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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 2014

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 2014 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 2014

	<i>Notes</i>	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	(2)	2,948,086	3,390,561
Cost of sales		(1,706,510)	(1,914,899)
Gross profit		1,241,576	1,475,662
Other income and gains		110,237	71,033
Selling and distribution expenses		(878,231)	(1,064,258)
Administrative expenses		(376,675)	(371,501)
Other expenses		(41,696)	(39,273)
Finance costs		(7,180)	(1,981)
OPERATING PROFIT FROM CONTINUING OPERATIONS		48,031	69,682
Share of profits and losses of associates		163	432
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		48,194	70,114
Income tax expense	(2) & (3) (4)	(4,952)	(5,798)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		43,242	64,316
DISCONTINUED OPERATION	(5)		
Loss for the period from a discontinued operation		-	(23,148)
PROFIT FOR THE PERIOD		43,242	41,168

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)
for the six months ended 30 June 2014

	<i>Note</i>	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (Restated)
Attributable to:			
Ordinary equity holders of the Company		45,140	53,236
Non-controlling interests		(1,898)	(12,068)
Profit for the period		43,242	41,168
		HK cents	HK cents
Earnings per share attributable to			
ordinary equity holders of the Company	(6)		
Basic and diluted			
– For profit from continuing operations		4.26	6.09
– For loss from a discontinued operation		-	(1.06)
– For profit for the period		4.26	5.03
Interim dividend per share		4.00	4.00

Details of the dividends paid and declared for the period are disclosed in note 10 to this results announcement.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2014

	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	43,242	41,168
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Available-for-sale investment:		
Changes in fair value, net of tax	30,848	(31,660)
Reclassification adjustments for gain on disposal included in the consolidated statement of profit or loss	(37,848)	-
	(7,000)	(31,660)
Exchange difference on translation of foreign operations	164	(43,412)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(6,836)	(75,072)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	36,406	(33,904)
Attributable to:		
Ordinary equity holders of the Company	38,304	(20,158)
Non-controlling interests	(1,898)	(13,746)
	36,406	(33,904)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2014

		30 June 2014	31 December 2013
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		798,363	825,106
Held-to-maturity investments		463,948	232,332
Available-for-sale investments		94,800	101,015
Other non-current assets		121,605	179,384
Total non-current assets		<u>1,478,716</u>	<u>1,337,837</u>
CURRENT ASSETS			
Inventories		695,620	900,901
Trade and bills receivables	(7)	353,041	358,387
Prepayments, deposits and other receivables		354,252	372,845
Pledged deposits		803,264	-
Cash and cash equivalents		931,751	1,293,597
Other current assets		94,837	21,052
Total current assets		<u>3,232,765</u>	<u>2,946,782</u>
CURRENT LIABILITIES			
Trade and bills payables	(8)	493,541	746,475
Other payables and accruals		733,651	841,262
Interest-bearing bank and other borrowings		1,028,297	171,490
Tax payable		246,749	268,662
Other current liabilities		1,886	228
Total current liabilities		<u>2,504,124</u>	<u>2,028,117</u>
NET CURRENT ASSETS		<u>728,641</u>	<u>918,665</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,207,357</u>	<u>2,256,502</u>
NON-CURRENT LIABILITIES			
Total non-current liabilities		12,978	12,294
Net assets		<u>2,194,379</u>	<u>2,244,208</u>
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	(9)	105,941	105,941
Reserves		2,078,588	2,126,519
		<u>2,184,529</u>	<u>2,232,460</u>
Non-controlling interests		<u>9,850</u>	<u>11,748</u>
Total equity		<u>2,194,379</u>	<u>2,244,208</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 2014 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 2013 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:

HKFRS10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments :</i> <i>Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</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.

The Group has not early applied any standard, amendment or interpretation that has been issued but is not yet effective.

(2) Segment information

The following table presents segment revenue and result of the Group's operating segments from continuing operations for the six months ended 30 June 2014 and 2013, respectively.

	Six months ended 30 June (Unaudited)						Total continuing operations	
	Retail operations		Export operations		Others		2014	2013
	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Segment revenue (*):								
Sales to external customers	2,536,238	2,988,545	410,726	401,312	1,122	704	2,948,086	3,390,561
Other income and gains	52,446	24,955	8,889	12,080	5,286	7,057	66,621	44,092
Total	<u>2,588,684</u>	<u>3,013,500</u>	<u>419,615</u>	<u>413,392</u>	<u>6,408</u>	<u>7,761</u>	<u>3,014,707</u>	<u>3,434,653</u>
Segment result	<u>46,616</u>	<u>76,326</u>	<u>16,185</u>	<u>12,073</u>	<u>(1,410)</u>	<u>2,045</u>	<u>61,391</u>	<u>90,444</u>
Interest income							30,976	16,795
Unallocated revenue							12,640	10,146
Corporate and other unallocated expenses							(49,796)	(45,722)
Finance costs							(7,180)	(1,981)
Share of profits and losses of associates	-	-	163	432	-	-	163	432
Profit before tax from continuing operations							48,194	70,114
Income tax expense							(4,952)	(5,798)
Profit for the period from continuing operations							<u>43,242</u>	<u>64,316</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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Depreciation	70,721	81,495
Recognition of prepaid land lease payments	89	85
Loss on disposal/write-off of items of property, plant and equipment	8,995	12,821
Interest income	<u>(30,976)</u>	<u>(16,795)</u>

(4) Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current - Hong Kong	1,823	2,230
Current - Elsewhere	3,129	3,568
	<u>4,952</u>	<u>5,798</u>

No tax expense attributable to associates (2013: HK\$10,000) is included in "Share of profits and losses of associates" on the face of the interim consolidated statement of profit or loss.

(5) Discontinued operation

On 24 September 2013, Glorious Sun Enterprises (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 capital of Gennon Industries Limited (together with its subsidiaries referred to as the "Gennon Group") at a cash consideration of HK\$132,000,000. The transaction was completed on 21 November 2013.

The results of the Gennon Group for the periods ended 30 June included in the Group's results are presented below:

	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue	-	159,518
Other income and gains	-	12,525
Expenses and costs	-	(195,306)
Loss before tax from the discontinued operation	-	(23,263)
Income tax credit	-	115
Loss for the period from the discontinued operation	-	(23,148)
Loss attributable to :		
Ordinary equity holders of the Company	-	(11,240)
Non-controlling interests	-	(11,908)
	-	(23,148)

(6) **Earnings per share**

(a) *Basic earnings per share*

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the profit attributable to equity holders of the Company from continuing operations and discontinued operation of HK\$45,140,000 and HK\$Nil respectively (2013: HK\$64,476,000 and HK\$11,240,000 (loss) respectively) and the weighted average number of 1,059,414,000 (2013: 1,059,414,000) ordinary shares in issue during the period.

(b) *Diluted earnings per share*

As the exercise price of the share options outstanding during the periods ended 30 June 2014 and 2013 are higher than the respective average market price of the Company's shares during the period ended 30 June 2014 and 2013, there is no dilution effect on the basic earnings per share.

(7) **Trade and bills receivables**

The trade and bills receivables include trade receivables, net of provision for impairment, of HK\$351,132,000 (31 December 2013: HK\$350,894,000) and bills receivables of HK\$1,909,000 (31 December 2013: HK\$7,493,000). The bills receivables were aged less than four months as at the end of the reporting period. The aged analysis of trade and bills receivables is as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Neither past due nor impaired	266,680	241,979
Less than 6 months past due	64,163	93,279
Over 6 months past due	22,198	23,129
	<u>353,041</u>	<u>358,387</u>

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

(8) **Trade and bills payables**

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

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Less than 4 months	490,513	744,772
4 - 6 months	1,251	1,338
Over 6 months	1,777	365
	<u>493,541</u>	<u>746,475</u>

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

(9) Share capital

	Number of ordinary shares '000	Nominal value <i>HK\$'000</i>
Issued and fully paid: Ordinary shares of HK\$0.10 each		
At 31 December 2013 and at 30 June 2014	<u>1,059,414</u>	<u>105,941</u>

(10) Dividends

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends for ordinary equity holders of the Company:		
Final dividend paid	<u>86,342</u>	<u>86,342</u>
Interim dividend declared	<u>42,377</u>	<u>42,377</u>

(11) Comparative amounts

The comparative consolidated statement of profit or loss has been re-presented as if the discontinued operation has been discontinued at the beginning of the comparative period. In addition, certain comparative amounts have been reclassified to conform with the current period presentation.

INTERIM DIVIDEND

The Directors have resolved to pay an interim dividend of HK4.00 cents (2013: HK4.00 cents) per share for the six months ended 30 June 2014 to shareholders whose names appear on the register of members of the Company as at the close of business on Tuesday, 16 September 2014. The interim dividend will be paid to shareholders on Thursday, 25 September 2014.

REVIEW OF OPERATIONS

In the first half of the year under review, the economic growth in PRC continued to slow down while the China Government was implementing all necessary reforms to ensure its future economy to grow in a more healthy and sustainable manner. As expected, GDP in the first quarter went below the 7.5% official target. On top of that the crackdown on graft had far-reaching adverse impact to consumers' confidence. Thus indolent retail sentiment persistently prevailed in the apparel market. Commencing from the second quarter, mini-stimulus measures were introduced by the Government to help those sections that were in the favour list of the new policy. However the intended effect had to take time to have effects in the retail markets. In short, the business environment was as arduous as last year. During the period, Jeanswest retail shops in the Mainland consolidated from 2,600 to 2,387 when compared with end June of 2013 and consequentially sales decreased 15.91%. The Management managed to maintain inventory at healthy level and also keep the operation margin from further narrowing. In the period, the retail markets in Australia and New Zealand were quite sluggish. The depreciation of Aussie was also one of the reasons swayed the performance of Jeanswest there. In respect of our export operations, its performance hit our expected target.

Due to the above-mentioned reasons, profit attributable to ordinary equity holders of the Company was HK\$45,140,000 (2013: HK\$53,236,000) representing a decrease of 15.21% from the corresponding period in the previous year.

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

	2014 1st Half	2013 1st Half (Restated)	Changes
<i>(Unit: HK\$'000)</i>			
Consolidated sales	2,948,086	3,390,561	↓ 13.05%
of which:			
A. Total retail sales in PRC	1,935,268	2,301,497	↓ 15.91%
B. Total retail sales in Australia & New Zealand	600,970	687,048	↓ 12.53%
Sub-total	2,536,238	2,988,545	↓ 15.13%
C. Total export sales	410,726	401,312	↑ 2.35%
Profit attributable to ordinary equity holders of the Company	45,140	53,236	↓ 15.21%

<i>(Unit: HK cents)</i>			
Interim earnings per share (basic)	4.26	5.03	↓ 15.31%
Interim dividend per share	4.00	4.00	-

<i>(Unit: HK\$'000)</i>			
Net cash in hand	706,718	780,490	↓ 9.45%

1. Retail Operations

Jeanswest remained the flagship brand of the Group's retail business in the Mainland market. In the period under review, China is in the process of phasing out those out-dated plants and know-how and fostering new economic activities such as those driven by latest information technology, services, neo-energy and the likes as well as minimizing the dependency of the economic growth on government's direct investment. Consumption sectors were affected as those related companies had to reduce their respective operational scales. Coupled with the above, external demands were still weak leading to the deceleration of export growth. Therefore, economic development momentum lost its stream during this transitional stage as the usual driving forces namely consumption, direct investments and export were no longer as vigorous as in the past. Apparel retail market sentiment remained lethargic and led to intensified competition and dumping. Despite arduous market conditions, salary and rental were still in the up-trend. The Management had to shut down 193 directly managed stores and 20 franchised shops. Although the sales decreased by 15.91%, the Management was able to stabilize the operational margin and keep the inventory at healthy level by reducing the inventory by HK\$205,281,000 when compared with last year end.

In the first half of the year, our retail operations in PRC had a turnover of HK\$1,935,268,000 (2013: HK\$2,301,497,000) showing a drop of 15.91%.

In the period under review, the apparel retail markets in Australia and New Zealand were fairly depressed. Jeanswest performance in these markets was adversely affected. The depreciation of Aussie further pressurized our operational margin by bringing up the import costs of our merchandise.

For the six months ended 30 June 2014, the aggregate retail sales in Australia and New Zealand was HK\$600,970,000 (2013: HK\$687,048,000) showing a decrease of 12.53%.

Our e-business development in the Mainland and Australasia took off quite well and its growth momentum was encouraging.

In the first half of the year, the total retail operations registered a turnover of HK\$2,536,238,000 (2013: HK\$2,988,545,000), reduced by 15.13% year-on-year representing 86.03% of the Group's consolidated turnover compared with 88.14% last year.

Quiksilver Glorious Sun's performance was undermined by the weak retail activities in Hong Kong since the first quarter of this year. In addition slothful retail sentiment in the Mainland persisted. As a result, turnover and margin of Quiksilver Glorious Sun both registered a negative growth. As at 30 June 2014, the total number of Quiksilver Glorious Sun stores was 50 shops (2013: 59 shops) including 23 shops (2013: 29 shops) in Hong Kong and Macao and 27 shops (2013: 30 shops) in the Mainland.

As at 30 June 2014, the total number of the Group's retail network of Jeanswest and Quiksilver Glorious Sun shops came down to 2,739 shops (2013: 2,940 shops).

2. Export Business

In the period under review, our main export market was still in US where economic recovery appeared to be quite steady and the retail activities appeared to be more active. However, the export price still could not catch up with the increase of production costs. Despite the above-mentioned difficulties, the Group's export operations regained its profitability as expected. Turnover amounted to HK\$410,726,000 (2013: HK\$401,312,000) representing the rise of 2.35% and accounted for 13.93% of the Group's consolidated turnover. It was attributed to the disposal of the money losing knitted wear operations in last year and the encouraging progress of the newly developed ODM business.

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 2014, the Group employed a total of about 11,500 members of staff. The Group offered competitive remuneration packages to its employees. In addition, incentives were granted to employees with reference to the Group's overall performance and the performance of each individual.

PROSPECTS

For the ensuing months of the year, as China is still in the transitional stage of aligning its economic activities, its economic growth is expected to be slow. Even if more mini-stimulus measures are to be unfolded and the annual growth target of 7.5% is further confirmed, it is still too optimistic to expect the retail market to regain its glory in the very near future. Therefore our retail strategy for the Mainland market will focus on streamlining our operations and enhancing our product design and brand image. We will continue to pursue the strategy of creating a win-win situation for our counterparts to win first. More resources will also be allocated to franchising. Stringent control on production and management costs will be strengthened to brace us for the tough business environment. In Australia and New Zealand, the macro economic developments appear to have become stable recently. If the Aussie can also stand firmly, we expect Jeanswest to have better performance in the second half of the year. Regarding our export businesses, the Management is quite optimistic as it has been moving ahead quite steadily on the right trace.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 12 September 2014 to Tuesday, 16 September 2014, 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 Thursday, 11 September 2014.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2014, 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 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 commitments outside Hong Kong, Dr. Chung Shui Ming, Timpson, GBS, JP, an independent non-executive Director, was not present at the Company’s annual general meeting for the year 2014.

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 2014.

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

Hong Kong, 22 August 2014

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, SBS, 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.