



GLORIOUS SUN ENTERPRISES LIMITED

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

2017

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 2017 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 2017

	Notes	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	(2)	1,088,636	1,214,978
Cost of sales		<u>(682,357)</u>	<u>(735,386)</u>
Gross profit		406,279	479,592
Other income and gains		62,519	50,670
Selling and distribution expenses		(218,985)	(235,799)
Administrative expenses		(162,238)	(162,281)
Other expenses		(14,928)	(14,594)
Finance costs		<u>(3,522)</u>	<u>(6,276)</u>
OPERATING PROFIT FROM CONTINUING OPERATIONS		69,125	111,312
Share of profits and losses of associates		—	584
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	(3)	69,125	111,896
Income tax expense	(4)	<u>(5,301)</u>	<u>(6,248)</u>
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		63,824	105,648
DISCONTINUED OPERATION	(5)		
Loss for the period from a discontinued operation		<u>(24,884)</u>	<u>(65,594)</u>
PROFIT FOR THE PERIOD		<u><u>38,940</u></u>	<u><u>40,054</u></u>

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

for the six months ended 30 June 2017

	2017 (Unaudited) <i>HK\$'000</i>	2016 (Unaudited) <i>HK\$'000</i> (Restated)
Attributable to:		
Ordinary equity holders of the Company	38,575	38,473
Non-controlling interests	<u>365</u>	<u>1,581</u>
Profit for the period	<u><u>38,940</u></u>	<u><u>40,054</u></u>
	<i>HK cents</i>	<i>HK cents</i> (Restated)
Earnings per share attributable to ordinary equity holders of the Company	(6)	
Basic and diluted		
– For profit from continuing operation	4.13	8.19
– For loss from a discontinued operation	<u>(1.62)</u>	<u>(5.16)</u>
– For profit for the period	<u><u>2.51</u></u>	<u><u>3.03</u></u>
Interim dividend per share	<u><u>2.50</u></u>	<u><u>2.50</u></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 2017

	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<u>38,940</u>	<u>40,054</u>
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange difference on translation of foreign operations	<u>6,753</u>	<u>(559)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>6,753</u>	<u>(559)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>45,693</u>	<u>39,495</u>
Attributable to:		
Ordinary equity holders of the Company	<u>45,328</u>	<u>37,914</u>
Non-controlling interests	<u>365</u>	<u>1,581</u>
	<u>45,693</u>	<u>39,495</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	30 June 2017 (Unaudited) <i>HK\$'000</i>	31 December 2016 (Audited) <i>HK\$'000</i>
<i>Notes</i>		
NON-CURRENT ASSETS		
Property, plant and equipment	326,678	480,794
Investment properties	220,250	220,250
Held-to-maturity investments	956,488	1,093,247
Available-for-sale investments	762,125	11,364
Other non-current assets	17,552	116,144
	<u>2,283,093</u>	<u>1,921,799</u>
Total non-current assets		
CURRENT ASSETS		
Inventories	257,277	476,357
Trade and bills receivables	(7) 293,580	329,745
Prepayments, deposits and other receivables	252,062	258,667
Held-to-maturity investments	132,959	203,181
Cash and cash equivalents	631,871	854,311
Other current assets	91,275	63,418
	<u>1,659,024</u>	<u>2,185,679</u>
Assets of a disposal group classified as held for sales	(5) 514,047	–
	<u>2,173,071</u>	<u>2,185,679</u>
Total current assets		

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

as at 30 June 2017

		30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade and bills payables	(8)	351,513	525,528
Other payables and accruals		498,989	519,135
Interest-bearing bank and other borrowings		528,083	425,839
Other current liabilities		209,882	118,764
		<u>1,588,467</u>	<u>1,589,266</u>
Liabilities directly associated with the assets classified as held for sale	(5)	<u>366,760</u>	–
Total current liabilities		<u>1,955,227</u>	<u>1,589,266</u>
NET CURRENT ASSETS		<u>217,844</u>	<u>596,413</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,500,937</u>	<u>2,518,212</u>
NON-CURRENT LIABILITIES			
Total non-current liabilities		<u>39,530</u>	<u>53,243</u>
Net assets		<u>2,461,407</u>	<u>2,464,969</u>
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		153,609	153,609
Reserves	(9)	<u>2,297,246</u>	<u>2,301,173</u>
		<u>2,450,855</u>	<u>2,454,782</u>
Non-controlling interests		<u>10,552</u>	<u>10,187</u>
Total Equity		<u>2,461,407</u>	<u>2,464,969</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2017

	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Cash flows from operating activities		
Cash flows from/(used in) operating activities	256,537	(83,527)
Tax paid	<u>(14,606)</u>	<u>(18,596)</u>
Net cash flows from/(used in) operating activities	<u>241,931</u>	<u>(102,123)</u>
Cash flows from investing activities		
Purchases of available-for-sale investments	(750,761)	–
Purchases of held-to-maturity investments	–	(639,651)
Receipts from decognition of held-to-maturity investments	212,172	–
Other cash flows used in investing activities	<u>(17,716)</u>	<u>(33,385)</u>
Net cash flows used in investing activities	<u>(556,305)</u>	<u>(673,036)</u>
Cash flows from financing activities		
New bank and other loans	460,433	860,553
Repayment of bank and other loans	(269,207)	(657,259)
Proceeds from issue of rights issue	–	458,884
Other cash flows used in financing activities	<u>(49,255)</u>	<u>(66,052)</u>
Net cash flows from financing activities	<u>141,971</u>	<u>596,126</u>

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

for the six months ended 30 June 2017

	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Net decrease in cash and cash equivalents	(172,403)	(179,033)
Cash and cash equivalents at 1 January	854,311	730,347
Effect of foreign exchange rate changes, net	<u>4,745</u>	<u>–</u>
Cash and cash equivalents at 30 June	<u><u>686,653</u></u>	<u><u>551,314</u></u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	512,161	426,155
Non-pledged time deposits with original maturity of less than three months when acquired	<u>119,710</u>	<u>125,159</u>
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	631,871	551,314
Cash and cash equivalents attributable to a discontinued operation	<u>54,782</u>	<u>–</u>
	<u><u>686,653</u></u>	<u><u>551,314</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2017

2017 (Unaudited)	Attributable to ordinary equity holders of the Company					Non-controlling interests HK\$'000	Total equity HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000		
As at 1 January 2017	153,609	739,640	207,527	1,354,006	2,454,782	10,187	2,464,969
Profit for the period	-	-	-	38,575	38,575	365	38,940
Other comprehensive income	-	-	6,753	-	6,753	-	6,753
Total comprehensive income	-	-	6,753	38,575	45,328	365	45,693
Expenses on right issue	-	(100)	-	-	(100)	-	(100)
Dividends paid	-	-	-	(49,155)	(49,155)	-	(49,155)
As at 30 June 2017	<u>153,609</u>	<u>739,540</u>	<u>214,280</u>	<u>1,343,426</u>	<u>2,450,855</u>	<u>10,552</u>	<u>2,461,407</u>
2016 (Unaudited)	Attributable to ordinary equity holders of the Company					Non-controlling interests HK\$'000	Total equity HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total 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>235,744</u>	<u>1,340,857</u>	<u>2,470,005</u>	<u>11,551</u>	<u>2,481,556</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 2017 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 2017 are the same as those adopted in the preparation of the Group’s financial statements for the year ended 31 December 2016.

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

In 2016, 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.

The following table presents segment revenue and result of the Group's operating segments for the six months ended 30 June 2017 and 2016, respectively.

	Six months ended 30 June 2017 (Unaudited)				Total continuing operations HK\$'000
	Retail operations HK\$'000	Export operations HK\$'000	Financial investments HK\$'000	Other HK\$'000	
Segment revenue (*):					
Revenue from external parties	774,420	230,120	48,535	35,561	1,088,636
Other income and gains	13,608	3,092	8,992	13,235	38,927
Total	<u>788,028</u>	<u>233,212</u>	<u>57,527</u>	<u>48,796</u>	<u>1,127,563</u>
Segment result	<u>25,075</u>	<u>3,011</u>	<u>54,027</u>	<u>3,317</u>	85,430
Interest income					5,117
Unallocated revenue					18,475
Corporate and other unallocated expenses					(36,375)
Finance costs					(3,522)
Share of profits and losses of associates	-	-	-	-	-
Profit before tax from continuing operations					69,125
Income tax expense					(5,301)
Profit for the period from continuing operations					<u>63,824</u>

(2) Segment information *(Continued)*

	Six months ended 30 June 2016 (Unaudited)				Total continuing operations HK\$'000 (Restated)
	Retail operations HK\$'000 (Restated)	Export operations HK\$'000	Financial investments HK\$'000	Other HK\$'000	
Segment revenue (*):					
Revenue from external parties	959,362	202,298	49,892	3,426	1,214,978
Other income and gains	<u>14,297</u>	<u>4,186</u>	<u>-</u>	<u>17,347</u>	<u>35,830</u>
Total	<u>973,659</u>	<u>206,484</u>	<u>49,892</u>	<u>20,773</u>	<u>1,250,808</u>
Segment result	<u>75,052</u>	<u>1,896</u>	<u>47,934</u>	<u>8,390</u>	133,272
Interest income					2,964
Unallocated revenue					11,876
Corporate and other unallocated expenses					(30,524)
Finance costs					(6,276)
Share of profits and losses of associates	-	584	-	-	<u>584</u>
Profit before tax from continuing operations					111,896
Income tax expense					<u>(6,248)</u>
Profit for the period from continuing operations					<u>105,648</u>

* 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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (Restated)
Depreciation	20,136	32,568
Recognition of prepaid land lease payments	81	85
Loss on disposal/write-off of items of property, plant and equipment	1,502	4,356
Interest income	(5,117)	(2,964)
	<u>20,602</u>	<u>33,945</u>

(4) Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current – Hong Kong	4,538	5,415
Current – Elsewhere	1,317	1,717
Deferred	(554)	(884)
	<u>5,301</u>	<u>6,248</u>

No tax expense attributable to associates (2016: Nil) 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 6 April 2017, Jeanswest (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 of Jeanswest International (L) Limited (together with its subsidiaries referred to as the "JWIL Group") and related sale loan in the amount of HK\$174,000,000, at a cash consideration of HK\$220,000,000. The transaction was completed on 1 July 2017. Details of the transaction are set out in the Company's announcement dated 6 April 2017 and circular dated 12 May 2017.

The unaudited results of the JWIL Group for the period ended 30 June included in Group's results are presented below:

	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	452,720	456,237
Other income and gains	9,818	758
Expenses and costs	<u>(487,172)</u>	<u>(522,589)</u>
Loss before tax from the discontinued operation	(24,634)	(65,594)
Income tax expenses	<u>(250)</u>	<u>–</u>
Loss for the period from the discontinued operation	<u><u>(24,884)</u></u>	<u><u>(65,594)</u></u>

(5) Discontinued operation *(Continued)*

The major classes of assets and liabilities of JWIL Group classified as held for sale are as follows:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
<i>Assets</i>		
Property, plant and equipment	139,130	–
Goodwill	37,096	–
Deferred tax assets	65,919	–
Inventories	192,435	–
Trade receivables	9,066	–
Prepayments, deposits and other receivables	14,877	–
Cash and bank balances	54,782	–
Other Assets	742	–
	<hr/>	<hr/>
Assets classified as held for sale	514,047	–
<i>Liabilities</i>		
Trade payables	65,303	–
Other payables and accruals	208,559	–
Interest-bearing bank and other borrowings	92,898	–
	<hr/>	<hr/>
Liabilities directly associated with the assets classified as held for sale	366,760	–
	<hr/>	<hr/>
Net assets directly associated with the disposal group	<u>147,287</u>	<u>–</u>

(6) Earnings per share *(Continued)**(b) Diluted earnings per share*

As the exercise price of the share options outstanding during the periods ended 30 June 2017 and 2016 are higher than the respective average market price of the Company's shares during the period ended 30 June 2017 and 2016, 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\$311,236,000 (31 December 2016: HK\$329,745,000) and with nil balance of bills receivable (31 December 2016: nil balance). The aged analysis of trade and bills receivables is as follows:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Neither past due nor impaired	228,298	261,074
Less than 6 months past due	43,998	54,636
Over 6 months past due	21,284	14,035
	<u>293,580</u>	<u>329,745</u>

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 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Less than 4 months	343,137	523,212
4 – 6 months	5,005	528
Over 6 months	3,371	1,788
	<u>351,513</u>	<u>525,528</u>

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

(9) Share capital

	Number of ordinary shares		Nominal value	
	30 June 2017 (Unaudited) '000	31 December 2016 (Audited) '000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Issued and fully paid:				
Ordinary shares of HK\$0.10 each	<u>1,536,084</u>	<u>1,536,084</u>	<u>153,609</u>	<u>153,609</u>

(9) Share capital *(Continued)*

The movements in issue share capital were as follows:

	Number of share in issue (Audited) '000	Issued capital (Audited) HK\$'000
As at 1 January 2016	1,024,056	102,406
Change as a result of the rights issue <i>(Note a)</i>	<u>512,028</u>	<u>51,203</u>
As at 31 December 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 one rights share for every two 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\$458,629,000.

(10) Dividends

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Dividends for ordinary equity holders of the Company:		
Final dividend paid	<u><u>49,155</u></u>	<u><u>66,052</u></u>
Interim dividend declared	<u><u>38,402</u></u>	<u><u>38,402</u></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, 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 rental deposits, 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 Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2017 was assessed to be insignificant. The fair values of the non-current portion of rental deposits and interest-bearing bank and other borrowings approximate to their carrying amounts as at 30 June 2017 and 31 December 2016.

The fair values of listed equity investments at fair value through profit or loss, listed available-for-sale perpetual bonds and held-to-maturity investments are based on quoted market prices.

The unlisted available-for-sale equity investment was stated at cost less impairment because the range of reasonable fair value estimated is significant that the directors are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose of this investment in the near future.

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

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 2017 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed investments:				
Equity investment at fair value through profit or loss	10,430	–	–	10,430
Available-for-sale investments	<u>750,761</u>	<u>–</u>	<u>–</u>	<u>750,761</u>

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

Fair value hierarchy *(Continued)*

Assets measured at fair value: *(Continued)*

	31 December 2016 (Audited)			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed investments:				
Equity investment at fair value through profit or loss	9,243	-	-	9,243
Available-for-sale investments	<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 2016: Nil).

The Group did not have any financial liabilities measured at fair value as at 30 June 2017 (31 December 2016: Nil).

Assets for which fair value are disclosed:

	30 June 2017 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed investments:				
Held-to-maturity investments	<u>1,144,864</u>	<u>-</u>	<u>-</u>	<u>1,144,864</u>

(11) Fair value and fair value hierarchy *(Continued)*Fair value hierarchy *(Continued)*Assets for which fair value are disclosed: *(Continued)*

	31 December 2016 (Audited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Listed investments:				
Held-to-maturity investments	1,360,097	-	-	1,360,097
	<u>1,360,097</u>	<u>-</u>	<u>-</u>	<u>1,360,097</u>

(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 HK2.50 cents (2016: HK2.50 cents) per share for the six months ended 30 June 2017 to shareholders whose names appear on the register of members of the Company as at the close of business on Thursday, 7 September 2017. The interim dividend will be paid to shareholders on Monday, 18 September 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 6 September 2017 to Thursday, 7 September 2017, 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, 5 September 2017.

REVIEW OF OPERATIONS

In the first half of the year under review, global economical recovery when compared with last year was relatively firm and stable and the deceleration of growth rate in the PRC seemed to have rebound from the bottom. However, retail sentiment was still fairly sluggish as the growth of economic activities in the PRC was solely driven by the investment in infrastructures. Commercial investments and corporate expansion were constrained by the normalization of US interest rate and the imminent shrinking of the US Federal Reserve's balance sheet, having the effect of the reversal of quantitative easing. As such, fund flow was mainly directed to financial investments and small and medium companies were short of funds in their operations and expansions. Meanwhile, Jeanswest in the PRC was still in the process of consolidation. During the period, a double-digit drop of Jeanswest's turnover was registered. The Management was able to keep the inventory at a healthy level at the expense of the gross margin. Jeanswest operations in Australia and New Zealand were still in red and the said operations were successfully disposed of in June 2017. In the first half of the year, export operations had a double-digit growth in its sales. It was attributed to more orders from our clients. In respect of financial investments, the performance met the expectation of the Management.

Due to the above-mentioned reasons, profit attributable to ordinary equity holders of the Company was only HK\$38,575,000 (2016: HK\$38,473,000) representing a slight increase of 0.27% from the corresponding period in the previous year.

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

	2017 1st Half	2016 1st Half (Restated)	Changes
<i>(Unit: HK\$'000)</i>			
Consolidated sales	1,088,636	1,214,978	↓10.40%
of which:			
A. Total retail sales in the PRC	774,420	959,362	↓19.28%
B. Total export sales	230,120	202,298	↑13.75%
C. Financial investments	48,535	49,892	↓2.72%
Profit attributable to ordinary equity holders of the Company	38,575	38,473	↑0.27%
<i>(Unit: HK cents)</i>			
Interim earnings per share (basic)	2.51	3.03	↓17.16%
Interim dividend per share	2.50	2.50	–
<i>(Unit: HK\$'000)</i>			
Net cash and near cash in hand	1,943,996	1,449,945	↑34.07%

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 process of its profound economic reforms. The down trend of its growth rate appeared to be in check. However the beneficial sectors were just those related to infrastructure investments. Economic convalescence in US and in Europe was quite steady but there were a lot of uncertainties including the increase of US interest rate, the forthcoming shrinkage of Federal Reserve's balance sheet, the Brexit negotiation, and the political unpredictability of Trump's administration. Therefore, the apparel retail market was fairly feeble. Competition was fierce and the operation environment was tough. The Management endeavoured to consolidate the retail network and strived to cut costs. In the period, although the sales declined by 10.40%, inventory was healthily maintained. However, the sales in the e-shop were quite eye-catching and the on line and off line activities also had a promising increase in the turnover proportion.

In the first half of the year, our retail operations in the PRC had a turnover of HK\$774,420,000 (2016: HK\$959,362,000) showing a drop of 19.28%.

During the period under review, operations in Australia and New Zealand were still at a loss. With the approval of the shareholders at the Special General Meeting held in June, the said operations were successfully sold. The adverse effect was therefore confined only in the first half of the year.

For the six months ended 30 June 2017, the aggregate retail sales in Australia and New Zealand was HK\$452,720,000 (2016: HK\$456,237,000) showing a decrease of 0.77% but in terms of Australian dollars, there was a decrease of 3.34%.

In the first half of the year, the continuing retail operations registered a turnover of HK\$774,420,000 (2016 (Restated): HK\$959,362,000), reduced by 19.28% year-on-year representing 71.14% of the Group's consolidated turnover compared with 78.96% last year.

During the period, the performance of Quiksilver Glorious Sun was impacted by the persistent lethargic market sentiment in Hong Kong and the Mainland together with the decrease of number of shops. Turnover and margin both showed a negative growth.

As at 30 June 2017, the total number of Quiksilver Glorious Sun shops was 11 (2016: 34) including 9 shops (2016: 19) in Hong Kong and Macao and 2 shops (2016: 15) in the Mainland.

As at 30 June 2017, the total number of the Group's retail network of Jeanswest and Quiksilver Glorious Sun shops came down to 1,658 (2016: 2,053).

2. Export Business

In the first half of the year, our main export market was still in the US where economic recovery was quite firm but retail activities were not so resilient. However, our ODM orders from our clients were more than last year and we recorded a growth in sales. Turnover amounted to HK\$230,120,000 (2016: HK\$202,298,000) representing an increase of 13.75% and accounted for 21.14% of the Group's consolidated sales.

3. Financial and Real Estates Investments

In the first half of the year, our investment was mainly in corporate bonds. During the period, US interest rate was at the uptrend, but the yield curve of corporate bonds slipped because the capital market was flooded with surplus fund. In the period under review, about HK\$203,000,000 face value of bond was early redeemed. The several performance of financial investment operations was in line with the expectation of the Management.

4. Financial Position

In the period, in view of the firmly prevailing bank deposit rates, the Group made use of the cash in hand to hold more than a billion Hong Kong dollars marketable high yield corporate bonds. As of 30 June 2017, net cash and near cash of the Group amounted to HK\$1,943,996,000 (2016: HK\$1,449,945,000). 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 2017, the Group employed a total of about 5,800 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, the Management takes a cautious stand as the retail market in the PRC is still fairly drowsy. Even the consolidation of Jeanswest is approaching its final stage, it is still not yet in the position to bounce back. The Management is planning to launch a child wears collection on trial basis in the coming quarters and to enrich the e-shop collections to enhance our margin. The Management will endeavour to develop new customers and new products for our export business. In the second half of the year, financial investment operations will continue to perform. Barring unforeseen circumstances, the Management expects they can maintain their performance at the same level as last year.

BOARD OF DIRECTORS

Executive

Dr. Charles Yeung, GBS, JP

(Chairman)

Mr. Yeung Chun Fan

(Vice-chairman)

Mr. Pau Sze Kee, Jackson

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

Ms. Cheung Wai Yee

Mr. Chan Wing Kan, Archie

Ms. Yeung Yin Chi, Jennifer

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 2017, 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	830,073,000	968,358,499 ^{(1) & (2)}	63.041
	(ii) Joint interest	138,285,499		
Mr. Yeung Chun Fan	(i) Beneficial owner	75,000,000	1,053,453,499 ^{(1), (2) & (3)}	68.580
	(ii) Interest of controlled corporations	830,073,000		
	(iii) Joint interest	138,285,499		
	(iv) Interest of spouse	10,095,000		
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	10,095,000	1,053,453,499 ^{(1), (2) & (3)}	68.580
	(ii) Interest of spouse	1,043,358,499		
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) and 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).
- (2) 138,285,499 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 830,073,000 shares related to the same block of shares held by two companies controlled by Mr. Yeung Chun Fan.

Save as disclosed above, as at 30 June 2017, 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 2017 are as follows:

Category of participant	Number of shares subject to options				Share options				
	At	During the period		At	Date of grant	Fully vested by	Exercise period	Subscription price* HK\$ per share	
	1 January 2017	Granted	Exercised	Lapsed or cancelled					30 June 2017
Employees in aggregate	337,795	-	-	-	337,795	20/2/2014***	1/4/2015	1/4/2017 to 19/2/2024	1.8099
	6,901,980	-	-	(6,901,980)	-	20/2/2014***	1/4/2017	1/4/2019 to 19/2/2024	1.8099
	3,347,520	-	-	(2,130,240)	1,217,280	20/2/2014***	1/4/2018**	1/4/2020 to 19/2/2024	1.8099
	1,825,920	-	-	(608,640)	1,217,280	20/2/2014***	1/4/2019**	1/4/2021 to 19/2/2024	1.8099
	<u>12,413,215</u>	<u>-</u>	<u>-</u>	<u>(9,640,860)</u>	<u>2,772,355</u>				

- * (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 have not yet been set as at 30 June 2017 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 New Scheme will remain in force for 10 years from the date of adoption.

During the six months ended 30 June 2017, no share options were granted or exercised under the New Scheme.

Details of the terms of the Old Scheme and the New Scheme were disclosed in the Annual Report of the Company for the year 2016.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, 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 2017.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2017, 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, 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 2017 and the special general meeting both held on 2 June 2017.

DISCLOSURE OF INFORMATION ON DIRECTORS

Changes in Directors' information since the publication of the Annual Report of the Company for the year 2016, 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 is a director of Jinmao Investments and Jinmao (China) Investments Holdings Limited, a public listed company in Hong Kong which has changed its name to Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited. Mr. Chung has been appointed as a director of China Railway Group Limited, a public listed company in Hong Kong.

Dr. Lam Lee G. has been appointed as directors of National Arts Entertainment and Culture Group Limited (a public listed company in Hong Kong) and Haitong Securities Co., Ltd. (a public listed company in Hong Kong and Shanghai). Dr. Lam was a director of Vietnam Property Holding (a company listed in Germany) which has merged into Vietnam Equity Holding (a company listed in Germany).

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding Directors' securities transaction as set out in the Model Code.

The Board confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standards set out in the Model Code throughout the period for the six months ended 30 June 2017.

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 2017.

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 2017.

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

Hong Kong, 17 August 2017



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