



GLORIOUS SUN ENTERPRISES LIMITED

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

2019
Interim Report





Stylish Print



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INTERIM RESULTS

The board of directors (the "Board") 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 2019 together with the comparative figures for the same period as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended 30 June 2019

	Notes	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE			
Revenue from contracts with customers		603,882	630,719
Revenue from other sources		59,662	64,852
		<hr/>	<hr/>
	(3)	663,544	695,571
Cost of sales		(549,409)	(562,249)
		<hr/>	<hr/>
Gross profit		114,135	133,322
Other income and gains		16,711	41,826
Selling and distribution expenses		(19,840)	(21,020)
Administrative expenses		(36,571)	(54,626)
Other expenses		(6,491)	(201)
Finance costs		(4,724)	(5,550)
		<hr/>	<hr/>
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	(4)	63,220	93,751
Income tax expense	(5)	(6,377)	(5,996)
		<hr/>	<hr/>
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		56,843	87,755
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	(6)	—	(47,548)
		<hr/>	<hr/>
PROFIT FOR THE PERIOD		56,843	40,207
		<hr/> <hr/>	<hr/> <hr/>

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

Six months ended 30 June 2019

	2019 (Unaudited) <i>Notes</i> HK\$'000	2018 (Unaudited) <i>HK\$'000</i> (Restated)
Attributable to:		
Ordinary equity holders of the Company	55,761	38,620
Non-controlling interests	1,082	1,587
	<u> </u>	<u> </u>
Profit for the period	56,843	40,207
	<u> </u>	<u> </u>
	HK cents	<i>HK cents</i>
Earnings per share attributable to ordinary equity holders of the Company	(7)	
Basic and diluted		
– For profit from continuing operations	3.65	5.63
– For loss from a discontinued operation	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
– For profit for the period	3.65	2.51
	<u> </u>	<u> </u>
Interim dividend per share	2.60	2.50
	<u> </u>	<u> </u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2019

	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	56,843	40,207
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange difference on translation of foreign operations	34	–
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	34	–
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>		
Change in fair value of equity instruments designated at fair value through other comprehensive income	53,102	(61,106)
Gain on property revaluation, net of tax	–	32,038
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	53,102	(29,068)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	53,136	(29,068)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	109,979	11,139
Attributable to:		
Ordinary equity holders of the Company	108,909	9,552
Non-controlling interests	1,070	1,587
	109,979	11,139

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

		30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Debt investments at amortised cost		820,533	1,119,879
Equity investments designated at fair value through other comprehensive income		801,792	748,690
Other non-current assets		66,119	27,882
		<hr/>	<hr/>
Total non-current assets		1,688,444	1,896,451
CURRENT ASSETS			
Trade receivables	(8)	216,875	171,890
Debt investments at amortised cost		227,414	–
Cash and cash equivalents		625,956	1,061,175
Other current assets		224,489	218,389
		<hr/>	<hr/>
Total current assets		1,294,734	1,451,454
CURRENT LIABILITIES			
Trade payables	(9)	101,292	134,554
Other payables and accruals		175,784	183,712
Interest-bearing bank borrowings		27,965	474,051
Other current liabilities		122,780	85,452
		<hr/>	<hr/>
Total current liabilities		427,821	877,769
		<hr/>	<hr/>
NET CURRENT ASSETS		866,913	573,685
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,555,357	2,470,136
		<hr/>	<hr/>

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

30 June 2019

	30 June 2019 (Unaudited) <i>Notes</i> HK\$'000	31 December 2018 (Audited) <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Other non-current liabilities	<u>31,154</u>	<u>850</u>
Total non-current liabilities	<u>31,154</u>	<u>850</u>
Net assets	<u>2,524,203</u>	<u>2,469,286</u>
EQUITY		
Equity attributable to ordinary equity holders of the Company		
Issued capital	(10) 152,834	152,876
Reserves	<u>2,348,818</u>	<u>2,295,378</u>
	2,501,652	2,448,254
Non-controlling interests	<u>22,551</u>	<u>21,032</u>
Total equity	<u>2,524,203</u>	<u>2,469,286</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2019

2019 (Unaudited)	Attributable to ordinary equity holders of the Company						Non-controlling interests	Total equity
	Issued capital	Share premium	Treasury share	Other reserves	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2019	152,876	734,139	(172)	338,741	1,222,670	2,448,254	21,032	2,469,286
Effect of adoption of HKFRS 16	-	-	-	-	(3,965)	(3,965)	-	(3,965)
As at 1 January 2019 (restated)	152,876	734,139	(172)	338,741	1,218,705	2,444,289	21,032	2,465,321
Profit for the period	-	-	-	-	55,761	55,761	1,082	56,843
Other comprehensive income/(loss)	-	-	-	53,148	-	53,148	(12)	53,136
Total comprehensive income	-	-	-	53,148	55,761	108,909	1,070	109,979
Contribution from non-controlling interests	-	-	-	-	-	-	449	449
Shares repurchased	-	-	(194)	-	-	(194)	-	(194)
Cancellation of shares repurchased	(42)	(324)	366	-	-	-	-	-
Dividends paid	-	-	-	-	(51,352)	(51,352)	-	(51,352)
As at 30 June 2019	152,834	733,815	-	391,889	1,223,114	2,501,652	22,551	2,524,203
2018 (Unaudited)	Attributable to ordinary equity holders of the Company						Non-controlling interests	Total equity
	Issued capital	Share premium	Treasury share	Other reserves	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 loss	-	-	-	(29,068)	-	(29,068)	-	(29,068)
Total comprehensive income/(loss)	-	-	-	(29,068)	38,620	9,552	1,587	11,139
Dividends paid	-	-	-	-	(49,155)	(49,155)	-	(49,155)
As at 30 June 2018	153,609	739,640	-	270,870	1,341,010	2,505,129	13,838	2,518,967

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2019

	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Cash flows from operating activities		
Cash flows from/(used) in operating activities	(10,716)	17,231
Tax paid	(3,961)	(5,676)
Net cash flows from/(used) in operating activities	(14,677)	11,555
Cash flows from investing activities		
Purchases of financial assets at amortised cost	–	(244,529)
Receipts from derecognition of financial assets at amortised cost	73,148	431,433
Other cash flows from/(used) in investing activities	11,718	(9,494)
Net cash flows from investing activities	84,866	177,410
Cash flows from financing activities		
New bank loans	3,406,060	7,366,534
Repayment of bank loans	(3,874,211)	(7,792,614)
Other cash flows used in financing activities	(37,257)	(49,155)
Net cash flows used in financing activities	(505,408)	(475,235)
Net decrease in cash and cash equivalents	(435,219)	(286,270)
Cash and cash equivalents at 1 January	1,061,175	971,131
Cash and cash equivalents at 30 June	625,956	684,861
Analysis of balances of cash and cash equivalents		
Cash and bank balances	525,624	579,073
Non-pledged time deposits with original maturity of less than three months when acquired	100,332	105,788
Non-pledged time deposit with original maturity of more than three months when acquired	–	2,754
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	625,956	687,615
Non-pledged time deposit with original maturity of more than three months when acquired	–	(2,754)
	625,956	684,861

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of preparation

These interim condensed consolidated financial statements (“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”).

The accounting policies and methods of computation used in the preparation of these Financial Statements are the same as those applied in the preparation of the Group’s annual financial statements for the year ended 31 December 2018, except for the adoption of new and revised standards with effect from 1 January 2019 as detailed in note 2 below.

These Financial Statements for the six months ended 30 June 2019 are unaudited and have been reviewed by the Audit Committee of the Company.

(2) Changes in accounting policies

The Group has adopted the following new and revised HKFRSs issued by the HKICPA for the first time for these Financial Statements.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements</i> <i>2015–2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

(2) Changes in accounting policies (Continued)

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised HKFRSs has had no significant financial impact on these Financial Statements. The nature and impact of the HKFRS 16 are described as below:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, if any, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

Lessee accounting

As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

(2) Changes in accounting policies *(Continued)*

Lessee accounting *(Continued)*

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right of-use asset has been reduced to zero.

Impacts on transition

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as of 1 January 2019. Right-of-use assets are measured at their carrying amount as if the standard had been applied since the commencement date, but discounted using the Group's incremental borrowing rate at the date of initial application.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

(2) Changes in accounting policies *(Continued)*Impacts on transition *(Continued)*

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) (Unaudited) <i>HK\$'000</i>
Assets	
Right-of-use assets	48,032
Deferred tax assets	1,210
	<hr/>
Total assets	49,242
	<hr/> <hr/>
Liabilities	
Lease liabilities – current	17,880
Lease liabilities – non-current	35,327
	<hr/>
Total liabilities	53,207
	<hr/> <hr/>
Equity	
Retained earnings	(3,965)
	<hr/> <hr/>

(2) Changes in accounting policies *(Continued)*Impacts on transition *(Continued)*

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	(Unaudited) HK\$'000
Operating lease commitments as at 31 December 2018	60,009
Weighted average incremental borrowing rate as at 1 January 2019	4.70%
Discounted operating lease commitments at 1 January 2019	<u>53,207</u>
Lease liabilities as at 1 January 2019	<u><u>53,207</u></u>

(3) Segment information

In the year of 2018, the Group has disposed of its retail business in Mainland China. Further details on the disposal are included in note 6 to the financial statements. Subsequent to the disposal of the retail business in Mainland China, the Group's garment business is mainly represented by retail clothing business in Hong Kong plus overseas franchise and wholesale operations, as well as wholesale of apparel in the domestic market. As the Group's retail business has decreased substantially after the disposal of retail operation in Mainland China, Management has no longer independently reviewed this line of business. As such, result from retail operation is now included in "retail, wholesale, franchise and others" for current period's presentation.

(3) Segment information *(Continued)*

The following tables present segment revenue and result of the Group's operating segments from continuing operations for the six months ended 30 June 2019 and 2018, respectively.

	Six months ended 30 June 2019 (Unaudited)				Total from continuing operations HK\$'000
	Export operations HK\$'000	Financial investments HK\$'000	Interior decoration and renovation HK\$'000	Retail, wholesale, franchise and others HK\$'000	
Segment revenue:					
Revenue from external parties	264,463	59,662	309,973	29,446	663,544
Other income and gains	5,668	2,728	401	2,169	10,966
Total	<u>270,131</u>	<u>62,390</u>	<u>310,374</u>	<u>31,615</u>	<u>674,510</u>
Segment result	<u>5,773</u>	<u>58,690</u>	<u>4,452</u>	<u>2,009</u>	70,924
Interest income					5,433
Unallocated revenue					312
Corporate and other unallocated expenses					(8,725)
Finance costs					<u>(4,724)</u>
Profit before tax from continuing operations					63,220
Income tax expense					<u>(6,377)</u>
Profit for the period from continuing operations					<u>56,843</u>

(3) Segment information (Continued)

	Six months ended 30 June 2018 (Unaudited)				Total from continuing operations <i>HK\$'000</i> (Restated)
	Export operations <i>HK\$'000</i>	Financial investments <i>HK\$'000</i>	Interior decoration and renovation <i>HK\$'000</i>	Retail, wholesale, franchise and others <i>HK\$'000</i> (Restated)	
Segment revenue:					
Revenue from external parties	291,135	64,852	289,294	50,290	695,571
Other income and gains	8,925	10,474	1,155	5,382	25,936
	<u>300,060</u>	<u>75,326</u>	<u>290,449</u>	<u>55,672</u>	<u>721,507</u>
Total	<u>300,060</u>	<u>75,326</u>	<u>290,449</u>	<u>55,672</u>	<u>721,507</u>
Segment result	<u>8,846</u>	<u>71,626</u>	<u>4,328</u>	<u>3,890</u>	88,690
Interest income					1,089
Unallocated revenue					14,801
Corporate and other unallocated expenses					(5,279)
Finance costs					(5,550)
Profit before tax from continuing operations					93,751
Income tax expense					(5,996)
Profit for the period from continuing operations					<u>87,755</u>

(4) Profit before tax

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

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000 (Restated)
Depreciation of property, plant and equipment	1,211	1,463
Depreciation of right-of-use assets	8,319	–
Loss/(gain) on disposal/write-off of items of property, plant and equipment	1	(52)
Interest income	(5,433)	(1,089)
	<u> </u>	<u> </u>

(5) Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000 (Restated)
Current – Hong Kong	4,993	4,151
Current – Elsewhere	1,393	1,845
Deferred	(9)	–
	<u> </u>	<u> </u>
	<u>6,377</u>	<u>5,996</u>

(6) Discontinued operation

On 3 August 2018, Glorious Sun Enterprises (BVI) Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a company owned by Mr. Charles Yeung and Mr. Yeung Chun Fan, directors and substantial shareholders of the Company, for the disposal of the entire interest in the Glorious Sun Production (BVI) Limited and its subsidiaries (the "GSP Group") at a cash consideration of HK\$800,000,000. The disposed business principally consists of retailing of casual wear in Mainland China. The transaction was completed on 23 November 2018. Details of the transaction are set out in the Company's announcement dated 3 August 2018 and circular dated 4 October 2018.

The results of the GSP Group for the six months ended 30 June 2018 included in Group's results are presented below:

	2018 (Unaudited) <i>HK'000</i>
Revenue	677,098
Other income and gains	23,774
Expenses and costs	<u>(747,607)</u>
Loss before tax from the discontinued operation	(46,735)
Income tax expenses	<u>(813)</u>
Loss for the period from the discontinued operation	<u><u>(47,548)</u></u>

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

The calculations of basic earnings per share are based on:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit/(loss) attributable to ordinary equity holders of the Company used in the basic earnings per share calculation:		
From continuing operations	55,761	86,582
From a discontinued operation	–	(47,962)
	<u>55,761</u>	<u>38,620</u>
	<u>55,761</u>	<u>38,620</u>
	Number of shares	
	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	'000	'000
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>1,528,354</u>	<u>1,536,084</u>

(b) Diluted earnings per share

There is no dilution effect on the basic earnings per share for the period ended 30 June 2019 as no share options were outstanding as at 30 June 2019.

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

(8) Trade receivables

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Less than 4 months	175,692	122,002
4 to 6 months	9,622	17,664
Over 6 months	31,561	32,224
	<u>216,875</u>	<u>171,890</u>

The credit period is generally 15 days to 45 days. The trade receivables are non-interest bearing.

(9) Trade payables

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Less than 4 months	100,522	133,940
4 – 6 months	311	107
Over 6 months	459	507
	<u>101,292</u>	<u>134,554</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 2019 (Unaudited) '000	31 December 2018 (Audited) '000	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Issued and fully paid:				
Ordinary shares of HK\$0.10 each	1,528,336	1,528,760	152,834	152,876

The movements in the issued share capital were as follows:

	Number of share in issue (Unaudited) '000	Issued capital (Unaudited) HK\$'000
As at 31 December 2018 and 1 January 2019	1,528,760	152,876
Cancellation of shares repurchased	<u>(424)</u>	<u>(42)</u>
As at 30 June 2019	<u>1,528,336</u>	<u>152,834</u>

(11) Dividends

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Dividends for ordinary equity holders of the Company:		
Final dividend paid	<u>51,352</u>	<u>49,155</u>
Interim dividend declared	<u>39,737</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 payables and financial liabilities included in other payables and accruals, amounts due from other related companies, amounts due from/to an associate, current portion of interest-bearing bank and other borrowings and lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of 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 and lease liabilities as at 30 June 2019 was assessed to be insignificant. The fair values of the non-current portion of rental deposits, interest-bearing bank and other borrowings and lease liabilities approximate to their carrying amounts as at 30 June 2019 and 31 December 2018.

The fair values of listed equity investments are based on quoted market prices and the unlisted equity investments are based on valuation model using unobservable inputs.

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

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

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

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

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

Fair value hierarchy (Continued)

Assets measured at fair value:

	30 June 2019 (Unaudited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Equity investments designated at fair value through other comprehensive income				
Listed equity investment	790,556	–	–	790,556
Unlisted equity investment	–	–	11,236	11,236
	<u>790,556</u>	<u>–</u>	<u>11,236</u>	<u>801,792</u>
	31 December 2018 (Audited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Equity investments designated at fair value through other comprehensive income				
Listed equity investment	737,454	–	–	737,454
Unlisted equity investment	–	–	11,236	11,236
	<u>737,454</u>	<u>–</u>	<u>11,236</u>	<u>748,690</u>

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

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

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 2018: Nil).

The Group did not have any financial liabilities measured at fair value as at 30 June 2019 and 31 December 2018.

Assets for which fair value are disclosed:

	30 June 2019 (Unaudited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Debt investments at amortised cost	1,041,363	–	–	1,041,363
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
		31 December 2018 (Audited)		
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Debt investments at amortised cost	1,071,975	–	–	1,071,975
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(13) Comparative amounts

As further explained in note 3 and note 6 to the financial statements, the comparative condensed consolidated statement of profit or loss has been re-presented as if the discontinued operations have been discontinued at the beginning of the comparative period. In addition, certain comparative amounts have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend of HK2.60 cents (2018: HK2.50 cents) per share for the six months ended 30 June 2019 to shareholders whose names appear on the register of members of the Company as at the close of business on Friday, 6 September 2019. The interim dividend will be paid to shareholders on Friday, 20 September 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 5 September 2019 to Friday, 6 September 2019, both days inclusive, during which period no transfer 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 Wednesday, 4 September 2019.

REVIEW OF OPERATIONS

In the first half of the year under review, the global economic growth momentum lost its steam and the market sentiment was prevailing with hesitation and concern. It was attributed to the failure of the Sino-American Trade Negotiations to reach an agreement in expected time frame and the sudden retaliation of President Donald Trump's 25% new tariffs imposed on US\$200 billion worth of imported goods from PRC as well as the curb on sales of US intellectual properties to Chinese tech giants such as Huawei and the likes based on US national security reasons. Governments of major economies resorted to quantitative easing to keep the economic growth again. US Federal Reserve abruptly put an end to its balance sheet normalization and the up cycle of dollar rate and even hinted to have interest cut in the second half of the year. During the period, the capital market was fairly volatile. On top of the above-mentioned external challenges, Hong Kong had to deal with social disturbances arising from the controversial Extradition Law Amendment Bill. Business environment was hurt especially in the retail sector.

In the period under review, the operations of the Group were adversely affected. The impacts were contained because the Management had adopted a defensive strategy and had set a conservative business target at the very beginning of the year. Our export sales to US declined by 9.16%. The revenue from our financial and real estates investments decreased by 8.00% because some bonds were either matured or early redeemed. A drop of 26.09% of turnover was registered in Hong Kong retailing and overseas franchising and wholesale operations although impact to the Group was nominal as it represented less than 5% of the Group's consolidated sales. However, interior decoration and renovation business was able to increase its turnover by 7.15%. In the period, the consolidated sales of the Group amounted to HK\$663,544,000 (2018: HK\$695,571,000) representing a decrease of 4.60%.

Due to the above-mentioned reasons and the disposal of the non-profitable Jeanswest operations in the Mainland, profit attributable to ordinary equity holders of the Group was HK\$55,761,000, representing an increase of 44.38% when compared with the corresponding period in last year (2018: HK\$38,620,000).

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

	2019	2018	
	1st Half	1st Half	Changes
		(Restated)	
<i>(Unit: HK\$'000)</i>			
Consolidated sales	663,544	695,571	↓ 4.60%
of which:			
A. Financial investments	59,662	64,852	↓ 8.00%
B. Total export sales	264,463	291,135	↓ 9.16%
C. Hong Kong retailing and overseas franchising and wholesale operations	26,246	35,510	↓ 26.09%
D. Interior decoration and renovation	309,973	289,294	↑ 7.15%
Profit attributable to ordinary equity holders of the Company	55,761	38,620	↑ 44.38%
<i>(Unit: HK cents)</i>			
Interim earnings per share (basic)	3.65	2.51	↑ 45.42%
Interim dividend per share	2.60	2.50	↑ 4.00%
	As at	As at	
	30 June	31 December	
	2019	2018	Changes
<i>(Unit: HK\$'000)</i>			
Net cash and near cash in hand	2,436,494	2,451,199	↓ 0.60%

1. Financial and Real Estates Investments

In the first half of the year, the Group mainly invested in high yield corporate bonds issued by property developers in the Mainland. 86.80% of the bond portfolio was denominated in US dollars and 13.20% in CNH. During the period, the equity markets in the Mainland and Hong Kong were deeply swung by the progress of the Sino-American Trade Negotiation and the possible change in the interest rate of the US dollar. In the first four months, the stock market performed normally but came to an abrupt drop due to the failure of an agreement in the Sino-American Trade Negotiation and its consequential increase of tariff on China goods exported to US and the curb of sales of US intellectual properties to Chinese tech corporations such as Huawei. The Management thus held a view that unless consensus was reached in those disputes between PRC and US, investment in Hong Kong equity was risky and had to be very prudent. During the period, the yield of corporate bonds decreased as the interest up cycle came to an end with a new round of rate cutting in expectation. As the bond yield was no longer attractive, the Management refrained from increasing the loading in the bond portfolio.

At the beginning of the year, the Group's bond portfolio was HK\$1.92 billion. During the period, HK\$70,470,000 worth of bonds matured or was early redeemed. As of 30 June 2019, the Group's holding of bonds had a face value of approximately HK\$1.847 billion with an average yield of around 6.35%.

2. Export Operations

The export operations of the Group was composed of oversea agency trading and design centre business. Although the new tariff was not yet extended to our apparel exported to US, part of our supply was already sourced from factories outside the Mainland, nevertheless US buyers still had reservations in placing orders as usual. Therefore, a double digit drop in turnover was registered in oversea agency trading. On the other hand, design centre was able to grow its sales, as all of its sourcing had already been relocated to South America. In the first half of the year, the total export sales amounted to HK\$264,463,000 (2018: HK\$291,135,000) which was 9.16% lower than the same period of the previous year.

3. Hong Kong Retailing and Overseas Franchising and Wholesale Operations

In the period, the trade disputes between PRC and US hurt the economic development in Hong Kong and Southeast Asia and turned the retail markets to be slothful. Competition was thus intensified. Attitude of our overseas franchisees became cautious in placing their orders. Sales to them showed a drop of double digits. In the first half of the year, turnover of Hong Kong retailing and overseas franchising and wholesale operations amounted to HK\$26,246,000 (2018: HK\$35,510,000), representing a decrease of 26.09% when compared with the same period of last year. As its sales accounted for less than 5% of the consolidated turnover, the impact to the Group was nominal.

4. Interior Decoration and Renovation

In the period under review, the economic growth in the Mainland was under pressure. Consequentially, retail activities became sluggish and thus affected the interior decoration and renovation sector. Attributed to the tight association built up by the Management with those high tech companies, the Group was able to apply its latest devices to add value to its projects. Thus the Group managed to have an upper hand when competing among its peers. In the first half of the year, the total sales of the interior decoration and renovation was HK\$309,973,000 (2018: HK\$289,294,000), representing an increase of 7.15% when compared with the previous year.

5. Financial Position

Liquidity and financial resources

In the period, the financial position of the Group was solid. As at 30 June 2019, the Group held net cash and near cash in hand amounted to HK\$2,436,494,000 (31 December 2018: HK\$2,451,199,000).

Current ratio and gearing ratio of the Group as at 30 June 2019 were 3.03 and 1.11% (31 December 2018: 1.65 and 16%) respectively.

As at 30 June 2019, there were no material changes in capital commitments and contingent liabilities of the Group since 31 December 2018.

Significant investments held

The Group's significant investments held are marketable debt instruments, as at 30 June 2019, which amounted to HK\$1,838,503,000 (31 December 2018: HK\$1,857,333,000). The decrease of HK\$18,830,000 was mainly due to maturity or early redemption.

6. Human Resources

As at 30 June 2019, the Group employed about 750 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 ensuing months of this financial year, the performance of the Group is vulnerable to the outcomes of the Sino-American Trade Negotiation. If mutually acceptable solutions could be found, the business environment is expected to be normalized for the Group's export operations and overseas franchising and wholesale operations to develop smoothly. The current Hong Kong social disturbance triggered off by the Extradition Law Amendment Bill may have to take a bit of time to subside; therefore the Group's retailing in Hong Kong will be under pressure. However, the impact is nominal. If the economic growth in the Mainland is able to keep in shape, the Group's interior decoration and renovation as well as financial and real estates investments will perform accordingly.

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

Dr. Lam Lee G., BBS

Dr. Chan Chung Bun, Bunny, GBS, JP

(appointed on 8 June 2019)

Mr. Ng Wing Ka, BBS, JP

(appointed on 8 June 2019)

COMPANY SECRETARY

Ms. Hoi Siu Ling

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2019, 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)}	63.360
	(ii) Joint interest	138,285,499		
Mr. Yeung Chun Fan	(i) Beneficial owner	75,000,000	1,053,453,499 ^{(1), (2) & (3)}	68.928
	(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	0.613
Mr. Hui Chung Shing, Herman, SBS, MH, JP	Beneficial owner	6,250,000	6,250,000	0.409
Ms. Cheung Wai Yee	(i) Beneficial owner	10,095,000	1,053,453,499 ^{(1), (2) & (3)}	68.928
	(ii) Interest of spouse	1,043,358,499		
Mr. Lau Hon Chuen, Ambrose, GBS, JP	Beneficial owner	1,492,402	1,492,402	0.098
Dr. Chung Shui Ming, Timpson, GBS, JP	Beneficial owner	408,000	408,000	0.027

Notes:

- 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).
- 138,285,499 shares were held by Mr. Charles Yeung and Mr. Yeung Chun Fan jointly.
- 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 2019, 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

The Share Option Scheme (the "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.

During the six months ended 30 June 2019, no share options were granted or exercised under the Scheme.

Details of the terms of the Scheme are disclosed in the Annual Report of the Company for the year 2018.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, 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	40.715
Advancetex Holdings (BVI) Limited	Beneficial owner	207,810,000	13.597

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 2019.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2019, 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 provisions A.5.5(2) and A.6.7 of the CG Code.

Under code provision A.5.5(2) of the CG Code, where the board proposes a resolution to elect an individual as an independent non-executive director ("INED") at a general meeting and if the proposed INED will be holding his seventh (or more) listed company directorship, the board should provide the reason it believes the individual would still be able to devote sufficient time to the board (the "Reason") in the explanatory statement accompanying the notice of the relevant general meeting (the "Explanatory Statement"). Dr. Chung Shui Ming, Timpson, GBS, JP and Dr. Lam Lee G., BBS, the INEDs of the Company, were proposed to be re-elected at the annual general meeting for 2019 of the Company ("AGM") and each of them is holding his seventh (or more) listed company directorship. The Reason was absent in the Explanatory Statement of the Company. With regard to the absence of the disclosure, the Company took remedial action by disclosing the Reason at the AGM held on 28 May 2019. Before the respective motions of re-electing Dr. Chung and Dr. Lam as INEDs were proposed at the AGM, the Company explained to the shareholders/proxies/corporate representatives present that, notwithstanding each of Dr. Chung and Dr. Lam serving as an INED for more than seven listed companies, they had actively participated in the Board meetings of the Company and the Board was satisfied that both of them had devoted and would be able to devote sufficient time and attention to the affairs of the Company. In addition, the Board also believed that both of them based on their experience, skills and expertise could make contributions to the Company.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Due to other pre-arranged commitments, Mr. Lau Hon Chuen, Ambrose and Dr. Chung Shui Ming, Timpson, INEDs, were not present at the Company's annual general meeting for the year 2019.

DISCLOSURE OF INFORMATION ON DIRECTORS

Changes in Directors' information since the publication of the Annual Report of the Company for the year 2018, 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 resigned as a director of Brightoil Petroleum (Holdings) Limited (a public listed company in Hong Kong).

Dr. Chung Shui Ming, Timpson, GBS, JP ceased to serve as a director of China Construction Bank Corporation (a public listed company in Hong Kong and Shanghai, PRC) due to the expiration of his term of office.

Dr. Lam Lee G., BBS has been appointed as a director of Green Leader Holdings Group Limited (a public listed company in Hong Kong) and Thomson Medical Group Limited (a public listed company in Singapore), and then he has resigned as a director of Green Leader Holdings Group Limited. Dr. Lam is a director of Hua Long Jin Kong Company Limited (a public listed company in Hong Kong) which has changed its name to Hang Pin Living Technology Company Limited.

After an annual review and with effect from 1 January 2019, the fixed portion of remuneration of Directors has been revised as follows:

Executive	Monthly salaries
	<i>HK\$</i>
Mr. Yeung Chun Fan	49,250
Mr. Pau Sze Kee, Jackson	93,500
Mr. Hui Chung Shing, Herman	50,000
Ms. Cheung Wai Yee	52,100
Mr. Chan Wing Kan, Archie	50,000
Ms. Yeung Yin Chi, Jennifer	15,750

Independent Non-executive	Annual fees
	<i>HK\$</i>
Mr. Lau Hon Chuen, Ambrose	218,000
Mr. Chung Shui Ming, Timpson	218,000
Mr. Lam Lee G.	218,000

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 2019.

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, Dr. Lam Lee G., BBS and Mr. Ng Wing Ka, BBS, JP. 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 2019.

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

During the six months ended 30 June 2019, the Company repurchased a total of 224,000 shares of the Company on the Stock Exchange. All the repurchased shares were subsequently cancelled by the Company. Details of those transactions are as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate price HK\$'000
		Highest HK\$	Lowest HK\$	
January	224,000	0.87	0.86	194

The repurchase of the Company's shares during the period was effected by the Directors, pursuant to the mandate from shareholders received at the annual general meeting of the Company for the year 2018, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

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

Hong Kong, 14 August 2019



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TREND GUIDE

