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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 2015

#### 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 2015 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 2015

	<i>Notes</i>	<b>2015</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2014 (Unaudited) HK\$'000
REVENUE	(2)	<b>2,269,990</b>	2,948,086
Cost of sales		<b>(1,257,136)</b>	(1,706,510)
Gross profit		<b>1,012,854</b>	1,241,576
Other income and gains		<b>81,686</b>	110,237
Selling and distribution expenses		<b>(704,265)</b>	(878,231)
Administrative expenses		<b>(300,809)</b>	(376,675)
Other expenses		<b>(38,782)</b>	(41,696)
Finance costs		<b>(4,446)</b>	(7,180)
<b>OPERATING PROFIT</b>		<b>46,238</b>	48,031
Share of profits and losses of associates		<b>497</b>	163
<b>PROFIT BEFORE TAX</b>	(2) & (3)	<b>46,735</b>	48,194
Income tax expense	(4)	<b>(9,702)</b>	(4,952)
<b>PROFIT FOR THE PERIOD</b>		<b>37,033</b>	43,242

**INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)**  
**for the six months ended 30 June 2015**

	<i>Note</i>	<b>2015</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2014 (Unaudited) HK\$'000
Attributable to:			
Ordinary equity holders of the Company		<b>37,732</b>	45,140
Non-controlling interests		<b>(699)</b>	(1,898)
Profit for the period		<b><u>37,033</u></b>	<u>43,242</u>
		<b>HK cents</b>	HK cents
Earnings per share attributable to			
ordinary equity holders of the Company	(5)		
Basic and diluted			
– For profit for the period		<b><u>3.62</u></b>	<u>4.26</u>
Interim dividend per share		<b><u>3.40</u></b>	<u>4.00</u>

Details of the dividends paid and declared for the period are disclosed in note 9 to this results announcement.

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**for the six months ended 30 June 2015**

	<b>2015</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2014 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<b><u>37,033</u></b>	<u>43,242</u>
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	<b>8,614</b>	30,848
Reclassification adjustments for gain on disposal included in the consolidated statement of profit or loss	<b>-</b>	(37,848)
	<b><u>8,614</u></b>	<u>(7,000)</u>
Exchange difference on translation of foreign operations	<b><u>(14,165)</u></b>	<u>164</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<b><u>(5,551)</u></b>	<u>(6,836)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b><u>31,482</u></b>	<u>36,406</u>
Attributable to:		
Ordinary equity holders of the Company	<b>32,181</b>	38,304
Non-controlling interests	<b>(699)</b>	(1,898)
	<b><u>31,482</u></b>	<u>36,406</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 30 June 2015**

		<b>30 June 2015</b>	31 December 2014
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>733,081</b>	775,070
Held-to-maturity investments		<b>592,038</b>	463,948
Other non-current assets		<b>265,507</b>	260,004
Total non-current assets		<b><u>1,590,626</u></b>	<u>1,499,022</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>587,988</b>	715,960
Trade and bills receivables	(6)	<b>291,713</b>	314,718
Prepayments, deposits and other receivables		<b>322,130</b>	345,690
Pledged deposits		<b>30,297</b>	833,441
Cash and cash equivalents		<b>806,267</b>	1,013,397
Other current assets		<b>56,377</b>	114,321
Total current assets		<b><u>2,094,772</u></b>	<u>3,337,527</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	(7)	<b>373,590</b>	579,904
Other payables and accruals		<b>763,325</b>	803,388
Interest-bearing bank and other borrowings		<b>191,833</b>	1,011,620
Tax payable		<b>212,792</b>	232,122
Other current liabilities		<b>1,729</b>	16,729
Total current liabilities		<b><u>1,543,269</u></b>	<u>2,643,763</u>
<b>NET CURRENT ASSETS</b>		<b><u>551,503</u></b>	<u>693,764</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>2,142,129</u></b>	<u>2,192,786</u>
<b>NON-CURRENT LIABILITIES</b>			
Total non-current liabilities		<b>49,238</b>	47,220
Net assets		<b><u>2,092,891</u></b>	<u>2,145,566</u>
<b>EQUITY</b>			
<b>Equity attributable to ordinary equity holders of the Company</b>			
Issued capital	(8)	<b>103,871</b>	104,936
Reserves		<b>1,978,383</b>	2,029,294
		<b><u>2,082,254</u></b>	<u>2,134,230</u>
<b>Non-controlling interests</b>		<b>10,637</b>	11,336
Total equity		<b><u>2,092,891</u></b>	<u>2,145,566</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 2015 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 2014 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:

Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i>
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs

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 for the six months ended 30 June 2015 and 2014, respectively.

	Six months ended 30 June (Unaudited)							
	Retail operations		Export operations		Others		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue (*):								
Sales to external customers	2,020,136	2,536,238	249,280	410,726	574	1,122	2,269,990	2,948,086
Other income and gains	24,315	52,446	4,177	8,889	9,636	5,286	38,128	66,621
Total	2,044,451	2,588,684	253,457	419,615	10,210	6,408	2,308,118	3,014,707
Segment result	40,907	46,616	2,336	16,185	1,556	(1,410)	44,799	61,391
Interest income							34,982	30,976
Unallocated revenue							8,576	12,640
Corporate and other unallocated expenses							(37,673)	(49,796)
Finance costs							(4,446)	(7,180)
Share of profits and losses of associates	-	-	497	163	-	-	497	163
Profit before tax							46,735	48,194
Income tax expense							(9,702)	(4,952)
Profit for the period							37,033	43,242

\* 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):

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	62,388	70,721
Recognition of prepaid land lease payments	89	89
Loss on disposal/write-off of items of property, plant and equipment	6,065	8,995
Interest income	(34,982)	(30,976)

#### (4) Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current - Hong Kong	3,752	1,823
Current - Elsewhere	6,686	3,129
Deferred	(736)	-
	<u>9,702</u>	<u>4,952</u>

No tax expense attributable to associates (2014: HK\$Nil) is included in "Share of profits and losses of associates" on the face of the interim consolidated statement of profit or loss.

#### (5) Earnings per share

##### (a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2015 is based on the profit attributable to equity holders of the Company of HK\$37,732,000 (2014: HK\$45,140,000) and the weighted average number of 1,042,507,000 (2014: 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 2015 and 2014 are higher than the respective average market price of the Company's shares during the period ended 30 June 2015 and 2014, 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\$290,438,000 (31 December 2014: HK\$313,107,000) and bills receivables of HK\$1,275,000 (31 December 2014: HK\$1,611,000). 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 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Neither past due nor impaired	190,134	228,418
Less than 6 months past due	75,186	70,753
Over 6 months past due	26,393	15,547
	<u>291,713</u>	<u>314,718</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:

	<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
Less than 4 months	372,629	578,926
4 - 6 months	688	705
Over 6 months	273	273
	<u>373,590</u>	<u>579,904</u>

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

(8) **Share capital**

	<b>Number of ordinary shares</b>		<b>Nominal value</b>	
	<b>30 June 2015 '000</b>	31 December 2014 '000	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
Issued and fully paid: Ordinary shares of HK\$0.10 each	<u>1,038,714</u>	<u>1,049,356</u>	<u>103,871</u>	<u>104,936</u>

(9) **Dividends**

	<b>Six months ended 30 June</b>	
	<b>2015 (Unaudited) HK\$'000</b>	2014 (Unaudited) HK\$'000
Dividends for ordinary equity holders of the Company: Final dividend paid	<u>65,127</u>	<u>86,342</u>
Interim dividend declared	<u>35,045</u>	<u>42,377</u>

**INTERIM DIVIDEND**

The Directors have resolved to pay an interim dividend of HK3.40 cents (2014: HK4.00 cents) per share for the six months ended 30 June 2015 to shareholders whose names appear on the register of members of the Company as at the close of business on Monday, 21 September 2015. The interim dividend will be paid to shareholders on Wednesday, 30 September 2015.

## REVIEW OF OPERATIONS

In the first half of the year under review, the economic activities of all major developed countries were quite lukewarm except the US. The Euro Zone managed to have a very mild growth but was swayed by sovereign debts crisis from Greece and the likes. The hesitance of the US Federal Reserve to fix up the timetable of interest rates increase revealed the delicacy of its economic recovery. During the period, China was still in the transitional stage of its economic reforms and was moving against strong headwind. The GDP growth in the first half of the year hit the target of 7%, which was driven mainly by fixed investment in infrastructure. Furthermore, the export and import sector performance was also inferior to that of last year. In the first quarter, retail sentiment in Mainland China was as sluggish as in the previous year and it became even more slothful in the following quarter. Under such tough situation, the Management opted to keep the gross margin and the inventory at healthy level even at the expense of turnover growth. Therefore, the Management was able to keep the gross margin intact and the inventory at healthy level but a drop of 23.00% in turnover was registered. During the period, the Group's retail stores were reduced from 2,387 to 2,098. In the first half of the year, the macro economic conditions and retail activities in Australia and New Zealand had mild improvement. Jeanswest operations accomplished an impressive turn-around that was still conditioned by the trembling Aussie.

Due to the above-mentioned reasons, profit attributable to ordinary equity holders of the Company was HK\$37,732,000 (2014: HK\$45,140,000) representing a decrease of 16.41% from the corresponding period in the previous year.

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

	2015 1st Half	2014 1st Half	Changes
<i>(Unit: HK\$'000)</i>			
Consolidated sales	<b>2,269,990</b>	2,948,086	↓ 23.00%
of which:			
A. Total retail sales in PRC	<b>1,476,566</b>	1,935,268	↓ 23.70%
B. Total retail sales in Australia & New Zealand	<b>543,570</b>	600,970	↓ 9.55%
Sub-total	<b>2,020,136</b>	2,536,238	↓ 20.35%
C. Total export sales	<b>249,280</b>	410,726	↓ 39.31%
Profit attributable to ordinary equity holders of the Company	<b>37,732</b>	45,140	↓ 16.41%
<i>(Unit: HK cents)</i>			
Interim earnings per share (basic)	<b>3.62</b>	4.26	↓ 15.02%
Interim dividend per share	<b>3.40</b>	4.00	↓ 15.00%
<i>(Unit: HK\$'000)</i>			
Net cash in hand	<b>638,272</b>	706,718	↓ 9.69%



## 1. Retail Operations

Jeanswest remained the flagship brand of the Group's retail business in the Mainland market. In the period under review, China was still in the process of rolling-out of new reforms; the consequential predicaments slowed down economic growth and prolonged the depressed retail sentiment especially in the apparel sector. The cold and gloomy spring weather followed by a rainy summer dismayed further the consumers' shopping mood and spending appetite. The macro economic consolidation did contain the surge of rental; but the rising of wages and the escalating of dumping drove the business environment to become very tough and demanding. Coupled with above, the popularity of shopping via internet especially among the young people already posed a challenge to the physical store retailing. During the period, 289 under-performed stores were shut down, reducing the number of stores in the network to 2,098. The effectiveness of the Management's endeavor in cost saving was nearly neutralized by the crestfallen market conditions. As expected, the downtrend of sales was not yet curbed, but the gross margin was kept from further deterioration and the inventory was maintained at healthy level.

In the first half of the year, our retail operations in PRC had a turnover of HK\$1,476,566,000 (2014: HK\$1,935,268,000) showing a drop of 23.70%.

During the period, the macro economic conditions in Australia and New Zealand were not as chilling as in last year. Dumping was abated and retail activities became a bit more agile. The measures implemented by the Management to mitigate the impacts of the weak Aussie were found to be effective. In the first half of the year, Jeanswest operations had positive growth in turnover and improvement of gross margin to acceptable level.

For the six months ended 30 June 2015, the aggregate retail sales in Australia and New Zealand was HK\$543,570,000 (2014: HK\$600,970,000) showing a decrease of 9.55% but in terms of Australian dollars, it was an increase of 5.52%.

During the period, Jeanswest e-business development had an impressive growth indicating a promising future.

In the first half of the year, the total retail operations registered a turnover of HK\$2,020,136,000 (2014: HK\$2,536,238,000), reduced by 20.35% year-on-year representing 88.99% of the Group's consolidated turnover compared with 86.03% last year.

In the period under review, Quiksilver Glorious Sun's performance was eroded by persistent drowsy market sentiment in Hong Kong and Mainland China. Turnover and margin both showed a negative growth. As at 30 June 2015, the total number of Quiksilver Glorious Sun stores was 38 (2014: 50 shops) including 19 shops (2014: 23 shops) in Hong Kong and Macao and 19 shops (2014: 27 shops) in the Mainland.

As at 30 June 2015, the total number of the Group's retail network of Jeanswest and Quiksilver Glorious Sun shops came down to 2,447 (2014: 2,739 shops).

## **2. Export Business**

In the first half of the year, our main export market was still in US where economic recovery was quite stable and retail activities were relatively resilient. However, the export price was still lagging behind the increase of production costs. Luckily this type of OEM business had already been downsized to an insignificant portion of our export operations. The newly developed ODM business already took the core position in our export operations. In the period under review, our ODM orders were less than last year and performance was thus affected. Turnover amounted to HK\$249,280,000 (2014: HK\$410,726,000) representing a decrease of 39.31% and accounted for 10.98% 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 2015, the Group employed a total of about 9,000 members of staff. The Group offered competitive remuneration packages to its employees. In addition, incentives were granted to employees with reference to the Groups overall performance and the performance of each individual.

## **PROSPECTS**

For the ensuing months of the year, we are a bit more cautious as the economic recovery in US and the Euro Zone may not be as steady and resilient as expected. With feeble fundamental factors, even if recovery is able to gain its force, it will be contained by normalization of US dollar interest rate. Mainland China, the Group's main retail market is still at its focal point of its far-reaching economic reforms. Consequentially the deceleration of growth momentum becomes the "new normal" phenomenon. Shiftless retail sentiment may prevail till the end of this year. With the proactive quantitative easing measures pushed from the Central Government to ensure GDP growth hitting the 7% target, retail market condition are expected to be similar to that of last year. The Management will pursue continually the strategy of consolidation and will adhere to the guideline in keeping the gross margin and the inventory at healthy level. The Management will focus on further development of our e-shops and expansion of our franchising network. Brand investment and new products development are always the tasks with top priority. In Australia and New Zealand, if the development trend in the first half of the year extends to the second half, Jeanswest is expected to have a satisfactory result. The main hurdle is still the fluctuation of Aussie. In the aspect of export operations, it may not be able to match with its performance in last year, as the orders flow is weaker than expected.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Thursday, 17 September 2015 to Monday, 21 September 2015, 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 Wednesday, 16 September 2015.

## CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2015, 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 pre-arranged 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 2015 and the special general meeting both held on 2 June 2015.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 30 June 2015, the Company repurchased a total of 11,650,000 shares of the Company on The Stock Exchange of Hong Kong Limited. 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 <i>HK\$’000</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
January	652,000	1.68	1.62	1,095
February	834,000	1.67	1.65	1,390
March	4,330,000	1.61	1.57	6,936
April	2,962,000	1.68	1.59	4,846
June	2,872,000	1.68	1.60	4,797
	<u>11,650,000</u>			<u>19,064</u>

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 meetings of the Company for 2014 and 2015, 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 2015.

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

Hong Kong, 27 August 2015

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.