



GLORIOUS SUN ENTERPRISES LIMITED

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

2014

Interim Report



玩·互动 AR·TEE

PLAY TOGETHER · YOUNG FOREVER

真維斯青春系列
代言人：郭采潔



JEANSWEST

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 2014 together with the comparative figures for the same period as follows:

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2014

	Notes	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	(2)	2,948,086	3,390,561
Cost of sales		<u>(1,706,510)</u>	<u>(1,914,899)</u>
Gross profit		1,241,576	1,475,662
Other income and gains		110,237	71,033
Selling and distribution expenses		(878,231)	(1,064,258)
Administrative expenses		(376,675)	(371,501)
Other expenses		(41,696)	(39,273)
Finance costs		<u>(7,180)</u>	<u>(1,981)</u>
OPERATING PROFIT FROM CONTINUING OPERATIONS		48,031	69,682
Share of profits and losses of associates		<u>163</u>	<u>432</u>
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	(2) & (3)	48,194	70,114
Income tax expense	(4)	<u>(4,952)</u>	<u>(5,798)</u>
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		43,242	64,316
DISCONTINUED OPERATION	(5)		
Loss for the period from a discontinued operation		<u>-</u>	<u>(23,148)</u>
PROFIT FOR THE PERIOD		<u>43,242</u>	<u>41,168</u>

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

for the six months ended 30 June 2014

	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (Restated)
	<i>Note</i>	
Attributable to:		
Ordinary equity holders of the Company	45,140	53,236
Non-controlling interests	<u>(1,898)</u>	<u>(12,068)</u>
Profit for the period	<u>43,242</u>	<u>41,168</u>
	HK cents	HK cents
Earnings per share attributable to ordinary equity holders of the Company	<i>(6)</i>	
Basic and diluted		
– For profit from continuing operations	4.26	6.09
– For loss from a discontinued operation	<u>–</u>	<u>(1.06)</u>
– For profit for the period	<u>4.26</u>	<u>5.03</u>
Interim dividend per share	<u>4.00</u>	<u>4.00</u>

Details of the dividends paid and declared for the period are disclosed in note 10 to the financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2014

	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<u>43,242</u>	<u>41,168</u>
OTHER COMPREHENSIVE INCOME:		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Available-for-sale investment:		
Changes in fair value, net of tax	30,848	(31,660)
Reclassification adjustments for gain on disposal included in the consolidated statement of profit or loss	<u>(37,848)</u>	<u>–</u>
	(7,000)	(31,660)
Exchange difference on translation of foreign operations	<u>164</u>	<u>(43,412)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>(6,836)</u>	<u>(75,072)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>36,406</u>	<u>(33,904)</u>
Attributable to:		
Ordinary equity holders of the Company	38,304	(20,158)
Non-controlling interests	<u>(1,898)</u>	<u>(13,746)</u>
	<u>36,406</u>	<u>(33,904)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

	30 June 2014 (Unaudited) <i>HK\$'000</i>	31 December 2013 (Audited) <i>HK\$'000</i>
<i>Note</i>		
NON-CURRENT ASSETS		
Property, plant and equipment	798,363	825,106
Held-to-maturity investments	463,948	232,332
Available-for-sale investments	94,800	101,015
Other non-current assets	121,605	179,384
	<hr/>	<hr/>
Total non-current assets	1,478,716	1,337,837
	<hr/>	<hr/>
CURRENT ASSETS		
Inventories	695,620	900,901
Trade and bills receivables (7)	353,041	358,387
Prepayments, deposits and other receivables	354,252	372,845
Pledged deposits	803,264	–
Cash and cash equivalents	931,751	1,293,597
Other current assets	94,837	21,052
	<hr/>	<hr/>
Total current assets	3,232,765	2,946,782
	<hr/>	<hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

as at 30 June 2014

		30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade and bills payables	(8)	493,541	746,475
Other payables and accruals		733,651	841,262
Interest-bearing bank and other borrowings		1,028,297	171,490
Tax payable		246,749	268,662
Other current liabilities		1,886	228
		<u>2,504,124</u>	<u>2,028,117</u>
Total current liabilities			
		<u>2,504,124</u>	<u>2,028,117</u>
NET CURRENT ASSETS		<u>728,641</u>	<u>918,665</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,207,357</u>	<u>2,256,502</u>
NON-CURRENT LIABILITIES			
Total non-current liabilities		12,978	12,294
		<u>12,978</u>	<u>12,294</u>
Net assets		<u>2,194,379</u>	<u>2,244,208</u>
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	(9)	105,941	105,941
Reserves		2,078,588	2,126,519
		<u>2,184,529</u>	<u>2,232,460</u>
Non-controlling interests		<u>9,850</u>	<u>11,748</u>
Total equity		<u>2,194,379</u>	<u>2,244,208</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2014

	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Cash flows from operating activities		
Cash flows used in operating activities	(107,209)	(58,518)
Tax paid	(26,923)	(44,985)
	<u>(134,132)</u>	<u>(103,503)</u>
Cash flows from investing activities		
Purchases of held-to-maturity investments	(330,474)	–
Increase in pledged deposits	(803,264)	(34,085)
Other cash flows from/(used in) investing activities	212,613	(52,749)
	<u>(921,125)</u>	<u>(86,834)</u>
Cash flows from financing activities		
New bank loans	992,748	290,567
Repayment of bank loans	(135,809)	(380,211)
Other cash flows used in financing activities	(86,497)	(93,572)
	<u>770,442</u>	<u>(183,216)</u>
Net cash flows from/(used in) financing activities	<u>770,442</u>	<u>(183,216)</u>
Net decrease in cash and cash equivalents	(284,815)	(373,553)
Cash and cash equivalents at 1 January	1,183,505	1,334,650
Effect of foreign exchange rate changes, net	–	(24,859)
Cash and cash equivalents at 30 June	<u><u>898,690</u></u>	<u><u>936,238</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

for the six months ended 30 June 2014

	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Analysis of balances of cash and cash equivalents		
Cash and bank balances	675,353	972,923
Non-pledged time deposits with original maturity of less than three months when acquired	223,337	317
Non-pledged time deposits with original maturity of more than three months when acquired	33,061	–
	<hr/>	<hr/>
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	931,751	973,240
Bank overdrafts	–	(37,002)
Non-pledged time deposits with original maturity of more than three months when acquired	(33,061)	–
	<hr/>	<hr/>
	898,690	936,238
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2014

2014 (Unaudited)

	Attributable to ordinary equity holders of the Company					Non- controlling interests	Total equity
	Issued capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000		
As at 1 January 2014	105,941	384,521	350,671	1,391,327	2,232,460	11,748	2,244,208
Profit for the period	-	-	-	45,140	45,140	(1,898)	43,242
Other comprehensive income	-	-	(6,836)	-	(6,836)	-	(6,836)
Total comprehensive income	-	-	(6,836)	45,140	38,304	(1,898)	36,406
Equity-settled share option arrangements	-	-	107	-	107	-	107
Dividends paid	-	-	-	(86,342)	(86,342)	-	(86,342)
As at 30 June 2014	<u>105,941</u>	<u>384,521</u>	<u>343,942</u>	<u>1,350,125</u>	<u>2,184,529</u>	<u>9,850</u>	<u>2,194,379</u>

2013 (Unaudited)

	Attributable to ordinary equity holders of the Company					Non- controlling interests	Total equity
	Issued capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000		
As at 1 January 2013	105,941	384,521	468,002	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	-	-	(73,394)	-	(73,394)	(1,678)	(75,072)
Total comprehensive income	-	-	(73,394)	53,236	(20,158)	(13,746)	(33,904)
Equity-settled share option arrangements	-	-	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>394,715</u>	<u>1,428,175</u>	<u>2,313,352</u>	<u>93,464</u>	<u>2,406,816</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 2014 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 2013 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 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

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

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

The Group has not early adopted any standard, amendment or interpretation 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 from continuing operations for the six months ended 30 June 2014 and 2013, respectively.

	Six months ended 30 June (Unaudited)						Total continuing operations	
	Retail operations		Export operations		Others		2014	2013
	2014	2013	2014	2013	2014	2013	(Restated)	(Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue (*):								
Sales to external customers	2,536,238	2,988,545	410,726	401,312	1,122	704	2,948,086	3,390,561
Other income and gains	52,446	24,955	8,889	12,080	5,286	7,057	66,621	44,092
Total	2,588,684	3,013,500	419,615	413,392	6,408	7,761	3,014,707	3,434,653
Segment result	46,616	76,326	16,185	12,073	(1,410)	2,045	61,391	90,444
Interest income							30,976	16,795
Unallocated revenue							12,640	10,146
Corporate and other unallocated expenses							(49,796)	(45,722)
Finance costs							(7,180)	(1,981)
Share of profits and losses of associates	-	-	163	432	-	-	163	432
Profit before tax from continuing operations							48,194	70,114
Income tax expense							(4,952)	(5,798)
Profit for the period from continuing operations							43,242	64,316

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

(3) Profit before tax

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (Restated)
Depreciation	70,721	81,495
Recognition of prepaid land lease payments	89	85
Loss on disposal/write-off of items of property, plant and equipment	8,995	12,821
Interest income	(30,976)	(16,795)
	<u>70,829</u>	<u>77,586</u>

(4) Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Current – Hong Kong	1,823	2,230
Current – Elsewhere	3,129	3,568
	<u>4,952</u>	<u>5,798</u>

No tax expense attributable to associates (2013: HK\$10,000) is included in "Share of profits and losses of associates" on the face of the interim consolidated statement of profit or loss.

(5) Discontinued operation

On 24 September 2013, Glorious Sun Enterprises (BVI) Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a company owned by Dr. Charles Yeung and Mr. Yeung Chun Fan, directors and substantial shareholders of the Company, for the disposal of the entire issued share capital of Gennon Industries Limited (together with its subsidiaries referred to as the “Gennon Group”) at a cash consideration of HK\$132,000,000. The transaction was completed on 21 November 2013.

The results of the Gennon Group for the period ended 30 June included in Group’s results are presented below:

	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue	–	159,518
Other income and gains	–	12,525
Expenses and costs	–	(195,306)
	<hr/>	<hr/>
Loss before tax from the discontinued operation	–	(23,263)
Income tax credit	–	115
	<hr/>	<hr/>
Loss for the period from the discontinued operation	–	(23,148)
	<hr/> <hr/>	<hr/> <hr/>
Loss attributable to:		
Ordinary equity holders of the Company	–	(11,240)
Non-controlling interests	–	(11,908)
	<hr/>	<hr/>
	–	(23,148)
	<hr/> <hr/>	<hr/> <hr/>

(6) Earnings per share*(a) Basic earnings per share*

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the profit attributable to equity holders of the Company from continuing operations and discontinued operation of HK\$45,140,000 and HK\$Nil respectively (2013: HK\$64,476,000 and HK\$11,240,000 (loss) respectively) and the weighted average number of 1,059,414,000 (2013: 1,059,414,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

As the exercise price of the share options outstanding during the periods ended 30 June 2014 and 2013 are higher than the respective average market price of the Company's shares during the periods ended 30 June 2014 and 2013, there is no dilution effect on the basic earnings per share.

(7) Trade and bills receivables

The trade and bills receivables include trade receivables, net of provision for impairment, of HK\$351,132,000 (31 December 2013: HK\$350,894,000) and bills receivables of HK\$1,909,000 (31 December 2013: HK\$7,493,000). The bills receivables were aged less than four months as at the end of the reporting period. The aged analysis of trade and bills receivables is as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Neither past due nor impaired	266,680	241,979
Less than 6 months past due	64,163	93,279
Over 6 months past due	22,198	23,129
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	353,041	358,387
	<hr/> <hr/>	<hr/> <hr/>

The credit period is generally 45 days to its trade customers.

(8) 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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Less than 4 months	490,513	744,772
4 – 6 months	1,251	1,338
Over 6 months	1,777	365
	<u>493,541</u>	<u>746,475</u>

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

(9) 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 2013 and at 30 June 2014	<u>1,059,414</u>	<u>105,941</u>

(10) Dividends

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends for ordinary equity holders of the Company:		
Final dividend paid	<u>86,342</u>	<u>86,342</u>
Interim dividend declared	<u>42,377</u>	<u>42,377</u>

(11) 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 and other current assets, pledged deposits, cash and cash equivalents, trade and bills payables and financial liabilities included in other payables and accruals and other current liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of 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 available-for-sale equity investments and held-to-maturity investments are based on quoted market prices.

(11) Fair value and fair value hierarchy *(Continued)***Fair value hierarchy**

All financial instruments for which fair value is recognized or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Assets measured at fair value:

Group

	30 June 2014 (Unaudited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Available-for-sale				
equity investment	82,300	–	–	82,300
Financial assets at fair value				
through profit or loss	–	8,227	–	8,227
Equity investments at fair value				
through profit or loss	10,169	–	–	10,169
	92,469	8,227	–	100,696
	92,469	8,227	–	100,696

(11) Fair value and fair value hierarchy *(Continued)*Fair value hierarchy *(Continued)*

	31 December 2013 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Available-for-sale				
equity investment	98,515	–	–	98,515
Financial assets at fair value				
through profit or loss	–	12,637	–	12,637
	98,515	12,637	–	111,152
	98,515	12,637	–	111,152

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 for both financial assets and financial liabilities (31 December 2013: Nil).

The Group did not have any financial liabilities measured at fair value as at 30 June 2014 (31 December 2013: Nil).

(12) Comparative amounts

The comparative interim consolidated statement of profit or loss has been re-presented as if the discontinued operation has been discontinued at the beginning of the comparative period. In addition, certain comparative amounts have been reclassified to conform with the current period presentation.

INTERIM DIVIDEND

The Directors have resolved to pay an interim dividend of HK4.00 cents (2013: HK4.00 cents) per share for the six months ended 30 June 2014 to shareholders whose names appear on the register of members of the Company as at the close of business on Tuesday, 16 September 2014. The interim dividend will be paid to shareholders on Thursday, 25 September 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 12 September 2014 to Tuesday, 16 September 2014, 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 Thursday, 11 September 2014.

REVIEW OF OPERATIONS

In the first half of the year under review, the economic growth in PRC continued to slow down while the China Government was implementing all necessary reforms to ensure its future economy to grow in a more healthy and sustainable manner. As expected, GDP in the first quarter went below the 7.5% official target. On top of that the crackdown on graft had far-reaching adverse impact to consumers' confidence. Thus indolent retail sentiment persistently prevailed in the apparel market. Commencing from the second quarter, mini-stimulus measures were introduced by the Government to help those sections that were in the favour list of the new policy. However the intended effect had to take time to have effects in the retail markets. In short, the business environment was as arduous as last year. During the period, Jeanswest retail shops in the Mainland consolidated from 2,600 to 2,387 when compared with the end of June of 2013 and consequentially sales decreased by 15.91%. The Management managed to maintain inventory at healthy level and also keep the operation margin from further narrowing. In the period, the retail markets in Australia and New Zealand were quite sluggish. The depreciation of Aussie was also one of the reasons swayed the performance of Jeanswest there. In respect of our export operations, its performance hit our expected target.

Due to the above-mentioned reasons, profit attributable to ordinary equity holders of the Company was HK\$45,140,000 (2013: HK\$53,236,000) representing a decrease of 15.21% from the corresponding period in the previous year.

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

	2014 1st Half	2013 1st Half (Restated)	Changes
<i>(Unit: HK\$'000)</i>			
Consolidated sales	2,948,086	3,390,561	↓ 13.05%
of which:			
A. Total retail sales in PRC	1,935,268	2,301,497	↓ 15.91%
B. Total retail sales in Australia & New Zealand	600,970	687,048	↓ 12.53%
Sub-total	2,536,238	2,988,545	↓ 15.13%
C. Total export sales	410,726	401,312	↑ 2.35%
Profit attributable to ordinary equity holders of the Company	45,140	53,236	↓ 15.21%
<i>(Unit: HK cents)</i>			
Interim earnings per share (basic)	4.26	5.03	↓ 15.31%
Interim dividend per share	4.00	4.00	-
<i>(Unit: HK\$'000)</i>			
Net cash in hand	706,718	780,490	↓ 9.45%

1. Retail Operations

Jeanswest remained the flagship brand of the Group's retail business in the Mainland market. In the period under review, China is in the process of phasing out those out-dated plants and know-how and fostering new economic activities such as those driven by latest information technology, services, neo-energy and the likes as well as minimizing the dependency of the economic growth on government's direct investment. Consumption sectors were affected as those related companies had to reduce their respective operational scales. Coupled with the above, external demands were still weak leading to the deceleration of export growth. Therefore, economic development momentum lost its stream during this transitional stage as the usual driving forces namely consumption, direct investments and export were no longer as vigorous as in the past. Apparel retail market sentiment remained lethargic and led to intensified competition and dumping. Despite arduous market conditions, salary and rental were still in the up-trend. The Management had to shut down 193 directly managed stores and 20 franchised shops. Although the sales decreased by 15.91%, the Management was able to stabilize the operational margin and keep the inventory at healthy level by reducing the inventory by HK\$205,281,000 when compared with last year end.

In the first half of the year, our retail operations in PRC had a turnover of HK\$1,935,268,000 (2013: HK\$2,301,497,000) showing a drop of 15.91%.

In the period under review, the apparel retail markets in Australia and New Zealand were fairly depressed. Jeanswest performance in these markets was adversely affected. The depreciation of Aussie further pressurized our operational margin by bringing up the import costs of our merchandise.

For the six months ended 30 June 2014, the aggregate retail sales in Australia and New Zealand was HK\$600,970,000 (2013: HK\$687,048,000) showing a decrease of 12.53%.

Our e-business development in the Mainland and Australasia took off quite well and its growth momentum was encouraging.

In the first half of the year, the total retail operations registered a turnover of HK\$2,536,238,000 (2013: HK\$2,988,545,000), reduced by 15.13% year-on-year representing 86.03% of the Group's consolidated turnover compared with 88.14% of last year.

Quiksilver Glorious Sun's performance was undermined by the weak retail activities in Hong Kong since the first quarter of this year. In addition slothful retail sentiment in the Mainland persisted. As a result, turnover and margin of Quiksilver Glorious Sun both registered a negative growth. As at 30 June 2014, the total number of Quiksilver Glorious Sun stores was 50 shops (2013: 59 shops) including 23 shops (2013: 29 shops) in Hong Kong and Macao and 27 shops (2013: 30 shops) in the Mainland.

As at 30 June 2014, the total number of the Group's retail network of Jeanswest and Quiksilver Glorious Sun shops came down to 2,739 shops (2013: 2,940 shops).

2. Export Business

In the period under review, our main export market was still in US where economic recovery appeared to be quite steady and the retail activities appeared to be more active. However, the export price still could not catch up with the increase of production costs. Despite the above-mentioned difficulties, the Group's export operations regained its profitability as expected. Turnover amounted to HK\$410,726,000 (2013: HK\$401,312,000) representing the rise of 2.35% and accounted for 13.93% of the Group's consolidated turnover. It was attributed to the disposal of the money losing knitted wear operations in last year and the encouraging progress of the newly developed ODM business.

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 2014, the Group employed a total of about 11,500 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 months of the year, as China is still in the transitional stage of aligning its economic activities, its economic growth is expected to be slow. Even if more mini-stimulus measures are to be unfolded and the annual growth target of 7.5% is further confirmed, it is still too optimistic to expect the retail market to regain its glory in the very near future. Therefore our retail strategy for the Mainland market will focus on streamlining our operations and enhancing our product design and brand image. We will continue to pursue the strategy of creating a win-win situation for our counterparts to win first. More resources will also be allocated to franchising. Stringent control on production and management costs will be strengthened to brace us for the tough business environment. In Australia and New Zealand, the macro economic developments appear to have become stable recently. If the Aussie can also stand firmly, we expect Jeanswest to have better performance in the second half of the year. Regarding our export businesses, the Management is quite optimistic as it has been moving ahead quite steadily on the right trace.

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, SBS, 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 2014, 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	556,082,000	587,082,000 ^{(1) & (2)}	55.416
	(ii) Joint interest	31,000,000		
Mr. Yeung Chun Fan	(i) Beneficial owner	1,000,000	594,812,000 ^{(1), (2) & (4)}	56.145
	(ii) Interest of controlled corporations	556,082,000		
	(iii) Joint interest	31,000,000		
	(iv) Interest of spouse	6,730,000		
Mr. Yeung Chun Ho	Interest of a controlled corporation	27,430,000	27,430,000 ⁽³⁾	2.589
Mr. Pau Sze Kee, Jackson	Beneficial owner	9,370,000	9,370,000	0.884
Mr. Hui Chung Shing, Herman, SBS, MH, JP	Beneficial owner	6,250,000	6,250,000	0.590
Ms. Cheung Wai Yee	(i) Beneficial owner	6,730,000	594,812,000 ^{(1), (2) & (4)}	56.145
	(ii) Interest of spouse	588,082,000		
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 2014, 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 2013.

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. On 20 February 2014, share options over 53,000,000 shares were granted to certain employees of the Company and its subsidiaries.

During the six months ended 30 June 2014, no share options were exercised, cancelled or lapsed under the Scheme.

Particulars of the share options outstanding as at 30 June 2014 are as follows:

Grant date	Number of options as at 1 January 2014 '000	Subscription price* HK\$ per share	Vesting date	Exercise Period	Number of options as at 30 June 2014 '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
20/2/2014	–	1.836	1/4/2015	1/4/2017 to 19/2/2024	13,996
20/2/2014	–	1.836	1/4/2016	1/4/2018 to 19/2/2024	13,996
20/2/2014	–	1.836	1/4/2017	1/4/2019 to 19/2/2024	14,008
20/2/2014	–	1.836	1/4/2018	1/4/2020 to 19/2/2024	6,500
20/2/2014	–	1.836	1/4/2019	1/4/2021 to 19/2/2024	4,500
	4,000				57,000

* 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 2014, 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	73,910,000 ^(Note)	6.976
DJE Kapital AG	Investment manager	73,910,000 ^(Note)	6.976
DJE Investment S.A.	Investment manager	73,910,000 ^(Note)	6.976

Note:

73,910,000 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 2014.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2014, 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 and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Due to other commitments outside Hong Kong, Dr. Chung Shui Ming, Timpson, GBS, JP, an independent non-executive Director, was not present at the Company’s annual general meeting for the year 2014.

DISCLOSURE OF INFORMATION ON DIRECTORS

Changes in Directors’ information since the publication of the Annual Report of the Company for the year 2013, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Dr. Chung Shui Ming, Timpson, GBS, JP has been appointed as a director of Jinmao Investments and Jinmao (China) Investments Holdings Limited, a public listed company in Hong Kong.

Dr. Lam Lee G. has been appointed as directors of Ruifeng Petroleum Chemical Holdings Limited and Heng Fai Enterprises Limited, both are public listed companies in Hong Kong. He resigned as a director of Next-Generation Satellite Communications Limited, a public listed company in Singapore.

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 2014.

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 2014.

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 2014.

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

Hong Kong, 22 August 2014



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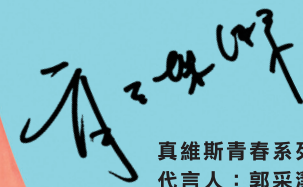
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真维斯青春系列
代言人：喬任梁



I WILL ALWAYS
BE WITH YOU



真维斯青春系列
代言人：郭采潔