



GLORIOUS SUN ENTERPRISES LIMITED

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

2015
Interim Report





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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 2015 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 2015

	Notes	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
REVENUE	(2)	2,269,990	2,948,086
Cost of sales		<u>(1,257,136)</u>	<u>(1,706,510)</u>
Gross profit		1,012,854	1,241,576
Other income and gains		81,686	110,237
Selling and distribution expenses		(704,265)	(878,231)
Administrative expenses		(300,809)	(376,675)
Other expenses		(38,782)	(41,696)
Finance costs		<u>(4,446)</u>	<u>(7,180)</u>
OPERATING PROFIT		46,238	48,031
Share of profits and losses of associates		<u>497</u>	<u>163</u>
PROFIT BEFORE TAX	(2) & (3)	46,735	48,194
Income tax expense	(4)	<u>(9,702)</u>	<u>(4,952)</u>
PROFIT FOR THE PERIOD		<u>37,033</u>	<u>43,242</u>

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

for the six months ended 30 June 2015

		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
	<i>Note</i>		
Attributable to:			
Ordinary equity holders of the Company		37,732	45,140
Non-controlling interests		(699)	(1,898)
		<u>37,033</u>	<u>43,242</u>
Profit for the period		<u>37,033</u>	<u>43,242</u>
		HK cents	HK cents
Earnings per share attributable to ordinary equity holders of the Company	(5)		
Basic and diluted			
– For profit for the period		<u>3.62</u>	<u>4.26</u>
Interim dividend per share		<u>3.40</u>	<u>4.00</u>

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2015

	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<u>37,033</u>	<u>43,242</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	8,614	30,848
Reclassification adjustments for gain on disposal included in the consolidated statement of profit or loss	<u>—</u>	<u>(37,848)</u>
	8,614	(7,000)
Exchange difference on translation of foreign operations	<u>(14,165)</u>	<u>164</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>(5,551)</u>	<u>(6,836)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>31,482</u></u>	<u><u>36,406</u></u>
Attributable to:		
Ordinary equity holders of the Company	32,181	38,304
Non-controlling interests	<u>(699)</u>	<u>(1,898)</u>
	<u><u>31,482</u></u>	<u><u>36,406</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2015

		30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		733,081	775,070
Held-to-maturity investments		592,038	463,948
Other non-current assets		265,507	260,004
		<hr/>	<hr/>
Total non-current assets		1,590,626	1,499,022
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		587,988	715,960
Trade and bills receivables	(6)	291,713	314,718
Prepayments, deposits and other receivables		322,130	345,690
Pledged deposits		30,297	833,441
Cash and cash equivalents		806,267	1,013,397
Other current assets		56,377	114,321
		<hr/>	<hr/>
Total current assets		2,094,772	3,337,527
		<hr/>	<hr/>

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

as at 30 June 2015

		30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
	Notes		
CURRENT LIABILITIES			
Trade and bills payables	(7)	373,590	579,904
Other payables and accruals		763,325	803,388
Interest-bearing bank and other borrowings		191,833	1,011,620
Tax payable		212,792	232,122
Other current liabilities		1,729	16,729
Total current liabilities		<u>1,543,269</u>	<u>2,643,763</u>
NET CURRENT ASSETS		<u>551,503</u>	<u>693,764</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,142,129</u>	<u>2,192,786</u>
NON-CURRENT LIABILITIES			
Total non-current liabilities		<u>49,238</u>	<u>47,220</u>
Net assets		<u><u>2,092,891</u></u>	<u><u>2,145,566</u></u>
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	(8)	103,871	104,936
Reserves		1,978,383	2,029,294
		<u>2,082,254</u>	<u>2,134,230</u>
Non-controlling interests		<u>10,637</u>	<u>11,336</u>
Total equity		<u><u>2,092,891</u></u>	<u><u>2,145,566</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2015

	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Cash flows from operating activities		
Cash flows from/(used in) operating activities	17,590	(107,209)
Tax paid	(29,728)	(26,923)
Net cash flows used in operating activities	(12,138)	(134,132)
Cash flows from investing activities		
Purchases of held-to-maturity investments	(129,880)	(330,474)
Decrease/(Increase) in pledged deposits	803,144	(803,264)
Other cash flows from investing activities	74,964	212,613
Net cash flows from/(used in) investing activities	748,228	(921,125)
Cash flows from financing activities		
New bank and other loans	176,845	992,748
Repayment of bank and other loans	(990,459)	(135,809)
Other cash flows used in financing activities	(84,191)	(86,497)
Net cash flows from/(used in) financing activities	(897,805)	770,442
Net decrease in cash and cash equivalents	(161,715)	(284,815)
Cash and cash equivalents at 1 January	972,090	1,183,505
Effect of foreign exchange rate changes, net	(7,187)	—
Cash and cash equivalents at 30 June	803,188	898,690

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

for the six months ended 30 June 2015

	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Analysis of balances of cash and cash equivalents		
Cash and bank balances	602,852	675,353
Non-pledged time deposits with original maturity of less than three months when acquired	200,336	223,337
Non-pledged time deposits with original maturity of more than three months when acquired	3,079	33,061
	<hr/>	<hr/>
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	806,267	931,751
Non-pledged time deposits with original maturity of more than three months when acquired	(3,079)	(33,061)
	<hr/>	<hr/>
	803,188	898,690
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2015

2015 (Unaudited)

	Attributable to ordinary equity holders of the Company						Non-controlling interests	Total equity
	Issued capital HK\$'000	Share premium HK\$'000	Treasury Shares HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000		
As at 1 January 2015	104,936	368,604	(3,092)	282,845	1,380,937	2,134,230	11,336	2,145,566
Profit for the period	-	-	-	-	37,732	37,732	(699)	37,033
Other comprehensive income	-	-	-	(5,551)	-	(5,551)	-	(5,551)
Total comprehensive income	-	-	-	(5,551)	37,732	32,181	(699)	31,482
Equity-settled share option arrangement	-	-	-	34	-	34	-	34
Shares repurchased	-	-	(19,064)	-	-	(19,064)	-	(19,064)
Cancellation of share repurchased	(1,065)	(16,299)	17,364	-	-	-	-	-
Dividends paid	-	-	-	-	(65,127)	(65,127)	-	(65,127)
As at 30 June 2015	<u>103,871</u>	<u>352,305</u>	<u>(4,792)</u>	<u>277,328</u>	<u>1,353,542</u>	<u>2,082,254</u>	<u>10,637</u>	<u>2,092,891</u>

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 arrangement	-	-	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>

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 2015 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 2014 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:

Amendments to HKAS 19 <i>Annual Improvements</i> <i>2010-2012 Cycle</i>	<i>Defined Benefit Plans: Employee Contributions</i>
<i>Annual Improvements</i> <i>2011-2013 Cycle</i>	Amendments to a number of HKFRSs
	Amendments to a number of HKFRSs

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 for the six months ended 30 June 2015 and 2014, respectively.

	Six months ended 30 June (Unaudited)							
	Retail operations		Export operations		Others		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Segment revenue (*):								
Sales to external customers	2,020,136	2,536,238	249,280	410,726	574	1,122	2,269,990	2,948,086
Other income and gains	24,315	52,446	4,177	8,889	9,636	5,286	38,128	66,621
Total	<u>2,044,451</u>	<u>2,588,684</u>	<u>253,457</u>	<u>419,615</u>	<u>10,210</u>	<u>6,408</u>	<u>2,308,118</u>	<u>3,014,707</u>
Segment result	<u>40,907</u>	<u>46,616</u>	<u>2,336</u>	<u>16,185</u>	<u>1,556</u>	<u>(1,410)</u>	<u>44,799</u>	<u>61,391</u>
Interest income							34,982	30,976
Unallocated revenue							8,576	12,640
Corporate and other unallocated expenses							(37,673)	(49,796)
Finance costs							(4,446)	(7,180)
Share of profits and losses of associates	-	-	497	163	-	-	497	163
Profit before tax							46,735	48,194
Income tax expense							(9,702)	(4,952)
Profit for the period							<u>37,033</u>	<u>43,242</u>

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

(3) Profit before tax

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	62,388	70,721
Recognition of prepaid land lease payments	89	89
Loss on disposal/write-off of items of property, plant and equipment	6,065	8,995
Interest income	(34,982)	(30,976)
	<u> </u>	<u> </u>

(4) Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong	3,752	1,823
Current – Elsewhere	6,686	3,129
Deferred	(736)	–
	<u> </u>	<u> </u>
	<u>9,702</u>	<u>4,952</u>

No tax expense attributable to associates (2014: HK\$Nil) is included in "Share of profits and losses of associates" on the face of the interim consolidated statement of profit or loss.

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

The calculation of basic earnings per share for the six months ended 30 June 2015 is based on the profit attributable to equity holders of the Company of HK\$37,732,000 (2014: HK\$45,140,000) and the weighted average number of 1,042,507,000 (2014: 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 2015 and 2014 are higher than the respective average market price of the Company's shares during the periods ended 30 June 2015 and 2014, 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\$290,438,000 (31 December 2014: HK\$313,107,000) and bills receivables of HK\$1,275,000 (31 December 2014: HK\$1,611,000). 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 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Neither past due nor impaired	190,134	228,418
Less than 6 months past due	75,186	70,753
Over 6 months past due	26,393	15,547
	<u>291,713</u>	<u>314,718</u>

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

(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 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Less than 4 months	372,629	578,926
4 – 6 months	688	705
Over 6 months	273	273
	<u>373,590</u>	<u>579,904</u>

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

(8) Share capital

	Number of ordinary shares		Nominal value	
	30 June 2015 '000	31 December 2014 '000	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Issued and fully paid:				
Ordinary shares of HK\$0.10 each	<u>1,038,714</u>	<u>1,049,356</u>	<u>103,871</u>	<u>104,936</u>

(9) Dividends

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends for ordinary equity holders of the Company:		
Final dividend paid	<u>65,127</u>	<u>86,342</u>
Interim dividend declared	<u>35,045</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 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, current portion of interest-bearing bank and other borrowings 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.

(10) 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.

(10) Fair value and fair value hierarchy *(Continued)***Fair value hierarchy** *(Continued)**Assets measured at fair value:***Group**

	30 June 2015 (Unaudited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Available-for-sale equity investment	37,415	–	–	37,415
	<u>37,415</u>	<u>–</u>	<u>–</u>	<u>37,415</u>
	<u>37,415</u>	<u>–</u>	<u>–</u>	<u>37,415</u>
31 December 2014 (Audited)				
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Available-for-sale equity investment	28,801	–	–	28,801
	<u>28,801</u>	<u>–</u>	<u>–</u>	<u>28,801</u>
	<u>28,801</u>	<u>–</u>	<u>–</u>	<u>28,801</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 for both financial assets and financial liabilities (31 December 2014: Nil).

The Group did not have any financial liabilities measured at fair value as at 30 June 2015 (31 December 2014: Nil).

INTERIM DIVIDEND

The Directors have resolved to pay an interim dividend of HK3.40 cents (2014: HK4.00 cents) per share for the six months ended 30 June 2015 to shareholders whose names appear on the register of members of the Company as at the close of business on Monday, 21 September 2015. The interim dividend will be paid to shareholders on Wednesday, 30 September 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 17 September 2015 to Monday, 21 September 2015, 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 Wednesday, 16 September 2015.

REVIEW OF OPERATIONS

In the first half of the year under review, the economic activities of all major developed countries were quite lukewarm except the US. The Euro Zone managed to have a very mild growth but was swayed by sovereign debts crisis from Greece and the likes. The hesitance of the US Federal Reserve to fix up the timetable of interest rates increase revealed the delicacy of its economic recovery. During the period, China was still in the transitional stage of its economic reforms and was moving against strong headwind. The GDP growth in the first half of the year hit the target of 7%, which was driven mainly by fixed investment in infrastructure. Furthermore, the export and import sector performance was also inferior to that of last year. In the first quarter, retail sentiment in Mainland China was as sluggish as in the previous year and it became even more slothful in the following quarter. Under such tough situation, the Management opted to keep the gross margin and the inventory at healthy level even at the expense of turnover growth. Therefore, the Management was able to keep the gross margin intact and the inventory at healthy level but a drop of 23.00% in turnover was registered. During the period, the Group's retail stores were reduced from 2,387 to 2,098. In the first half of the year, the macro economic conditions and retail activities in Australia and New Zealand had mild improvement. Jeanswest operations accomplished an impressive turn-around that was still conditioned by the trembling Aussie.

Due to the above-mentioned reasons, profit attributable to ordinary equity holders of the Company was HK\$37,732,000 (2014: HK\$45,140,000) representing a decrease of 16.41% from the corresponding period in the previous year.

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

	2015 1st Half	2014 1st Half	Changes
<i>(Unit: HK\$'000)</i>			
Consolidated sales	2,269,990	2,948,086	↓ 23.00%
of which:			
A. Total retail sales in PRC	1,476,566	1,935,268	↓ 23.70%
B. Total retail sales in Australia & New Zealand	543,570	600,970	↓ 9.55%
Sub-total	2,020,136	2,536,238	↓ 20.35%
C. Total export sales	249,280	410,726	↓ 39.31%
Profit attributable to ordinary equity holders of the Company	37,732	45,140	↓ 16.41%
<i>(Unit: HK cents)</i>			
Interim earnings per share (basic)	3.62	4.26	↓ 15.02%
Interim dividend per share	3.40	4.00	↓ 15.00%
<i>(Unit: HK\$'000)</i>			
Net cash in hand	638,272	706,718	↓ 9.69%

1. Retail Operations

Jeanswest remained the flagship brand of the Group's retail business in the Mainland market. In the period under review, China was still in the process of rolling-out of new reforms; the consequential predicaments slowed down economic growth and prolonged the depressed retail sentiment especially in the apparel sector. The cold and gloomy spring weather followed by a rainy summer dismayed further the consumers' shopping mood and spending appetite. The macro economic consolidation did contain the surge of rental; but the rising of wages and the escalating of dumping drove the business environment to become very tough and demanding. Coupled with above, the popularity of shopping via internet especially among the young people already posed a challenge to the physical store retailing. During the period, 289 under-performed stores were shut down, reducing the number of stores in the network to 2,098. The effectiveness of the Management's endeavour in cost saving was nearly neutralized by the crestfallen market conditions. As expected, the downtrend of sales was not yet curbed, but the gross margin was kept from further deterioration and the inventory was maintained at healthy level.

In the first half of the year, our retail operations in PRC had a turnover of HK\$1,476,566,000 (2014: HK\$1,935,268,000) showing a drop of 23.70%.

During the period, the macro economic conditions in Australia and New Zealand were not as chilling as in last year. Dumping was abated and retail activities became a bit more agile. The measures implemented by the Management to mitigate the impacts of the weak Aussie were found to be effective. In the first half of the year, Jeanswest operations had positive growth in turnover and improvement of gross margin to acceptable level.

For the six months ended 30 June 2015, the aggregate retail sales in Australia and New Zealand was HK\$543,570,000 (2014: HK\$600,970,000) showing a decrease of 9.55% but in terms of Australian dollars, it was an increase of 5.52%.

During the period, Jeanswest e-business development had an impressive growth indicating a promising future.

In the first half of the year, the total retail operations registered a turnover of HK\$2,020,136,000 (2014: HK\$2,536,238,000), reduced by 20.35% year-on-year representing 88.99% of the Group's consolidated turnover compared with 86.03% last year.

In the period under review, Quiksilver Glorious Sun's performance was eroded by persistent drowsy market sentiment in Hong Kong and Mainland China. Turnover and margin both showed a negative growth.

As at 30 June 2015, the total number of Quiksilver Glorious Sun stores was 38 (2014: 50 shops) including 19 shops (2014: 23 shops) in Hong Kong and Macao and 19 shops (2014: 27 shops) in the Mainland.

As at 30 June 2015, the total number of the Group's retail network of Jeanswest and Quiksilver Glorious Sun shops came down to 2,447 (2014: 2,739 shops).

2. Export Business

In the first half of the year, our main export market was still in US where economic recovery was quite stable and retail activities were relatively resilient. However, the export price was still lagging behind the increase of production costs. Luckily this type of OEM business had already been downsized to an insignificant portion of our export operations. The newly developed ODM business already took the core position in our export operations. In the period under review, our ODM orders were less than last year and performance was thus affected. Turnover amounted to HK\$249,280,000 (2014: HK\$410,726,000) representing a decrease of 39.31% and accounted for 10.98% 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 2015, the Group employed a total of about 9,000 members of staff. The Group offered competitive remuneration packages to its employees. In addition, incentives were granted to employees with reference to the Groups overall performance and the performance of each individual.

PROSPECTS

For the ensuing months of the year, we are a bit more cautious as the economic recovery in US and the Euro Zone may not be as steady and resilient as expected. With feeble fundamental factors, even if recovery is able to gain its force, it will be contained by normalization of US dollar interest rate. Mainland China, the Group's main retail market is still at its focal point of its far-reaching economic reforms. Consequentially the deceleration of growth momentum becomes the "new normal" phenomenon. Shiftless retail sentiment may prevail till the end of this year. With the proactive quantitative easing measures pushed from the Central Government to ensure GDP growth hitting the 7% target, retail market conditions are expected to be similar to that of last year. The Management will pursue continually the strategy of consolidation and will adhere to the guideline in keeping the gross margin and the inventory at healthy level. The Management will focus on further development of our e-shops and expansion of our franchising network. Brand investment and new products development are always the tasks with top priority. In Australia and New Zealand, if the development trend in the first half of the year extends to the second half, Jeanswest is expected to have a satisfactory result. The main hurdle is still the fluctuation of Aussie. In the aspect of export operations, it may not be able to match with its performance in last year, as the orders flow is weaker than expected.

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 2015, 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)}	56.520
	(ii) Joint interest	31,000,000		
Mr. Yeung Chun Fan	(i) Beneficial owner	1,000,000	594,812,000 ^{(1), (2) & (4)}	57.264
	(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⁾	2.641
Mr. Pau Sze Kee, Jackson	Beneficial owner	9,370,000	9,370,000	0.902
Mr. Hui Chung Shing, Herman, SBS, MH, JP	Beneficial owner	6,250,000	6,250,000	0.602
Ms. Cheung Wai Yee	(i) Beneficial owner	6,730,000	594,812,000 ^{(1), (2) & (4)}	57.264
	(ii) Interest of spouse	588,082,000		
Mr. Lau Hon Chuen, Ambrose, GBS, JP	Beneficial owner	956,000	956,000	0.092
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 2015, 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

On 2 June 2015, the shareholders of the Company approved the termination (to the effect that the Company can no longer grant any further options) of the share option scheme adopted by the Company on 1 September 2005 (the "Old Scheme") and the adoption of a new share option scheme (the "New Scheme"). All share options granted and outstanding prior to the termination of the Old Scheme will remain in full force and effect.

(a) Old Scheme

Particulars of the share options outstanding as at 30 June 2015 are as follows:

Category of participant	Number of shares subject to options				Share options				
	As at	During the period			As at	Date of grant	Fully vested by	Exercise period	Subscription price* HK\$ per share
	1 January 2015 '000	Granted '000	Exercised '000	Lapsed/ Cancelled '000	30 June 2015 '000				
Employees in aggregate									
	2,000	-	-	-	2,000	23/9/2008	23/9/2010	1/10/2010 to 22/9/2018	3.31
	2,000	-	-	-	2,000	8/10/2010	8/10/2014	8/10/2014 to 7/10/2020	3.32
	13,996	-	-	13,063	933	20/2/2014***	1/4/2015	1/4/2017 to 19/2/2024	1.836
	13,996	-	-	-	13,996	20/2/2014***	1/4/2016**	1/4/2018 to 19/2/2024	1.836
	14,008	-	-	-	14,008	20/2/2014***	1/4/2017**	1/4/2019 to 19/2/2024	1.836
	6,500	-	-	-	6,500	20/2/2014***	1/4/2018**	1/4/2020 to 19/2/2024	1.836
	4,500	-	-	-	4,500	20/2/2014***	1/4/2019**	1/4/2021 to 19/2/2024	1.836
	<u>57,000</u>	<u>-</u>	<u>-</u>	<u>13,063</u>	<u>43,937</u>				

- * 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.
- ** The performance targets of the share options are not yet set as at 30 June 2015 and are subject to the discretion of the Group.
- *** The vesting of the share options is subject to the achievement of the prescribed performance targets to be met by the grantees.

(b) New Scheme

The New Scheme was adopted by the Company on 2 June 2015, 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 New Scheme were disclosed in the circular of the Company dated 15 May 2015.

During the six months ended 30 June 2015, no share options were granted or exercised under the New Scheme.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, 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	39.938
Advancetex Holdings (BVI) Limited	Beneficial owner	138,540,000	13.338
Dr. Jens Alfred Karl Ehrhardt	Investment manager	52,300,000 ^(Note)	5.035
DJE Kapital AG	Investment manager	52,300,000 ^(Note)	5.035
DJE Investment S.A.	Investment manager	52,300,000 ^(Note)	5.035

Note:

52,300,000 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 2015.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2015, 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 pre-arranged 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 2015 and the special general meeting both held on 2 June 2015.

DISCLOSURE OF INFORMATION ON DIRECTORS

Changes in Directors' information since the publication of the Annual Report of the Company for the year 2014, 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 resigned as directors of Ruifeng Petroleum Chemical Holdings Limited, Mingyuan Medicare Development Company Limited and Heng Fai Enterprises Limited, all are public listed companies in Hong Kong.

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 2015.

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 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2015, the Company repurchased a total of 11,650,000 shares of the Company on the Stock Exchange. All the repurchased shares were subsequently cancelled by the Company. Details of those transactions are as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate price HK\$'000
		Highest HK\$	Lowest HK\$	
January	652,000	1.68	1.62	1,095
February	834,000	1.67	1.65	1,390
March	4,330,000	1.61	1.57	6,936
April	2,962,000	1.68	1.59	4,846
June	2,872,000	1.68	1.60	4,797
	<u>11,650,000</u>			<u>19,064</u>

The repurchase of the Company's shares during the period was effected by the Directors, pursuant to the mandate from shareholders received at the annual general meetings of the Company for 2014 and 2015, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Except as disclosed above, 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 2015.

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

Hong Kong, 27 August 2015

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