



GLORIOUS SUN ENTERPRISES LIMITED

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

2016

Interim Report



ICY SUMMER
2016 SUMMER JEANSWEST STYLE

JEANSWEST



**LIVE YOUR
PASSION!**
2016 SUMMER STYLE

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 2016 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 2016

	Notes	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000 (Restated)
REVENUE	(2)	1,671,215	2,294,997
Cost of sales		(940,209)	(1,257,136)
Gross profit		731,006	1,037,861
Other income and gains		51,428	56,679
Selling and distribution expenses		(477,292)	(704,265)
Administrative expenses		(236,045)	(300,809)
Other expenses		(16,084)	(38,782)
Finance costs		(7,295)	(4,446)
OPERATING PROFIT		45,718	46,238
Share of profits and losses of associates		584	497
PROFIT BEFORE TAX	(3)	46,302	46,735
Income tax expense	(4)	(6,248)	(9,702)
PROFIT FOR THE PERIOD		40,054	37,033

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

for the six months ended 30 June 2016

	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000 (Restated)
Attributable to:		
Ordinary equity holders of the Company	38,473	37,732
Non-controlling interests	1,581	(699)
	<u>40,054</u>	<u>37,033</u>
Profit for the period	<u>40,054</u>	<u>37,033</u>
	HK cents	HK cents (Restated)
Earnings per share attributable to ordinary equity holders of the Company	(5)	
Basic and diluted		
– For profit for the period	<u>3.03</u>	<u>3.57</u>
Interim dividend per share	<u>2.50</u>	<u>3.40</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 2016

	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<u>40,054</u>	<u>37,033</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
Exchange difference on translation of foreign operations	<u>(559)</u>	<u>(14,165)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>(559)</u>	<u>(5,551)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>39,495</u>	<u>31,482</u>
Attributable to:		
Ordinary equity holders of the Company	37,914	32,181
Non-controlling interests	<u>1,581</u>	<u>(699)</u>
	<u>39,495</u>	<u>31,482</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	30 June 2016 (Unaudited) Note	31 December 2015 (Audited)
	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	634,041	657,604
Investment properties	161,694	161,694
Held-to-maturity investments	1,300,133	660,482
Other non-current assets	144,561	139,536
	<hr/>	<hr/>
Total non-current assets	2,240,429	1,619,316
	<hr/>	<hr/>
CURRENT ASSETS		
Inventories	607,529	591,229
Trade and bills receivables	(6) 311,236	339,050
Prepayments, deposits and other receivables	279,352	320,880
Cash and cash equivalents	551,314	733,436
Other current assets	90,139	92,573
	<hr/>	<hr/>
Total current assets	1,839,570	2,077,168
	<hr/>	<hr/>

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

as at 30 June 2016

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
CURRENT LIABILITIES			
Trade and bills payables	(7)	452,896	595,808
Other payables and accruals		516,343	611,466
Interest-bearing bank and other borrowings		429,694	222,719
Tax payable		128,753	140,217
Other current liabilities		508	86
Total current liabilities		<u>1,528,194</u>	<u>1,570,296</u>
NET CURRENT ASSETS		<u>311,376</u>	<u>506,872</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,551,805</u>	<u>2,126,188</u>
NON-CURRENT LIABILITIES			
Total non-current liabilities		<u>70,249</u>	<u>76,994</u>
Net assets		<u><u>2,481,556</u></u>	<u><u>2,049,194</u></u>
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	(8)	153,609	102,406
Reserves		2,316,396	1,937,432
		<u>2,470,005</u>	<u>2,039,838</u>
Non-controlling interests		<u>11,551</u>	<u>9,356</u>
Total equity		<u><u>2,481,556</u></u>	<u><u>2,049,194</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2016

	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000 (Restated)
Cash flows from operating activities		
Cash flows from/(used in) operating activities	(83,527)	39,128
Tax paid	(18,596)	(29,728)
	<hr/>	<hr/>
Net cash flows from/(used in) operating activities	(102,123)	9,400
	<hr/>	<hr/>
Cash flows from investing activities		
Purchases of held-to-maturity investments	(639,651)	(129,880)
Decrease/(increase) in pledged deposits	(76)	803,144
Other cash flows from investing activities	(33,309)	53,426
	<hr/>	<hr/>
Net cash flows from/(used in) investing activities	(673,036)	726,690
	<hr/>	<hr/>
Cash flows from financing activities		
New bank and other loans	860,553	176,845
Repayment of bank and other loans	(657,259)	(990,459)
Proceeds from issue of rights issue	458,884	–
Other cash flows used in financing activities	(66,052)	(84,191)
	<hr/>	<hr/>
Net cash flows from/(used in) financing activities	596,126	(897,805)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(179,033)	(161,715)
Cash and cash equivalents at 1 January	730,347	972,090
Effect of foreign exchange rate changes, net	–	(7,187)
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	551,314	803,188
	<hr/> <hr/>	<hr/> <hr/>

**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF CASH FLOWS** *(Continued)*
for the six months ended 30 June 2016

	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000 (Restated)
Analysis of balances of cash and cash equivalents		
Cash and bank balances	426,155	602,852
Non-pledged time deposits with original maturity of less than three months when acquired	125,159	200,336
Non-pledged time deposits with original maturity of more than three months when acquired	—	3,079
	<hr/>	<hr/>
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	551,314	806,267
Non-pledged time deposits with original maturity of more than three months when acquired	—	(3,079)
	<hr/>	<hr/>
	551,314	803,188
	<hr/> <hr/>	<hr/> <hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2016

2016 (Unaudited)

Attributable to ordinary equity holders of the Company

	Issued capital HK\$'000	Share premium HK\$'000	Treasury Shares HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
As at 1 January 2016	102,406	332,114	-	236,882	1,368,436	2,039,838	9,356	2,049,194
Profit for the period	-	-	-	-	38,473	38,473	1,581	40,054
Other comprehensive income	-	-	-	(559)	-	(559)	-	(559)
Total comprehensive income	-	-	-	(559)	38,473	37,914	1,581	39,495
Equity-settled share option arrangement	-	-	-	35	-	35	-	35
Issue of shares, net of expenses	51,203	407,681	-	-	-	458,884	-	458,884
Acquisition of non-controlling interests	-	-	-	(614)	-	(614)	614	-
Dividends paid	-	-	-	-	(66,052)	(66,052)	-	(66,052)
As at 30 June 2016	<u>153,609</u>	<u>739,795</u>	<u>-</u>	<u>235,744</u>	<u>1,340,857</u>	<u>2,470,005</u>	<u>11,551</u>	<u>2,481,556</u>

2015 (Unaudited)

Attributable to ordinary equity holders of the Company

	Issued capital HK\$'000	Share premium HK\$'000	Treasury Shares HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity 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>

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 2016 are unaudited and have been reviewed by the Audit Committee of the Company.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those adopted in the preparation of the Group’s financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and interpretations issued by the HKICPA that are mandatorily effective for the current interim period.

The adoption of these new and revised HKFRSs has had no material effect on how the results and financial portion 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

During the period, the board of directors of the Company has resolved that resources would continuously be deployed to the financial investments business and accordingly, the financial investments business is redesignated as one of the principal activities of the Group. The results of the financial investments business are also separately reviewed and evaluated for management reporting purposes. Accordingly the presentation of segment information for the period ended 30 June 2015 has been restated to reflect this change of segment composition.

The following table presents segment revenue and result of the Group's operating segments for the six months ended 30 June 2016 and 2015, respectively.

	Six months ended 30 June 2016 (Unaudited)				Total HK\$'000
	Retail operations HK\$'000	Export operations HK\$'000	Financial investments HK\$'000	Other HK\$'000	
Segment revenue (*):					
Sales to external customers	1,415,599	202,298	49,892	3,426	1,671,215
Other income and gains	14,885	4,186	-	17,347	36,418
Total	<u>1,430,484</u>	<u>206,484</u>	<u>49,892</u>	<u>20,773</u>	<u>1,707,633</u>
Segment result	<u>10,307</u>	<u>1,896</u>	<u>47,934</u>	<u>8,390</u>	68,527
Interest income					3,134
Unallocated revenue					11,876
Corporate and other unallocated expenses					(30,524)
Finance costs					(7,295)
Share of profits and losses of associates	-	584	-	-	584
Profit before tax					46,302
Income tax expense					(6,248)
Profit for the period					<u>40,054</u>

(2) Segment information *(Continued)*

	Six months ended 30 June 2015 (Unaudited)				Total HK\$'000 (Restated)
	Retail operations HK\$'000	Export operations HK\$'000	Financial investments HK\$'000 (Restated)	Other HK\$'000	
Segment revenue (*):					
Sales to external customers	2,020,136	249,280	25,007	574	2,294,997
Other income and gains	24,315	4,177	–	9,636	38,128
	<u>2,044,451</u>	<u>253,457</u>	<u>25,007</u>	<u>10,210</u>	<u>2,333,125</u>
Total	<u>2,044,451</u>	<u>253,457</u>	<u>25,007</u>	<u>10,210</u>	<u>2,333,125</u>
Segment result	<u>40,907</u>	<u>2,336</u>	<u>23,861</u>	<u>1,556</u>	68,660
Interest income					10,538
Unallocated revenue					8,013
Corporate and other unallocated expenses					(36,527)
Finance costs					(4,446)
Share of profits and losses of associates	–	497	–	–	497
Profit before tax					46,735
Income tax expense					(9,702)
Profit for the period					<u>37,033</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	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000 (Restated)
Depreciation	54,855	62,388
Recognition of prepaid land lease payments	85	89
Loss on disposal/write-off of items of property, plant and equipment	5,519	6,065
Interest income	(3,134)	(10,538)
	<u>54,425</u>	<u>57,984</u>

(4) Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current – Hong Kong	5,415	3,752
Current – Elsewhere	1,717	6,686
Deferred	(884)	(736)
	<u>6,248</u>	<u>9,702</u>

No tax expense attributable to associates (2015: 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 2016 is based on the profit attributable to equity holders of the Company of HK\$38,473,000 (2015: HK\$37,732,000) and the weighted average number of 1,271,049,000 (2015 (restated): 1,057,519,000*) ordinary shares in issue during the period.

* The weighted average number of ordinary shares adopted in the calculation of the basic and diluted earnings per share for the periods ended 30 June 2016 and 2015 have been adjusted to reflect the bonus element of the rights issue during the period ended 30 June 2016.

(b) Diluted earnings per share

As the exercise price of the share options outstanding during the periods ended 30 June 2016 and 2015 are higher than the respective average market price of the Company's shares during the periods ended 30 June 2016 and 2015, 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\$311,236,000 (31 December 2015: HK\$338,684,000) and bills receivable of nil balance (31 December 2015: HK\$366,000). 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 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Neither past due nor impaired	219,809	269,500
Less than 6 months past due	66,201	43,554
Over 6 months past due	25,226	25,996
	<hr/>	<hr/>
	311,236	339,050
	<hr/> <hr/>	<hr/> <hr/>

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 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Less than 4 months	449,351	594,287
4 – 6 months	2,063	1,261
Over 6 months	1,482	260
	<u>452,896</u>	<u>595,808</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 2016 '000	31 December 2015 '000	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Issued and fully paid: Ordinary shares of HK\$0.10 each	<u>1,536,084</u>	<u>1,024,056</u>	<u>153,609</u>	<u>102,406</u>

(8) Share capital *(Continued)*

The movements in issue share capital were as follows:

	Number of share in issue '000	Issued capital HK\$'000
As at 1 January 2016	1,024,056	102,406
Change as a result of the rights issue <i>(Note a)</i>	512,028	51,203
	<u>1,536,084</u>	<u>153,609</u>
As at 30 June 2016	<u><u>1,536,084</u></u>	<u><u>153,609</u></u>

Note:

- (a) On 29 March 2016, the Company announced a rights issue on the basis of 1 rights share for every 2 existing shares held by shareholders of the Company at a subscription price of HK\$0.90 per rights share. The rights issue was subsequently completed on 17 May 2016 and 512,028,000 shares were issued. After deducting the expenses in connection with the rights issue, the net proceeds from issuance were HK\$458,884,000.

(9) Dividends

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Dividends for ordinary equity holders of the Company:		
Final dividend paid	<u>66,052</u>	<u>65,127</u>
Interim dividend declared	<u>38,402</u>	<u>35,045</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.

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorized 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

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

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (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:

	30 June 2016 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Available-for-sale equity investment	<u>6,843</u>	<u>–</u>	<u>–</u>	<u>6,843</u>
	31 December 2015 (Audited)			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Available-for-sale equity investment	<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 for both financial assets and financial liabilities (31 December 2015: Nil).

The Group did not have any financial liabilities measured at fair value as at 30 June 2016 (31 December 2015: Nil).

(11) Comparative amounts

As a result of change in the designation of principal activities and segment composition, certain comparative amounts have been restated to conform with the current period's presentation and disclosures.

INTERIM DIVIDEND

The Directors have resolved to pay an interim dividend of HK2.50 cents (2015: HK3.40 cents) per share for the six months ended 30 June 2016 to shareholders whose names appear on the register of members of the Company as at the close of business on Thursday, 15 September 2016. The interim dividend will be paid to shareholders on Tuesday, 27 September 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 14 September 2016 to Thursday, 15 September 2016, 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, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 13 September 2016.

REVIEW OF OPERATIONS

In the first half of the year under review, global economic development was quite lukewarm with a cloud of uncertainties that were mostly related to the referendum in Britain to decide the future of the UK's membership of the European Union, the refugee crisis in Europe, and the timing of next US interest rate hikes. China economic growth was still in the stage of deceleration, consequentially environment of apparel retail business became even more challenging than last year. During the period, the retail sentiment in Australia and New Zealand abruptly turned chilly and adversely affected the performance of Jeanswest there. Gross profit margin of the Group's retail business was thus under pressure and a double digits drop of turnover was registered.

An authoritative source in Beijing asserted that the economic development of the PRC in the coming years would be in the form of "L" shape. This assertion alerted the Management to proceed with the rights issue to raise capital to equip the Group with ample financial resources to weather through the coming cycle in eclipse. The rights issue with the support of 92.14% of our shareholders was over subscribed by 818.46% and successfully raised around HK\$460 million for the Group. The enthusiastic participation of our shareholders in the rights issue represented their confidence on the Management and supports to the business strategy.

By the above-mentioned reasons, profit attributable to ordinary equity holders of the Company was only HK\$38,473,000 (2015: HK\$37,732,000) representing an increase of 1.96% from the corresponding period in the previous year.

1. Retail Operations

Jeanswest remained the flagship brand of the Group's retail business in the Mainland market. In the period under review, the PRC was still in the transitional stage of its profound economic reforms leading to an extended slipping momentum of its economic growth. An authoritative source described this new symptom as an "L" shape development. Under such situation, retail sentiment was even more depressed than last year. Most of the retailers in the Mainland consolidated their networks and thus intensified dumping in the market. The Management adhered to our prudent business strategy to cut costs resolutely and to realign the Jeanswest's network. During the period, high rental and under performed shops had been closed. Turnover was thus affected but the Management still managed to keep inventory at a healthy level.

In the first half of the year, our retail operations in the PRC had a turnover of HK\$959,362,000 (2015: HK\$1,476,566,000) showing a drop of 35.03%.

During the period, the macro economic conditions in Australia and New Zealand were relatively not too bad but the retail sentiment was abruptly reversed like the sudden advance of a freezing winter. Retailers had to resort to aggressive markdown to generate sales. The impairment to our gross margin was quite harmful. The network in Australia and New Zealand comprised 231 shops was also reduced by 7 to 224 shops. In the period, the weakening of Aussie against the US dollars posed another challenge to the operations. Nevertheless, inventory was maintained at a healthy level.

For the six months ended 30 June 2016, the aggregate retail sales in Australia and New Zealand was HK\$456,237,000 (2015: HK\$543,570,000) showing a decrease of 16.07% but in terms of Australian dollars, it was just a decrease of 10.87%.

During the period, Jeanswest e-business development still managed to grow satisfactorily.

In the first half of the year, the total retail operations registered a turnover of HK\$1,415,599,000 (2015: HK\$2,020,136,000), reduced by 29.93% year-on-year representing 84.70% of the Group's consolidated turnover compared with 88.02% last year.

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

As at 30 June 2016, the total number of Quiksilver Glorious Sun shops was 34 (2015: 38 shops) including 19 shops (2015: 19 shops) in Hong Kong and Macao and 15 shops (2015: 19 shops) in the Mainland.

As at 30 June 2016, the total number of the Group's retail network of Jeanswest and Quiksilver Glorious Sun shops came down to 2,053 (2015: 2,447 shops).

2. Export Business

In the first half of the year, our main export market was still in the US where economic recovery was quite stable but retail activities were not so resilient. In the period under review, our ODM orders were less than last year and performance was thus affected. Turnover amounted to HK\$202,298,000 (2015: HK\$249,280,000) representing a decrease of 18.85% and accounted for 12.10% of the Group's consolidated turnover.

3. Financial and Real Estates Investments

Since 2005, the parent company of the Company has been involved with financial investments and the results in the last decade were quite satisfactory. Therefore the Management would like to duplicate such success in the Group. At the year-end of 2015, the Directors decided and announced to develop financial investments into a new business segment of the Group. At present, the Group's investment strategy was to invest mainly in Hong Kong bonds issued by corporations with good profit quality and managed by prudent professionals well acquainted with by Management. In the first half of the financial year, the Group's portfolio of high yield corporate bonds amounted to HK\$1.3 billion with tenor ranging from 3 years to 5 years.

The Group also invested in real estates in the Mainland. Our properties comprised office buildings, retail locations in first tier cities and provincial capitals, staff quarters and warehouses used basically by our operations. The book value of the said properties amounted to around HK\$500 million.

4. Financial Position

In the period, in view of the firmly prevailing bank deposit rates, the Group no longer held much cash but, instead, was holding more than a billion Hong Kong dollars marketable high yield corporate bonds that were all free from any encumbrance. As at 30 June 2016, net cash and near cash of the Group amounted to HK\$1,449,945,000 (2015: HK\$1,230,310,000). All other financial data of the Group also 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.

5. Human Resources

As at 30 June 2016, the Group employed a total of about 7,000 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 months of the year, we are fairly cautious. Britons had voted for Brexit already. With the collaboration among related governments, the immediate impact of Brexit was well contained; even the volatility of the financial markets increased but everything moved in orderly ways. However, it is not the end but rather the beginning of a series of uncertainties. Japanese government and the authorities in European Union are expected to enhance their quantitative easing measures but the global economic development may not be easily energized. US Federal Reserve would leave the door open for further interest hike this year but markets expect the timing would be further delayed to the last quarter at least.

China still engages in its far-reaching economic reforms leading to the slow down of its development but the official target of 6.5% growth in GDP is achievable. However retail market in the Mainland may not be able to rebound. In view of a sluggish market ahead, the Management will adhere to a conservative strategy to further consolidate our network. We will stress on profit quality and healthy inventory level rather than turnover. Brand name investment and new products development are always our main tasks that will help us to restore operating margin to a healthy level.

Jeanswest in Australia and New Zealand shall do better in the second half. Export business is expected to have the same level of last year performance.

BOARD OF DIRECTORS

Executive

Dr. Charles Yeung, GBS, JP

Mr. Yeung Chun Fan

Mr. Pau Sze Kee, Jackson

Mr. Hui Chung Shing, Herman, SBS, MH, JP

Ms. Cheung Wai Yee

Mr. Chan Wing Kan, Archie

(Chairman)

(Vice-chairman)

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 2016, 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, GBS, JP	(i) Interest of controlled corporations (ii) Joint interest	834,123,000 } 133,447,499 }	967,570,499 ^{(1) & (2)}	62.989
Mr. Yeung Chun Fan	(i) Beneficial owner (ii) Interest of controlled corporations (iii) Joint interest (iv) Interest of spouse	1,500,000 } 834,123,000 } 133,447,499 } 10,095,000 }	979,165,499 ^{(1), (2) & (3)}	63.744
Mr. Pau Sze Kee, Jackson	Beneficial owner	9,370,000	9,370,000	0.610
Mr. Hui Chung Shing, Herman, SBS, MH, JP	Beneficial owner	6,250,000	6,250,000	0.407
Ms. Cheung Wai Yee	(i) Beneficial owner (ii) Interest of spouse	10,095,000 } 969,070,499 }	979,165,499 ^{(1), (2) & (3)}	63.744
Mr. Lau Hon Chuen, Ambrose, GBS, JP	Beneficial owner	1,492,402	1,492,402	0.097
Dr. Chung Shui Ming, Timpson, GBS, JP	Beneficial owner	408,000	408,000	0.027

Notes:

- (1) 622,263,000 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, GBS, JP and as to 48.066% by Mr. Yeung Chun Fan), 207,810,000 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 4,050,000 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) 133,447,499 shares were held by Mr. Charles Yeung and Mr. Yeung Chun Fan jointly.
- (3) Ms. Cheung Wai Yee is the spouse of Mr. Yeung Chun Fan. 10,095,000 shares related to the same block of shares held by Ms. Cheung Wai Yee and 834,123,000 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 2016, 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 2016 are as follows:

Category of Participant	Number of shares subject to options				Share options					
	As at 1 January 2016	During the period			As at 30 June 2016	Date of grant	Fully Vested by	Exercise Period	Adjusted Subscription Price*	
		Granted	Exercised	Lapsed/ Cancelled	Adjusted				HK\$ per share	
Employees in aggregate	2,000,000	-	-	-	28,800	2,028,800	23/9/2008	23/9/2010	1/10/2010 to 22/9/2018	3.2630
	2,000,000	-	-	-	28,800	2,028,800	8/10/2010	8/10/2014	8/10/2014 to 7/10/2020	3.2729
	933,000	-	-	600,000	4,795	337,795	20/2/2014 ***	1/4/2015	1/4/2017 to 19/2/2024	1.8099
	13,663,000	-	-	13,663,000	-	-	20/2/2014 ***	1/4/2016	1/4/2018 to 19/2/2024	-
	13,674,000	-	-	1,772,809	176,256	12,077,447	20/2/2014 ***	1/4/2017 **	1/4/2019 to 19/2/2024	1.8099
	6,500,000	-	-	600,000	84,960	5,984,960	20/2/2014 ***	1/4/2018 **	1/4/2020 to 19/2/2024	1.8099
	4,500,000	-	-	600,000	56,160	3,956,160	20/2/2014 ***	1/4/2019 **	1/4/2021 to 19/2/2024	1.8099
43,270,000	-	-	17,235,809	379,771	26,413,962					

- * (i) 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.
- (ii) The numbers and subscription prices of the share options were adjusted immediately upon completion of the Rights Issue, as detailed in the Company's announcement dated 16 May 2016.
- ** The performance targets of the share options are not yet set as at 30 June 2016 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 Annual Report of the Company for the year 2015.

During the six months ended 30 June 2016, no share options were granted or exercised under the New Scheme.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, 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	622,263,000	40.510
Advancetex Holdings (BVI) Limited	Beneficial owner	207,810,000	13.529

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 2016.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2016, 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 and except 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, Mr. Lau Hon Chuen, Ambrose, GBS, JP, Dr. Chung Shui Ming, Timpson, GBS, JP and Mr. Wong Man Kong, Peter, BBS, JP, independent non-executive Directors, were not present at the Company's annual general meeting for the year 2016.

DISCLOSURE OF INFORMATION ON DIRECTORS

Changes in Directors' information since the publication of the Annual Report of the Company for the year 2015, 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 retired from his office of a director of Henderson Land Development Company Limited, a public listed company 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 2016.

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 2016.

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 2016.

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

Hong Kong, 25 August 2016

JEANSWEST



ICY SUMMER
2016 SUMMER JEANSWEST STYLE

JEANSWEST

ICY SUMMER
2016 SUMMER JEANSWEST STYLE

