



# GLORIOUS SUN ENTERPRISES LIMITED

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

**2018**  
Interim Report

Disney · PIXAR

collection by  
Jeanswest



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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 2018 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 2018

		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (Restated)
	Notes		
<b>CONTINUING OPERATIONS</b>			
REVENUE	(2)	1,372,669	1,405,428
Cost of sales		<u>(986,712)</u>	<u>(986,113)</u>
Gross profit		385,957	419,315
Other income and gains		65,600	49,483
Selling and distribution expenses		(221,032)	(218,985)
Administrative expenses		(160,827)	(162,238)
Other expenses		(16,015)	(14,928)
Finance costs		<u>(6,667)</u>	<u>(3,522)</u>
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	(3)	47,016	69,125
Income tax expense	(4)	<u>(6,809)</u>	<u>(5,301)</u>
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		40,207	63,824
<b>DISCONTINUED OPERATION</b>	(5)		
Loss for the period from a discontinued operation		-	<u>(24,884)</u>
PROFIT FOR THE PERIOD		<u><u>40,207</u></u>	<u><u>38,940</u></u>

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

for the six months ended 30 June 2018

	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Note		
Attributable to:		
Ordinary equity holders of the Company	38,620	38,575
Non-controlling interests	1,587	365
Profit for the period	40,207	38,940
	<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to ordinary equity holders of the Company	(6)	
Basic and diluted		
– For profit from continuing operation	2.51	4.13
– For loss from a discontinued operation	–	(1.62)
– For profit for the period	2.51	2.51
Interim dividend per share	2.50	2.50

Details of the dividends paid and declared for the period are disclosed in note 11 to the financial statements.

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2018

	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<u>40,207</u>	<u>38,940</u>
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:</i>		
Exchange difference on translation of foreign operations	<u>–</u>	<u>6,753</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax	<u>–</u>	<u>6,753</u>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax:</i>		
Net loss on equity instruments at fair value through other comprehensive income	(61,106)	–
Gain on property revaluation	42,717	–
Income tax effect	<u>(10,679)</u>	<u>–</u>
Net other comprehensive loss not being reclassified to profit or loss in subsequent periods, net of tax	<u>(29,068)</u>	<u>–</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>(29,068)</u>	<u>6,753</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>11,139</u>	<u>45,693</u>
Attributable to:		
Ordinary equity holders of the Company	9,552	45,328
Non-controlling interests	<u>1,587</u>	<u>365</u>
	<u>11,139</u>	<u>45,693</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

		30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	(7)	252,766	277,427
Investment properties		299,449	254,323
Held-to-maturity investments		–	951,514
Financial assets at amortised cost		1,134,410	–
Available-for-sale investments		–	817,175
Equity instruments at fair value through other comprehensive income		756,069	–
Other non-current assets		13,675	13,927
		<hr/>	<hr/>
Total non-current assets		2,456,369	2,314,366
<b>CURRENT ASSETS</b>			
Inventories		311,437	352,638
Trade receivables	(8)	324,906	328,285
Prepayments, deposits and other receivables		326,869	330,775
Held-to-maturity investments		–	361,877
Cash and cash equivalents		687,615	971,131
Other current assets		47,189	46,968
		<hr/>	<hr/>
Total current assets		1,698,016	2,391,674

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

as at 30 June 2018

		30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
	<i>Notes</i>		
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	(9)	376,099	450,284
Other payables and accruals		542,556	571,902
Interest-bearing bank and other borrowings		565,767	991,847
Other current liabilities		97,029	91,209
		<u>1,581,451</u>	<u>2,105,242</u>
Total current liabilities			
		<u>1,581,451</u>	<u>2,105,242</u>
<b>NET CURRENT ASSETS</b>			
		<u>116,565</u>	<u>286,432</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>2,572,934</u>	<u>2,600,798</u>
<b>NON-CURRENT LIABILITIES</b>			
Total non-current liabilities		<u>53,967</u>	<u>43,815</u>
Net assets		<u>2,518,967</u>	<u>2,556,983</u>
<b>EQUITY</b>			
Equity attributable to ordinary equity holders of the Company			
Issued capital	(10)	153,609	153,609
Reserves		2,351,520	2,391,123
		<u>2,505,129</u>	<u>2,544,732</u>
Non-controlling interests		<u>13,838</u>	<u>12,251</u>
Total equity		<u>2,518,967</u>	<u>2,556,983</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2018

	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>Cash flows from operating activities</b>		
Cash flows from operating activities	17,231	256,537
Tax paid	<u>(5,676)</u>	<u>(14,606)</u>
Net cash flows from operating activities	<u>11,555</u>	<u>241,931</u>
<b>Cash flows from investing activities</b>		
Purchases of available-for-sale investments	–	(750,761)
Purchases of financial assets at amortised cost	<b>(244,529)</b>	–
Receipts from derecognition of held-to maturity investments	–	212,172
Receipts from derecognition of financial assets at amortised cost	<b>431,433</b>	–
Other cash flows used in investing activities	<u>(9,494)</u>	<u>(17,716)</u>
Net cash flows from/(used in) investing activities	<u>177,410</u>	<u>(556,305)</u>
<b>Cash flows from financing activities</b>		
New bank and other loans	<b>7,366,534</b>	460,433
Repayment of bank and other loans	<b>(7,792,614)</b>	(269,207)
Other cash flows used in financing activities	<u>(49,155)</u>	<u>(49,255)</u>
Net cash flows from/(used in) financing activities	<u>(475,235)</u>	<u>141,971</u>

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

for the six months ended 30 June 2018

	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Net decrease in cash and cash equivalents	(286,270)	(172,403)
Cash and cash equivalents at 1 January	971,131	854,311
Effect of foreign exchange rate changes, net	—	4,745
Cash and cash equivalents at 30 June	<u>684,861</u>	<u>686,653</u>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	579,073	512,161
Non-pledged time deposits with original maturity of less than three months when acquired	105,788	119,710
Non-pledged time deposit with original maturity of more than three months when acquired	<u>2,754</u>	—
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	687,615	631,871
Non-pledged time deposit with original maturity of more than three months when acquired	(2,754)	—
Cash and cash equivalents attributable to a discontinued operation	—	<u>54,782</u>
	<u>684,861</u>	<u>686,653</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2018

2018 (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 2018	153,609	739,640	299,938	1,351,545	2,544,732	12,251	2,556,983	
Profit for the period	-	-	-	38,620	38,620	1,587	40,207	
Other comprehensive income	-	-	(29,068)	-	(29,068)	-	(29,068)	
Total comprehensive income	-	-	(29,068)	38,620	9,552	1,587	11,139	
Dividends paid	-	-	-	(49,155)	(49,155)	-	(49,155)	
As at 30 June 2018	<u>153,609</u>	<u>739,640</u>	<u>270,870</u>	<u>1,341,010</u>	<u>2,505,129</u>	<u>13,838</u>	<u>2,518,967</u>	
	Attributable to ordinary equity holders of the Company							
2017 (Unaudited)	Issued capital HK\$'000	Share premium 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 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>	

## 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 2018 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 2018 are the same as those adopted in the preparation of the Group’s financial statements for the year ended 31 December 2017.

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

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014-2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28

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

The following table summarises the estimated impact of the adoption of HKFRS 9 and HKFRS 15 on the interim condensed consolidated financial statements.

	As at 31 December 2017 As originally presented HK\$'000	Effect on adoption of HKFRS 9 HK\$'000	Effect on adoption of HKFRS 15 HK\$'000	As at 1 January 2018 restated HK\$'000
<b>Non-current assets</b>				
Held-to-maturity investments	951,514	(951,514)	-	-
Financial assets at amortised cost	-	951,514	-	951,514
Available-for-sale investments	817,175	(817,175)	-	-
Equity instruments at fair value through other comprehensive income	-	817,175	-	817,175
<b>Current Assets</b>				
Held-to-maturity investments	361,877	(361,877)	-	-
Financial assets at amortised cost	-	361,877	-	361,877
Interior decoration and renovation contracts	18,241	-	(18,241)	-
Contract assets	-	-	18,241	18,241*
<b>Current liabilities</b>				
Interior decoration and renovation contracts	24,842	-	(24,842)	-
Contract liabilities	-	-	24,842	24,842*
<b>Equity</b>				
Available-for-sale investment reserve	15,492	(15,492)	-	-
Equity instruments at fair value through other comprehensive income reserve	-	15,492	-	15,492#

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

- \* Contract assets and contract liabilities are included in “other current assets” and “other current liabilities” on the face of the condensed consolidated statement of financial position.
- # Equity instruments at fair value through other comprehensive income reserve is included in “reserves” on the face of the condensed consolidated statement of financial position.

Other than the above, 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**

As the interior decoration and renovation business expanded significantly in the past years and evolved from serving companies within the Group to external customers, operating results of this business are now separately reviewed and evaluated for management related purposes. As such, in the year of 2017, the Group has redefined its principal business to include interior decoration and renovation business and recorded the related income as revenue. As a result of this redesignation, the Group has retrospectively reclassified the revenue and related cost of sales from other income. The impact to the condensed consolidated statement of profit or loss for the period ended 30 June 2017 is included increase in revenue by HK\$316,792,000, increase in cost of sales by HK\$303,756,000 and decrease in other income and gains by HK\$13,036,000. Further, an additional segment, interior decoration and renovation business has been added retrospectively to reflect the changes.

The following table presents segment revenue and result of the Group’s operating segments for the six months ended 30 June 2018 and 2017, respectively.

**(2) Segment information** *(Continued)*

	Six months ended 30 June 2018 (Unaudited)					Total continuing operations HK\$'000
	Retail operations HK\$'000	Export operations HK\$'000	Financial investments HK\$'000	Interior decoration and renovation HK\$'000	Other HK\$'000	
Segment revenue (*):						
Revenue from external parties	707,510	291,135	64,852	289,294	19,878	1,372,669
Other income and gains	<u>9,522</u>	<u>8,925</u>	<u>10,474</u>	<u>1,155</u>	<u>2,598</u>	<u>32,674</u>
Total	<u>717,032</u>	<u>300,060</u>	<u>75,326</u>	<u>290,449</u>	<u>22,476</u>	<u>1,405,343</u>
Segment result	<u>(35,434)</u>	<u>8,846</u>	<u>71,626</u>	<u>4,328</u>	<u>(1,397)</u>	47,969
Interest income						3,054
Unallocated revenue						29,872
Corporate and other unallocated expenses						(27,212)
Finance costs						<u>(6,667)</u>
Profit before tax from continuing operations						47,016
Income tax expense						<u>(6,809)</u>
Profit for the period from continuing operations						<u>40,207</u>

**(2) Segment information** *(Continued)*

	Six months ended 30 June 2017 (Unaudited)					Total continuing operations HK\$'000 (Restated)
	Retail operations HK\$'000	Export operations HK\$'000	Financial investments HK\$'000	Interior decoration and renovation HK\$'000 (Restated)	Other HK\$'000 (Restated)	
Segment revenue (*):						
Revenue from external parties	774,420	230,120	48,535	316,792	35,561	1,405,428
Other income and gains	<u>13,608</u>	<u>3,092</u>	<u>8,992</u>	<u>102</u>	<u>97</u>	<u>25,891</u>
Total	<u>788,028</u>	<u>233,212</u>	<u>57,527</u>	<u>316,894</u>	<u>35,658</u>	<u>1,431,319</u>
Segment result	<u>25,075</u>	<u>3,011</u>	<u>54,027</u>	<u>3,621</u>	<u>(304)</u>	85,430
Interest income						5,117
Unallocated revenue						18,475
Corporate and other unallocated expenses						(36,375)
Finance costs						<u>(3,522)</u>
Profit before tax from continuing operations						69,125
Income tax expense						<u>(5,301)</u>
Profit for the period from continuing operations						<u>63,824</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	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Depreciation	24,574	20,136
Recognition of prepaid land lease payments	85	81
Loss on disposal/write-off of items of property, plant and equipment	3,221	1,502
Interest income	<u>(3,054)</u>	<u>(5,117)</u>

**(4) Income tax expense**

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Current – Hong Kong	4,151	4,538
Current – Elsewhere	3,185	1,317
Deferred	<u>(527)</u>	<u>(554)</u>
	<u>6,809</u>	<u>5,301</u>

**(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 shareholders' loan in the amount of HK\$174,000,000, at a cash consideration of HK\$220,000,000 (the "Disposal"). The disposed business consists of the retailing of casual wear. The transaction was completed on 1 July 2017. Upon completion of the Disposal, the principal retail business of the Group ceased its operation in Australasia. As the disposed business is considered as a separate major geographic area of operation, the corresponding operation in Australasia has been classified as a discontinued operation as a result of the Disposal. Details of the transaction are set out in the Company's announcement dated 6 April 2017 and circular dated 12 May 2017.

The results of the JWIL Group for the six months ended 30 June 2017 included in Group's results are presented below:

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

**(6) Earnings per share**

(a) *Basic earnings per share*

The calculations of basic earnings per share are based on:

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>Earnings</b>		
Profit/(loss) attributable to ordinary equity holders of the Company used in the basic earnings per share calculation:		
From continuing operations	38,620	63,459
From a discontinued operation	—	(24,884)
	<u>38,620</u>	<u>38,575</u>

The calculations of basic earnings per share are based on:

	Number of shares	
	Six months ended 30 June	
	2018 (Unaudited) '000	2017 (Unaudited) '000
<b>Shares</b>		
Weighted average number of ordinary shares in issued during the period used in the basic earnings per share calculation	<u>1,536,084</u>	<u>1,536,084</u>

(b) *Diluted earnings per share*

As the exercise price of the share options outstanding during the periods ended 30 June 2018 and 2017 are higher than the respective average market price of the Company's shares during the period ended 30 June 2018 and 2017, there is no dilution effect on the basic earnings per share.

**(7) Property, plant and equipment**

Acquisitions and disposals

During the six months ended 30 June 2018, the Group incurred capital expenditure of HK\$9,296,000. Items with a net book value of HK\$7,293,000 were disposed of during the six months ended 30 June 2018.

**(8) Trade receivables**

An aging analysis of trade receivables as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Less than 4 months	267,524	292,126
4 to 6 months	12,742	14,972
Over 6 months	44,640	21,187
	<u>324,906</u>	<u>328,285</u>

The Group generally grants a credit period of 45 days to customers for its retail business and 3 months to 2 years to customers for interior decoration and renovation business.

**(9) Trade and bills payables**

An aging analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Less than 4 months	374,392	447,731
4 – 6 months	245	102
Over 6 months	1,462	2,451
	<u>376,099</u>	<u>450,284</u>

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

**(10) Share capital**

	Number of ordinary shares		Nominal value	
	30 June 2018 (Unaudited) '000	31 December 2017 (Audited) '000	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (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>

**(11) Dividends**

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Dividends for ordinary equity holders of the Company:		
Final dividend paid	<u>49,155</u>	<u>49,155</u>
Interim dividend declared	<u>38,402</u>	<u>38,402</u>

**(12) 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:

Management has assessed that the fair values of trade receivables, the current portion of financial assets included in prepayments, deposits and other receivables, cash and cash equivalents, trade and bills payables and financial liabilities included in other payables and accruals, amounts due from other related companies, amounts due from/to an associate and current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

The fair values of the non-current portion of rental deposits 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 2018 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 2018 and 31 December 2017.

The fair values of 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

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

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

Fair value hierarchy *(Continued)*

Assets measured at fair value:

	30 June 2018 (Unaudited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Equity instruments at fair value through other comprehensive income	<u>744,093</u>	-	-	<u>744,093</u>
	31 December 2017 (Audited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Available-for-sale investments	<u>805,199</u>	-	-	<u>805,199</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 2017: Nil).

The Group did not have any financial liabilities measured at fair value as at 30 June 2018 and 31 December 2017.

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

Assets for which fair value are disclosed:

	30 June 2018 (Unaudited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets at amortised cost	<u>1,091,349</u>	<u>-</u>	<u>-</u>	<u>1,091,349</u>
	31 December 2017 (Audited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Held-to-maturity investments	<u>1,348,325</u>	<u>-</u>	<u>-</u>	<u>1,348,325</u>

**(13) Event after the period under review**

On 3 August 2018, Glorious Sun Enterprises (BVI) Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Gantin Limited, a company owned by Dr. Charles Yeung and Mr. Yeung Chun Fan (directors and substantial shareholders of the Company), for disposal of the entire interest in Glorious Sun Production (BVI) Limited (together with its subsidiaries referred to as the "Target Group") at a consideration of HK\$800,000,000. The Target Group is engaged in the retailing business of apparel products and accessories as well as property holding in the PRC. Details of the transaction are set out in the Company's announcement dated 3 August 2018.

**(14) 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.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **INTERIM DIVIDEND**

The Directors have resolved to pay an interim dividend of HK2.50 cents (2017: HK2.50 cents) per share for the six months ended 30 June 2018 to shareholders whose names appear on the register of members of the Company as at the close of business on Monday, 17 September 2018. The interim dividend will be paid to shareholders on Friday, 28 September 2018.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 14 September 2018 to Monday, 17 September 2018, 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 Thursday, 13 September 2018.

## REVIEW OF OPERATIONS

In the first half of the year under review, the global macro-economic situation was generally stable. However, US President Donald Trump in March announced the imposition of import tariffs on steel and aluminum. The spearhead was particularly pointing at China because China was the biggest surplus country for trade with the United States. Several rounds of negotiation between China and the United States still failed to solve the disputes. US Government imposed a 25% custom duty on Chinese goods worth US\$50 billion with effect from 6 July 2018. The PRC Government also retaliated with same 25% tariff for the same amount on the US exports to China. The trade war thus began among the major economies. Although its adverse effect had not yet emerged, the mounting uncertainties already caused the fund flow to move in favour of the United States. Subsequently it further strengthened the strong dollar under the interest rate rising cycle, and accelerated the outflow of funds from developing countries. Business environment was prevailing with uncertainties.

In the past few years, the Management had strived to consolidate and streamline the operations of Jeanswest in the Mainland China. During the period, large-scale reforms had been implemented including strategies rectification and operation module changes in some of the provinces. Under-performed stores were resolutely closed down and redundant personnel were laid off. Although the decline of Jeanswest's sales had not yet been reverted, the inventory was maintained at healthy level. On the other hand, the export business had not been affected by the Sino-US trade war and even managed to have a moderate growth. The interior decoration and renovation business also progressed normally.

To meet with the challenges emerged from the new business environment, the Management endeavoured to explore new business with promising future. At the beginning of the year, an asset management company was acquired. As the Management had decades of investments experience and could have access to high net-worth clientele, hopefully the new business could be developed into another profit centre and brighten the images of the Group.

Due to the above-mentioned reasons, profit attributable to ordinary equity holders of the Company was HK\$38,620,000, representing a slight increase of 0.12% when compared with the corresponding period in last year (2017: HK\$38,575,000).

The following are the main operating data of the Group during the first half of the year under review:

	2018 1st Half	2017 1st Half (Restated)	Changes
<i>(Unit: HK\$'000)</i>			
Consolidated sales	1,372,669	1,405,428	↓ 2.33%
of which:			
A. Total retail sales in the PRC	707,510	774,420	↓ 8.64%
B. Total export sales	291,135	230,120	↑ 26.51%
C. Financial investments	64,852	48,535	↑ 33.62%
D. Interior decoration and renovation	289,294	316,792	↓ 8.68%
Profit attributable to ordinary equity holders of the Company	38,620	38,575	↑ 0.12%
<i>(Unit: HK cents)</i>			
Interim earnings per share (basic)	2.51	2.51	–
Interim dividend per share	2.50	2.50	–
	As at 30 June 2018	As at 31 December 2017	Changes
<i>(Unit: HK\$'000)</i>			
Net cash and near cash in hand	2,000,351	2,097,874	↓ 4.65%

## 1. Retail Operations

In the first half of the year under review, the retail market in the Mainland China was as lukewarm as last year. A single digit decrease in the total retail sales of Jeanswest was registered and the gross profit margin remained under pressure. Despite the Management's every effort to improve the situation by restructuring the retail network in the Mainland China and to enhance the efficiency along the supply chain to improve the flexibility and accuracy of the supply of products as well as to allocate more resources on product design and marketing to promote the products, the improvements were nominal. Online stores to tap into the expanding business of e-commerce in the PRC were also launched. However, Jeanswest's overall performance was still disappointing.

The competition in apparel retail market in the Mainland China was constantly fierce. The advent of e-commerce era equipped with the inexpensive and accessible logistics solutions was so formidable to pose the issue of survival to physical retail outlets. Jeanswest products known for 'value for money' were no longer attractive to customers. In order to strengthen the competitiveness and increase the pricing power of Jeanswest, it might need to accurately fine tune and revamp the design and pricing of its products by focusing on meeting the needs and preferences of the consumers. As such, inputs from the big data, among others, were needed to analyze the spending pattern of the market, so as to reposition its brand and products. The corresponding concept of its product design and operation procedure had to be transformed accordingly. The implementation of such further measures to restructure Jeanswest's business would inevitably incur substantial capital and significant time. The risks to be incurred were quite immense. After thorough consideration, the Management of the Group was minded to dispose of Jeanswest operations in the Mainland China to avoid incurring further losses.

In the first half of the year, Jeanswest's sales in the PRC was HK\$707,510,000 (2017: HK\$774,420,000) showing a decrease of 8.64% when compared with the same period of last year.

During the period, performance of Quiksilver Glorious Sun was unsatisfactory due to the slothful retail sentiment in Hong Kong and Mainland China. The total number of shops came down to 7 (2017: 11). Both sales and margin showed a negative growth.

As at 30 June 2018, the total number of the Group's retail network including Jeanswest and Quiksilver Glorious Sun was 1,164 (2017: 1,658), including 867 franchise stores (2017: 1,010).

## **2. Export Business**

In the first half of the year, our export market was mainly in the US where the pace of economic recovery was relatively stable. The impact of Sino-US trade war had not yet been felt. In the first half of the year, the total export sales amounted to HK\$291,135,000 (2017: HK\$230,120,000), which was 26.51% higher than the same period of the previous year and accounted for 21.21% of the Group's total turnover.

## **3. Interior Decoration and Renovation**

The interior decoration and renovation business was able to develop as planned during the period under review. Its main development strategy was to build up a bigger customer base. At present, the revenue earned from projects within the Group was less than 3% of its total sales. The businesses from major customers were no longer on single project terms but mostly based on annual services contracts. Hence, the business was relatively stable. The total sales in the first half of the year were HK\$289,294,000 (2017: HK\$316,792,000) showing a drop of 8.68%.

## 4. Financial and Real Estates Investments

At the beginning of the year, we acquired an asset management company for diversifying into a new main business. In the first half of the year under review, the Group's investment portfolio was mainly corporate bonds. During the period, HK\$427.9 million worth of bonds were repaid and/or early redeemed. As at 30 June 2018, the Group's bond holdings had a face value of approximately HK\$1.928 billion, with an average yield of 6.42% and an average remaining life of 3.59 years.

## 5. Financial Position

### *Liquidity and financial resources*

In the period, the financial position of the Group was solid. As at 30 June 2018, the Group held net cash and near cash in hand amounted to HK\$2,000,351,000 (31 December 2017: HK\$2,097,874,000).

Current ratio and gearing ratio of the Group as at 30 June 2018 are 1.07 and 18% (31 December 2017: 1.14 and 28%) respectively.

As at 30 June 2018, there were no material changes in capital commitments and contingent liabilities of the Group since 31 December 2017.

### *Significant investments held*

The Group's significant investments held are listed debt instruments, as at 30 June 2018, which amounted to HK\$1,878,503,000 (31 December 2017: HK\$2,118,590,000) being total amount of carrying value recorded. The decrease of HK\$240,087,000 was mainly due to maturity or early redemption.

*Properties held*

The properties held by the Group as at 30 June 2018 were with total carrying value of HK\$510,019,000 (31 December 2017: HK\$470,663,000). The increment was mainly revaluation surplus recorded as a result of transfer from own use properties to investment properties classifications according to accounting standards. These properties situated in the PRC were neither charged nor pledged to any bank or other borrowings.

*Disposal of significant subsidiaries*

The Group had entered into a conditional agreement on 3 August 2018 to dispose of its major subsidiaries which were involved in retailing of apparel products and accessories as well as property holdings in the PRC. Details of the transaction are set out in the Company's announcement dated 3 August 2018.

## **6. Human Resources**

As at 30 June 2018, the Group employed a total of about 3,600 members of staff. The Group offered competitive remuneration packages to its employees. Also, incentives were granted to employees depending on the Group's overall performance and individual performance.

## PROSPECTS

Looking forward to the second half of the year, we have to monitor the development of the Sino-US trade war closely. On 10 July 2018, the United States announced a new round of tariff, another US\$200 billion worth of Chinese goods were made subject to 10% custom duty, which was expected to take effect around October this year. The Chinese government also indicated that it would make corresponding counter-measures. In near future, it is quite unlikely to have the hostile actions of both sides to be subsided.

The trade war will definitely affect the Group's export business. However, we do not expect any significant impact in this fiscal year as most tariffs, if they do take off, will take effect only at the later part of the year. The interior decoration and renovation business is domestic driven and likely immunized. Financial markets are expected to become more volatile. As the Group's financial investment portfolio is mostly buy-and-hold corporate bonds, the expected yield is most likely achievable.

If the disposal of Jeanswest's retail operations in the Mainland China meets with the approval of the special general meeting and is successful completed, there will be no losing operation in the Group.

## **OTHER INFORMATION**

### **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 2018, 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 <sup>(1) &amp; (2)</sup>	63.041
	(ii) Joint interest	138,285,499		
Mr. Yeung Chun Fan	(i) Beneficial owner	75,000,000	1,053,453,499 <sup>(1), (2) &amp; (3)</sup>	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

Name of director	Capacity	Number of shares held	Total	Percentage of issued share capital (%)
Ms. Cheung Wai Yee	(i) Beneficial owner	10,095,000	1,053,453,499 <sup>(1), (2) &amp; (3)</sup>	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 and 207,810,000 shares were held by Advancetex Holdings (BVI) Limited (the entire issued voting share capital of each 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 2018, 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 under the Old Scheme as at 30 June 2018 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*	
	1 January 2018	Granted	Exercised	Lapsed or cancelled					30 June 2018
Employees in aggregate	337,795	-	-	-	337,795	20/2/2014***	1/4/2015	1/4/2017 to 19/2/2024	1.8099
	608,640	-	-	(608,640)	-	20/2/2014***	1/4/2018	1/4/2020 to 19/2/2024	1.8099
	608,640	-	-	-	608,640	20/2/2014***	1/4/2019**	1/4/2021 to 19/2/2024	1.8099
	<u>1,555,075</u>	<u>-</u>	<u>-</u>	<u>(608,640)</u>	<u>946,435</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 target of the share options has not yet been set as at 30 June 2018 and is 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 2018, 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 2017.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, 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 2018.

## **CORPORATE GOVERNANCE**

Throughout the six months ended 30 June 2018, 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 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 2018.

## **DISCLOSURE OF INFORMATION ON DIRECTORS**

Changes in Directors' information since the publication of the Annual Report of the Company for the year 2017, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below.

Mr. Lau Hon Chuen, Ambrose, GBS, JP has retired from his office of a director of The People's Insurance Company (Group) of China Limited, a public listed company in Hong Kong.

Dr. Chung Shui Ming, Timpson, GBS, JP has been appointed as a director of Orient Overseas (International) Limited (a public listed company in Hong Kong).

Dr. Lam Lee G. has been appointed as a director of Hsin Chong Group Holdings Limited (a public listed company in Hong Kong) and China Medical (International) Group Limited (a public listed company in Singapore). Dr. Lam resigned as a director of Xi'an Haitiantian Holdings Co., Ltd. (a public listed company in Hong Kong) and Rowsley Ltd. (a public listed company in Singapore).

## **DIRECTORS' SECURITIES TRANSACTIONS**

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

The Board confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standards set out in the Model Code throughout the period for the six months ended 30 June 2018.

## **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 2018.

## **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 2018.

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

Hong Kong, 27 August 2018

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HELLO!  
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