,200	119,783	6,061	1,520,540	2,512,798	135,180	2,647,978
Profit for the period	-	-	-	-	-	-	81,293	81,293	(12,206)	69,087
Other comprehensive income	-	-	-	(64,009)	1,392	-	-	(62,617)	1,439	(61,178)
Total comprehensive income	-	-	-	(64,009)	1,392	-	81,293	18,676	(10,767)	7,909
Equity-settled share option arrangement	-	-	107	-	-	-	-	107	-	107
Dividends paid	-	-	-	-	-	-	(175,863)	(175,863)	-	(175,863)
As at 30 June 2012	<u>105,941</u>	<u>384,521</u>	<u>114,859</u>	<u>197,191</u>	<u>121,175</u>	<u>6,061</u>	<u>1,425,970</u>	<u>2,355,718</u>	<u>124,413</u>	<u>2,480,131</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 2013 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 2012 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 – Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

### (1) Basis of preparation and accounting policies (Continued)

The adoption of these new and revised HKFRSs has had no significant financial effect on the unaudited interim condensed consolidated financial statements. Nevertheless, certain changes in disclosures have been adopted by the Group in compliance with the following new and revised HKFRSs:

HKFRS 13 established a single source of guidance under HKFRSs for all fair value measurements. HKFRS 13 does not change when the Group is required to use fair value, but rather provides guidance on how to measure fair value under HKFRSs when fair value is required or permitted. The application of HKFRS 13 has not materially impacted the fair value measurements carried out by the Group. HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by HKAS 34.16A(j), thereby affecting the unaudited interim condensed consolidated financial statements period. The Group provides these disclosures in note 10 of interim report.

The HKAS 1 Amendments introduce a grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments affected presentation only and have no impact on the Group's financial position or performance.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

### (2) Segment information

The following table presents segment revenue and result of the Group's operating segments for the six months ended 30 June 2013 and 2012, respectively.

	Six months ended 30 June (Unaudited)							
	Retail operations		Export operations		Other operations		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue (*):								
Sales to external customers	2,988,545	2,823,406	524,279	393,096	37,255	37,871	3,550,079	3,254,373
Other income and gains	24,955	32,547	19,580	23,235	12,057	15,585	56,592	71,367
<b>Total</b>	<b>3,013,500</b>	<b>2,855,953</b>	<b>543,859</b>	<b>416,331</b>	<b>49,312</b>	<b>53,456</b>	<b>3,606,671</b>	<b>3,325,740</b>
Segment result	76,326	100,894	1,685	(2,966)	(7,955)	(136)	70,056	97,792
Interest income							16,820	15,503
Unallocated revenue							10,146	13,010
Unallocated expenses							(45,722)	(45,936)
Finance costs							(4,881)	(3,729)
Share of profits and losses of:								
Associates	-	-	432	738	-	-	432	738
Profit before tax							46,851	77,378
Income tax expense							(5,683)	(8,291)
Profit for the period							<b>41,168</b>	<b>69,087</b>

\* 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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	92,355	90,508
Recognition of prepaid land lease payments	258	252
Loss on disposal/write-off of items of property, plant and equipment	12,821	3,658
Interest Income	(16,820)	(15,503)
	<u>12,614</u>	<u>(15,503)</u>

### (4) Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current - Hong Kong	1,984	1,365
Current - Elsewhere	3,699	6,908
Deferred	-	18
	<u>5,683</u>	<u>8,291</u>

The share of tax expenses attributable to associates amounting to HK\$10,000 (2012: HK\$300,000) 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 2013 is based on the profit attributable to equity holders of the Company of HK\$ 53,236,000 (2012: HK\$81,293,000) and the weighted average number of 1,059,414,000 (2012: 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 2013 and 2012 are higher than the respective average market prices of the Company's shares during the periods ended 30 June 2013 and 2012, 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\$483,774,000 (31 December 2012: HK\$514,310,000) and bills receivables of HK\$17,260,000 (31 December 2012: HK\$13,166,000). The bills receivables were aged less than four months at the balance sheet date. The aged analysis of trade and bills receivables is as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Neither past due nor impaired	347,076	286,496
Less than 6 months past due	138,220	233,527
Over 6 months past due	15,738	7,453
	501,034	527,476
	501,034	527,476

The credit period is generally 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 the payment due date, is as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Less than 4 months	659,022	1,028,927
4 - 6 months	2,951	5,713
Over 6 months	4,046	2,440
	<u>666,019</u>	<u>1,037,080</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 2012 and at 30 June 2013	<u>1,059,414</u>	<u>105,941</u>

### (9) Dividends

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends for ordinary equity holders of the Company:		
Final dividend paid	<u>86,342</u>	<u>175,863</u>
Interim dividend declared	<u>42,377</u>	<u>42,377</u>

### (10) Fair Value and Fair Value Hierarchy

At the end of the reporting period, the carrying amounts of the Group's financial assets and financial liabilities approximated to their fair values.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of trade and bills receivables, financial assets included in prepayments, deposits and other receivables, amounts due from/to subsidiaries, other related parties and associates, pledged deposits, cash and cash equivalents, trade and bills payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of finance lease payables and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The fair values of listed equity investments are based on quoted market prices.

### (10) Fair Value and Fair Value Hierarchy (Continued)

#### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

#### Group

	30 June 2013 (Unaudited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Available-for-sale equity investment	190,652	-	-	190,652
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	31 December 2012 (Audited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Available-for-sale equity investment	222,313	-	-	222,313
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

During the period, there were no transfers of fair value measurements between Level 1 and level 2 and no transfers into or out of Level 3 (31 December 2012: Nil).

The Group did not have any financial liabilities measured at fair value as at 30 June 2013 (31 December 2012: Nil).



## **INTERIM DIVIDEND**

The Directors have resolved to pay an interim dividend of HK4.00 cents (2012: HK4.00 cents) per share for the six months ended 30 June 2013 to shareholders whose names appear on the register of members of the Company as at the close of business on Wednesday, 18 September 2013. The interim dividend will be paid to shareholders on Monday, 30 September 2013.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 16 September 2013 to Wednesday, 18 September 2013, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for the interim dividend, all transfer documents 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 Friday, 13 September 2013.

### **REVIEW OF OPERATIONS**

In the first half of the year under review, the deceleration of macro economic development and the tightening of monetary measures contained the retail activities in the Mainland. The slothful retail sentiment continued to prevail there. Abatement of stock was one of the main tasks of Jeanswest. Consequently sales grew slightly and inventory level became healthier but margin was under pressure. During the period, the retail markets in Australia and New Zealand were also quite lukewarm. However, Jeanswest still managed to hit the target set down by the Management to have turnover growth over 10% measured in local currency. For the export operations, the business environment was still arduous. However the endeavour of transforming the operations from merely OEM to ODM was quite successful albeit at this initial stage. Profit contribution was made to the Group. The additional sales generated from the new business even swung the export turnover from negative to positive growth. Export operations should regain its profitability by the end of the year if other improvement measures could also work out.

Due to the above-mentioned reasons, profit attributable to ordinary equity holders of the Company was HK\$53,236,000 (2012: HK\$81,293,000) representing a decrease of 34.51% from the corresponding period in the previous year.

# *Interim Report 2013*

## GLORIOUS SUN ENTERPRISES LIMITED

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

	2013	2012	
	1st Half	1st Half	Changes
<i>(Unit: HK\$'000)</i>			
Consolidated sales	3,550,079	3,254,373	↑ 9.09%
of which:			
A. Total retail sales in Mainland China	2,301,497	2,208,043	↑ 4.23%
B. Total retail sales in Australia & New Zealand	687,048	615,363	↑ 11.65%
Sub-total	2,988,545	2,823,406	↑ 5.85%
C. Total export sales	524,279	393,096	↑ 33.37%
Profit attributable to ordinary equity holders of the Company	53,236	81,293	↓ 34.51%
<i>(Unit: HK cents)</i>			
Interim earnings per share (basic)	5.03	7.67	↓ 34.42%
Interim dividend per share	4.00	4.00	–
<i>(Unit: HK\$'000)</i>			
Net cash in hand	780,490	952,553	↓ 18.06%

### 1. Retail Operations

Jeanswest remained the flagship brand of the Group's retail business in the Mainland market. During the period, macro economic growth lost its growth momentum. Export and foreign investments slowed down. The central government insisted on stabilizing the economic structure at the expense of a lower GDP growth because the spread out of shadow banking activities and the piling up of local government debts already aroused the concerns of the policy makers. Austere measures such as tightening of monetary supply were enforced. Consequentially, medium and small businesses experienced serious cash flow problem. Even the banks also encountered liquidity problem in June. In the retail market, lethargic sentiment held sway and in due course intensified competition and dumping. The Management strived to reduce inventory, consolidate the retail network and close down non-profitable stores. The strategy of creating a win-win situation by letting our patronages, franchisees and staff to win first proved effective in stabilizing the franchisees' situation. However, it also added pressure to our margin. In the first half of this year, the total number of directly managed stores and franchised stores dropped respectively by 115 and 114.

In the first half of the year, our retail operations in the Mainland had a turnover of HK\$2,301,497,000 (2012: HK\$2,208,043,000) showing a slight increase of 4.23%.

Although the general retail markets in Australia and New Zealand were sluggish, Jeanswest managed to out-perform our competitors by growing its sales over 10% in local dollar terms even the margin was slightly lower when compared with the same period of last year. It was attributed to the alertness of our Management in adjusting our strategy decisively to keep abreast with the market changes so as to gain the continuous support of our customers.

For the six months ended 30 June 2013, the aggregate retail sales in Australia and New Zealand was HK\$687,048,000 (2012: HK\$615,363,000) showing an increase of 11.65%.

For the period, the total retail operations registered a turnover of HK\$2,988,545,000 (2012: HK\$2,823,406,000), increased by 5.85% year-on-year representing 84.18% of the Group's consolidated turnover compared with 86.76% last year.

In the period, the business of Quiksilver Glorious Sun was affected by the slow down of retail activities in Hong Kong and Mainland. Both turnover and margin were lower on year-on-year basis. As at 30 June 2013, the total number of Quiksilver Glorious Sun stores was 59 shops (2012: 51 shops) including 29 shops (2012: 28 shops) in Hong Kong and Macao and 30 shops (2012: 23 shops) in the Mainland.

As at 30 June 2013, 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, South America and Southeast Asia decreased to 2,940 shops (2012: 3,158 shops), of which 2,600 Jeanswest shops (2012: 2,829 shops) were operated in the Mainland. Among the Mainland Jeanswest shops, 1,086 shops (2012: 1,201 shops) were directly managed by the Group. The Jeanswest network in Australia and New Zealand comprised 233 shops (2012: 228 shops), out of which 6 shops (2012: 6 shops) were operated under franchised arrangement.

### **2. Export Business**

In the period under review, the US retail market became more active than last year. However, the business environment for exporters was still quite tough, because the rise in export price still could not catch up with the additional production costs. The Group's knitted wear operations were still in red. However, the newly developed ODM business had a very encouraging start up. The additional sales from the new business restored the Group's export turnover to up trend. During the period, the Group's total export revenue amounted to HK\$524,279,000 (2012: HK\$393,096,000) representing an increase of 33.37% on year-on-year basis and accounted for 14.77% of the Group's consolidated turnover.

### **3. Financial Position**

In the period under review, the Group's overall financial position was sound and solid. The Group had ample net cash in hand and all other financial data stayed 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 2013, the Group employed a total of about 18,000 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**

For the ensuing period of the year, the Management foresees that macro economic development in the Mainland will avoid a “hard-landing” but the slow down will pressurize the retail market. The Group therefore has to be cautious and to consolidate our network in the Mainland. The Management will continue to implement the strategy of creating a win-win situation for our counterparts to win first. The priority tasks remain the further improvement of product design, reduction of inventory, closing down of non-profitable stores, stronger support to franchisees and stringent control on production and management costs. Based on the trend in the first half, operations in Australia and New Zealand seem to be quite optimistic in the remaining period of the year. However, competition in the markets becomes more and more fierce and the uncertainties such as recent depreciation of local currencies also arouse our concerns. Effort will be made to sharpen our competitive edge so as to strengthen our leading position there. Regarding our export operations in the second half, the Management is cautiously positive. Even the Management may not be able to turn around the non-profitable knitted wear manufacturing this year, some alternative drastic options are still available. Coupled with the steady recovery of the US retail market and the promising development of our new ODM business, export operations are likely to regain its profitability.

### **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. Lau Hon Chuen, Ambrose, GBS, JP

Dr. Chung Shui Ming, Timpson, GBS, JP

Mr. Wong Man Kong, Peter, BBS, JP

Dr. Lam Lee G.

### **COMPANY SECRETARY**

Mr. Mui Sau Keung, Isaac



## **DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES**

As at 30 June 2013, 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:

### **Long positions in shares of the Company**

Name of director	Capacity	Number of shares held	Total	Percentage of issued share capital (%)
Dr. Charles Yeung, SBS, JP	(i) Interest of controlled corporations (ii) Joint interest	556,082,000 } 31,000,000 }	587,082,000 <sup>(1) &amp; (2)</sup>	55.416
Mr. Yeung Chun Fan	(i) Beneficial owner (ii) Interest of controlled corporations (iii) Joint interest (iv) Interest of spouse	1,000,000 } 556,082,000 } 31,000,000 } 6,730,000 }	594,812,000 <sup>(1), (2) &amp; (4)</sup>	56.145
Mr. Yeung Chun Ho	Interest of a controlled corporation	27,430,000	27,430,000 <sup>(3)</sup>	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 } 588,082,000 }	594,812,000 <sup>(1), (2) &amp; (4)</sup>	56.145
Mr. Lau Hon Chuen, Ambrose, GBS, JP	Beneficial owner	956,000	956,000	0.090
Dr. Chung Shui Ming, Timpson, GBS, JP	Beneficial owner	408,000	408,000	0.039

Notes:

- (1) 414,842,000 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 Mr. Charles Yeung 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 Mr. Charles Yeung and Mr. Yeung Chun Fan).
- (2) 31,000,000 shares were held by Mr. Charles Yeung and Mr. 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 556,082,000 shares related to the same block of shares held by three companies controlled by Mr. Yeung Chun Fan.

Save as disclosed above, as at 30 June 2013, 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 2012.

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 2013, no share options were granted, exercised, cancelled or lapsed under the Scheme.

Particulars of the share options outstanding as at 30 June 2013 are as follows:-

Grant date	Number of options as at 1 January 2013 '000	Subscription price* HK\$ per share	Fully vested by	Exercise Period	Number of options as at 30 June 2013 '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

\* 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 2013, 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:

#### Long positions in shares of the Company

Name of shareholder	Capacity	Number of shares held	Percentage of issued share capital (%)
Glorious Sun Holdings (BVI) Limited	Beneficial owner	414,842,000	39.158
Advancetex Holdings (BVI) Limited	Beneficial owner	138,540,000	13.077
Dr. Jens Alfred Karl Ehrhardt	Investment manager	86,314,000 <sup>(Note)</sup>	8.147
DJE Kapital AG	Investment manager	86,314,000 <sup>(Note)</sup>	8.147
DJE Investment S.A.	Investment manager	86,314,000 <sup>(Note)</sup>	8.147

Note:

86,314,000 shares were held by DJE Investment S.A. which was 100% controlled by DJE Kapital AG, and DJE 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 2013.

## **CORPORATE GOVERNANCE**

Throughout the six months ended 30 June 2013, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, save for the deviation from code provision A.6.7 of the CG Code.

Under code provision A.6.7 of the CG Code, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Due to other pre-arranged commitments, Dr. Lee Lam G., an independent non-executive Director, was not present at the Company's annual general meeting for the year 2013.

## **DISCLOSURE OF INFORMATION ON DIRECTORS**

Changes in Directors' information since the publication of the Annual Report of the Company for the year 2012, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below.

Dr. Lam Lee G. has retired as a director of Wai Chun Mining Industry Group Company Limited, a public listed company in Hong Kong. He is also a director of Vietnam Equity Holding and Vietnam Property Holding, both are companies listed in Germany.

## **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 2013.

### **AUDIT COMMITTEE**

The audit committee of the Company comprises four independent non-executive Directors, namely Mr. Lau Hon Chuen, Ambrose, GBS, JP, Dr. Chung Shui Ming, Timpson, GBS, JP, Mr. Wong Man Kong, Peter, BBS, JP and 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 2013.

### **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 2013.

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

Hong Kong, 27 August 2013



JEANSWEST



JEANSWEST