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GLORIOUS SUN ENTERPRISES LIMITED

旭日企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 393)

Interim Results Announcement

For the six months ended 30 June 2012

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 2012 together with the comparative figures for the same period as follows:

INTERIM CONSOLIDATED INCOME STATEMENT for the six months ended 30 June 2012

	<i>Notes</i>	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000 (Restated)
Revenue	(2)	3,254,373	3,184,521
Cost of sales		(1,842,751)	(1,807,364)
Gross profit		1,411,622	1,377,157
Other income and gains		99,880	150,208
Selling and distribution costs		(1,027,143)	(931,590)
Administrative expenses		(391,424)	(362,704)
Other expenses		(12,566)	(12,343)
Finance costs		(3,729)	(3,602)
Operating Profit		76,640	217,126
Share of profits and losses of associates		738	767
Profit before tax	(2) & (3)	77,378	217,893
Income tax expense	(4)	(8,291)	(48,797)
Profit for the period		69,087	169,096
Attributable to:			
Ordinary equity holders of the Company			
Net profit before non-recurrent items		81,293	117,012
Net compensation income in relation to resumption of properties		-	54,926
		81,293	171,938
Non-controlling interests		(12,206)	(2,842)
Profit for the period		69,087	169,096

INTERIM CONSOLIDATED INCOME STATEMENT (CONTINUED)

		2012	2011
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK cents	HK cents (Restated)
Earnings per share attributable to			
Ordinary equity holders of the Company			
Basic	<i>(5a)</i>	<u>7.67</u>	<u>16.23</u>
Diluted	<i>(5b)</i>	<u>7.67</u>	<u>16.23</u>
Interim dividend per share		<u>4.00</u>	<u>4.00</u>

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

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2012**

	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000 (Restated)
Profit for the period	<u>69,087</u>	<u>169,096</u>
Exchange difference on translation of foreign operations	1,978	7,034
Change in fair value of an available-for-sale investment	(64,009)	114,942
Share of other comprehensive income of associates	853	735
Other comprehensive income for the period	<u>(61,178)</u>	<u>122,711</u>
Total comprehensive income for the period	<u>7,909</u>	<u>291,807</u>
Attributable to:		
Ordinary equity holders of the Company	18,676	295,638
Non-controlling interests	<u>(10,767)</u>	<u>(3,831)</u>
	<u>7,909</u>	<u>291,807</u>

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2012

		30 June 2012	31 December 2011
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		864,776	829,049
Prepaid land lease payments		18,285	18,537
Goodwill		39,048	39,048
Investments in associates		141,922	120,656
Held-to-maturity investments		221,728	127,699
Available-for-sale investment		230,572	294,582
Prepayments		112,389	116,641
Deferred tax assets		27,425	27,522
Total non-current assets		<u>1,656,145</u>	<u>1,573,734</u>
CURRENT ASSETS			
Inventories		1,091,519	1,164,523
Trade and bills receivables	(6)	410,525	401,576
Prepayments, deposits and other receivables		510,449	495,239
Due from associates		2,902	2,220
Due from related companies		2,144	1,760
Equity investment at fair value through profit and loss		-	17,336
Pledged deposits		25,670	1,505
Cash and cash equivalents		1,003,310	1,477,380
Total current assets		<u>3,046,519</u>	<u>3,561,539</u>
CURRENT LIABILITIES			
Trade and bills payables	(7)	775,453	981,056
Other payables and accruals		934,601	1,010,887
Due to associates		2,725	7,761
Interest-bearing bank and other borrowings		76,209	52,642
Tax payable		432,492	433,742
Total current liabilities		<u>2,221,480</u>	<u>2,486,088</u>
NET CURRENT ASSETS		<u>825,039</u>	<u>1,075,451</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,481,184</u>	<u>2,649,185</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		218	279
Deferred tax liabilities		835	928
Total non-current liabilities		<u>1,053</u>	<u>1,207</u>
Net assets		<u>2,480,131</u>	<u>2,647,978</u>

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		30 June 2012	31 December 2011
		(Unaudited)	(Audited)
	<i>Note</i>	HK\$'000	HK\$'000
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	(8)	105,941	105,941
Reserves		2,249,777	2,406,857
		<u>2,355,718</u>	<u>2,512,798</u>
Non-controlling interests		124,413	135,180
Total equity		<u>2,480,131</u>	<u>2,647,978</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 2012 are unaudited and have been reviewed by the Audit Committee of the Company.

The principal accounting policies used in the preparation of these interim financial statements are the same as those adopted in preparing the audited financial statements for the year ended 31 December 2011 except for the new adoption of HKFRSs and HKASs as disclosed below.

The Group has applied the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are or have become effective for the first time for the current year’s financial statements:

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective in these financial statements.

HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> ²
HKFRS 9	<i>Financial Instruments</i> ⁴
HKFRS 10	<i>Consolidated Financial Statements</i> ²
HKFRS 11	<i>Joint Arrangements</i> ²
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> ²
HKFRS 13	<i>Fair Value Measurement</i> ²
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of other Comprehensive Income</i> ¹
HKAS 19 (2011)	<i>Employee Benefits</i> ²
HKAS 27 (2011)	<i>Separate Financial Statements</i> ²
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> ²
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ³
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

(2) Segment information

The following table presents segment revenue and result of the Group's reportable operating segments for the six months ended 30 June 2012 and 2011, respectively.

	Six months ended 30 June (Unaudited)							
	Retail operations		Export operations		Other operations		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)							
Segment revenue (*):								
Sales to external customers	2,823,406	2,742,177	393,096	387,344	37,871	55,000	3,254,373	3,184,521
Other income and gains	32,547	23,523	23,235	25,614	15,585	12,285	71,367	61,422
Total	2,855,953	2,765,700	416,331	412,958	53,456	67,285	3,325,740	3,245,943
Segment results	100,894	173,124	(2,966)	897	(136)	732	97,792	174,753
Interest income							15,503	9,708
Unallocated revenue							13,010	79,078
Unallocated expenses							(45,936)	(42,811)
Finance costs							(3,729)	(3,602)
Share of profits and losses of associates	-	-	738	767	-	-	738	767
Profit before tax							77,378	217,893
Income tax expense							(8,291)	(48,797)
Profit for the period							69,087	169,096

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

(3) Profit before tax

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
	(Restated)	
Depreciation	90,508	85,778
Recognition of prepaid land lease payments	252	244
Loss on disposal/write-off of items of property, plant and equipment	3,658	5,546
Net compensation income in relation to resumption of properties (*)	-	(76,950)
Interest income	(15,503)	(9,708)

(*) Net compensation income in relation to resumption of properties is before income tax of HK\$22,024,000 (restated) for the period ended 30 June 2011, which has been accounted for under income tax expense in note (4).

(4) Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Current - Hong Kong	1,365	2,647
Current - Elsewhere	6,908	47,372
Deferred	18	(1,222)
	<u>8,291</u>	<u>48,797</u>

The share of tax expenses attributable to associates amounting to HK\$300,000 (2011: HK\$361,000) is included in "Share of profits and losses of associates" on the face of the interim consolidated income statement.

(5) Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2012 is based on the profit attributable to equity holders of the Company of HK\$81,293,000 (2011(Restated): HK\$171,938,000) and the weighted average number of 1,059,414,000 (2011: 1,059,414,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

As the subscription prices of the share options outstanding during the periods ended 30 June 2012 and 2011 are higher than the respective average market prices of the Company's shares during the period ended 30 June 2012 and 2011, there is no dilution effect on the basic earnings per share.

(6) Trade and bills receivables

The trade and bills receivables include trade receivables, net of provision for impairment, of HK\$395,556,000 (31 December 2011: HK\$365,890,000) and bills receivables of HK\$14,969,000 (31 December 2011: HK\$35,686,000). The bills receivables were aged less than four months at the balance sheet date. The aged analysis of trade and bills receivables is as follows:

	30 June	31 December
	2012	2011
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Neither past due nor impaired	279,281	259,123
Less than 6 months past due	125,245	137,005
Over 6 months past due	5,999	5,448
	<u>410,525</u>	<u>401,576</u>

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

(7) Trade and bills payables

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

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Less than 4 months	633,289	742,549
4 - 6 months	139,810	236,049
Over 6 months	2,354	2,458
	<u>775,453</u>	<u>981,056</u>

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

(8) Share capital

	Number of ordinary shares '000	Nominal value HK\$'000
Issued and fully paid: Ordinary shares of HK\$0.10 each		
At 31 December 2011 and at 30 June 2012	<u>1,059,414</u>	<u>105,941</u>

(9) Dividends

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Dividends for ordinary equity holders of the Company:		
Final dividend paid	<u>175,863</u>	175,863
Interim dividend declared	<u>42,377</u>	<u>42,377</u>

(10) Comparative amounts

As a result of the change in accounting policy for leasehold land and buildings during the year of 2011, the presentation and certain items in the financial statements for the six months ended 30 June 2011 have been restated.

INTERIM DIVIDEND

The Directors have resolved to pay an interim dividend of HK4.00 cents (2011: HK4.00 cents) per share for the six months ended 30 June 2012 to shareholders whose names appear on the register of members of the Company as at the close of business on Wednesday, 12 September 2012. The interim dividend will be paid to shareholders on Thursday, 20 September 2012.

REVIEW OF OPERATIONS

In the first half of the year under review, the retail market in the Mainland was as sluggish as in the fourth quarter of previous year. Due to the lethargic market condition, Jeanswest's margin was under pressure and turnover compared with the same period of last year was almost flat. Although the inflation was curtailed in the second quarter, the drop of ex-factory price of our apparel did not alleviate our margin pressure until the second half of the year as the newly reduced unit cost had no impact on products before the late summer collections. The retail sentiment in Australia and New Zealand was also quite lukewarm. However Jeanswest operations out-performed our peers in those markets and managed to grow turnover in double digits in local dollar terms. In the first half of the year, the sales of our export business increased slightly but the margin was lower than the same period of last year due to the dismay retail market condition in US. As the export business only accounted for less than 12.08% of the Group's consolidated sales, its impact to the overall result was immaterial.

Due to the above-mentioned reasons, profit attributable to ordinary equity holders of the Company before non-recurrent items was HK\$81,293,000 (2011 : HK\$117,012,000) representing a decrease of 30.53% from the corresponding period in the previous year.

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

	2012 1st Half	2011 1st Half	Changes
<i>(Unit: HK\$'000)</i>		(Restated)	
Consolidated sales	3,254,373	3,184,521	↑ 2.19%
of which:			
A. Total retail sales in Mainland China	2,208,043	2,194,115	↑ 0.63%
B. Total retail sales in Australia & New Zealand	615,363	548,062	↑ 12.28%
Sub-total	2,823,406	2,742,177	↑ 2.96%
C. Total export sales	393,096	387,344	↑ 1.48%
Profit attributable to ordinary equity holders of the Company	81,293	171,938	↓ 52.72%
A. Net compensation income in relation to resumption of properties	—	54,926	↓ 100.00%
B. Net profit before non-recurrent items	81,293	117,012	↓ 30.53%

<i>(Unit: HK cents)</i>			
Interim earnings per share (basic)	7.67	16.23	↓ 52.74%
Interim dividend per share	4.00	4.00	—

<i>(Unit: HK\$'000)</i>			
Net cash in hand	952,553	1,358,771	↓ 29.90%

1. Retail Operations

Jeanswest remained the flagship brand of the Group's retail business in the Mainland market. During the period, macro economic growth momentum was impaired. Export and fixed assets investment were no longer resilient. The slothful retail sentiment intensified competition in the market and triggered off spirally aggressive mark down and dumping while the ever-increasing ex-factory prices of apparel, surge of rental expenses as well as the other operational costs such as wages all cut into Jeanswest's operational margin. The soaring of rental also sprawled to the fourth and fifth tier cities and affected the business of the franchised stores. In the period under review, the turnover growth of Jeanswest was flat and margin was abated. Although the Management tightened cost controls and procured the suppliers to reduce the ex-factory prices, such reduced costs were only reflected in the late summer collections and did not alleviate our margin pressure in the period under review.

In the first half of the year, our retail operations in the Mainland had a turnover of HK\$2,208,043,000 (2011: HK\$2,194,115,000) showing an increase of just 0.63%.

The retail markets in Australia and New Zealand were quite lackadaisical. However, Jeanswest managed to out-perform its peers by keeping the normal margin intact and at the same time to grow the turnover in double digits in local dollar terms. Such a remarkable achievement was attributed to the alertness and versatility of the Management in tuning our operation strategy to keep abreast with the market changes.

For the six months ended 30 June 2012, the aggregate retail sales in Australia and New Zealand was HK\$615,363,000 (2011: HK\$548,062,000) showing an increase of 12.28%.

For the period, the total retail operations registered a turnover of HK\$2,823,406,000 (2011: HK\$2,742,177,000), increased by 2.96% year-on-year representing 86.76% of the Group's consolidated turnover compared with 86.11% last year.

In the period, Quiksilver Glorious Sun operation in Hong Kong performed comparatively better than in the Mainland. However, the Hong Kong retail market was also weary and thus our margin was under pressure. Quiksilver Glorious Sun had to give up some shop locations because the new rental demanded by landlords upon renewal were too high to be viable. Consequentially, turnover in the first half of the year was slightly lower than last year by 2.76%. As at 30 June 2012, the total number of Quiksilver Glorious Sun stores was 51 shops (2011: 60 shops) including 28 shops (2011: 30 shops) in Hong Kong and Macao and 23 shops (2011: 30 shops) in the Mainland.

As at 30 June 2012, the total number of the Group's retail network of shops including those of Quiksilver Glorious Sun and the Jeanswest franchised stores in the Middle East, South America and Southeast Asia decreased to 3,158 shops (2011: 3,197 shops), of which 2,829 Jeanswest shops (2011: 2,864 shops) were operated in the Mainland. Among the Mainland Jeanswest shops, 1,201 shops (2011: 1,192 shops) were directly managed by the Group. The Jeanswest network in Australia and New Zealand comprised 228 shops (2011: 228 shops), out of which 6 shops (2011: 6 shops) were operated under franchised arrangement.

2. Export Business

In the period under review, the US retail market recovery was very flimsy. The rise in export price could not catch up with the additional production costs. So for the period the Group's exports revenue amounted to HK\$393,096,000 (2011: HK\$387,344,000) representing a slight increase of 1.48% and accounted for 12.08% of the Group's consolidated turnover.

3. Financial Position

In the period under review, the Group's overall financial position was sound and solid. The Group had ample net cash in hand and all other financial data stayed at healthy levels.

During the period, the Group had written foreign exchange future contracts, principally for the purpose of stabilizing the Group's currency risks exposed to the Australian dollar income.

4. Human Resources

As at 30 June 2012, the Group employed a total of about 21,000 members of staff. The remuneration of the Group's employees are comparable to the market average. In addition, incentives were granted to employees with reference to the Group's overall performance and the performance of each individual.

PROSPECTS

Looking forwards to the ensuing period of the year, the Management takes a cautious stand. The Group's retail business operates mainly in the Mainland and the market there has been lethargic since last autumn. The surging of operational costs and escalating competition may turn the operations environment there even more arduous than the time of the Asian Financial Crisis. The reduction of ex-factory cost is expected to take away some of the margin pressure. The Management is also prepared to adjust operating strategy with the target to enhance our versatility to cope with the market changes including the endeavor in stringent cost saving and further compression of production lead-time so as to reduce our inventory risks. Jeanswest in Australia and New Zealand will adhere to the present strategy but the Management will keep their alertness at the highest level to copy with changes in the market. More resources will also be invested in brand building.

Despite the export market is still quite depressed, the Management expects our export operations to perform slightly better than the first half and its trading arm will continue to explore more new business for profit improvement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 10 September 2012 to Wednesday, 12 September 2012, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 7 September 2012.

CORPORATE GOVERNANCE

During the period from 1 January 2012 to 31 March 2012, the Company has complied with the code provisions of the former Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules; and during the period from 1 April 2012 to 30 June 2012, the Company has complied with the code provisions of the existing Corporate Governance Code as set out in that Appendix.

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 2012.

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

Hong Kong, 20 August 2012

As at the date of this announcement, the directors of the Company are as follows:

Executive Directors:

Dr. Charles Yeung, SBS, JP, Mr. Yeung Chun Fan, Mr. Yeung Chun Ho, Mr. Pau Sze Kee, Jackson, Mr. Hui Chung Shing, Herman, BBS, MH, JP, Ms. Cheung Wai Yee and Mr. Chan Wing Kan, Archie

Independent Non-Executive Directors:

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.