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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 2020

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 2020 together with the comparative figures for the same period as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended 30 June 2020

		2020	2019
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE			
Revenue from contracts with customers		420,382	603,882
Revenue from other sources		37,403	59,662
		457,785	663,544
Cost of sales	(3)	(383,494)	(549,409)
Gross profit		74,291	114,135
Other income and gains		21,948	16,711
Selling and distribution expenses		(10,109)	(19,840)
Administrative expenses		(31,524)	(36,571)
Other expenses		(11,209)	(6,491)
Finance costs		(1,415)	(4,724)
PROFIT BEFORE TAX	(4)	41,982	63,220
Income tax expense	(5)	(4,471)	(6,377)
PROFIT FOR THE PERIOD		37,511	56,843

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(CONTINUED)

Six months ended 30 June 2020

		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
	<i>Note</i>		
Attributable to:			
Ordinary equity holders of the Company		36,484	55,761
Non-controlling interests		1,027	1,082
Profit for the period		37,511	56,843
		HK cents	HK cents
Earnings per share attributable to ordinary equity holders of the Company	(7)		
Basic		2.39	3.65
Diluted		2.39	3.65
Interim dividend per share		1.80	2.60

Details of the dividends paid and declared for the period are disclosed in note 6 to the financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2020

	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<u>37,511</u>	<u>56,843</u>
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	<u>-</u>	<u>34</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>-</u>	<u>34</u>
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>		
Change in fair value of equity investments designated at fair value through other comprehensive income	<u>(11,337)</u>	<u>53,102</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	<u>(11,337)</u>	<u>53,102</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>(11,337)</u>	<u>53,136</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>26,174</u>	<u>109,979</u>
Attributable to:		
Ordinary equity holders of the Company	<u>25,147</u>	108,909
Non-controlling interests	<u>1,027</u>	<u>1,070</u>
	<u>26,174</u>	<u>109,979</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Debt investments at amortised cost		589,683	810,835
Equity investments designated at fair value through other comprehensive income		339,076	349,977
Other non-current assets		57,473	60,036
Total non-current assets		986,232	1,220,848
CURRENT ASSETS			
Trade receivables	(8)	130,601	166,411
Debt investments at amortised cost		37,671	225,744
Equity investments designated at fair value through other comprehensive income		-	448,750
Pledged deposits		16,982	17,086
Cash and cash equivalents		1,612,199	734,736
Other current assets		224,966	198,372
Total current assets		2,022,419	1,791,099
CURRENT LIABILITIES			
Trade payables	(9)	114,329	149,675
Other payables and accruals		199,400	214,386
Interest-bearing bank borrowings		16,456	16,456
Other current liabilities		144,430	68,939
Total current liabilities		474,615	449,456
NET CURRENT ASSETS		1,547,804	1,341,643
TOTAL ASSETS LESS CURRENT LIABILITIES		2,534,036	2,562,491
NON-CURRENT LIABILITIES			
Other non-current liabilities		27,349	30,015
Total non-current liabilities		27,349	30,015
Net assets		2,506,687	2,532,476
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	(10)	152,834	152,834
Reserves		2,335,476	2,362,292
		2,488,310	2,515,126
Non-controlling interests		18,377	17,350
Total equity		2,506,687	2,532,476

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of preparation

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”).

The interim condensed consolidated financial statements does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019.

These interim condensed consolidated financial statements have been prepared under the historical cost convention, except for certain equity investments which have been measured at fair value. These interim condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated.

These interim condensed consolidated financial statements for the six months ended 30 June 2020 are unaudited and have been reviewed by the Audit Committee of the Company.

(2) Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised HKFRSs for the first time for the current period’s financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

Except as described below, the application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

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

The Group has early adopted the amendment to HKFRS 16 which provides relief to lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; (iii) there is no substantive change to other terms and conditions of the lease.

The Group elects to adopt the practical expedient to account for the COVID-19 pandemic related rent concession as negative variable lease payments. The application has no impact to the opening retained profits at 1 January 2020. The Group recognised changes in lease payments that resulted from rent concessions of HK\$521,000 in the profit or loss during the current period.

The Group has not adopted any other standard, interpretation or amendment that has been issued but has not yet been effective.

(3) Operating Segment information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the “financial investments” segment engages in treasury management;
- (b) the “export operations” segment engages in exports apparel;
- (c) the “interior decoration and renovation” segment engages in the interior decoration and renovation, and sale of furniture business; and
- (d) the “retail, wholesale, franchise and others” segment mainly includes retail operation in Hong Kong, wholesale in the domestic market, and franchise sales under the “Jeanswest” brand in overseas markets within the casual wear and apparel domain.

(3) Operating Segment information (Continued)

Information regarding the Group's reportable segments, together with their related comparative information, is presented below:

Six months ended 30 June 2020 (Unaudited)					
	Financial investments HK\$'000	Export operations HK\$'000	Interior decoration and renovation HK\$'000	Retail, wholesale, franchise and others HK\$'000	Total HK\$'000
Segment revenue:					
Revenue from external parties	37,403	90,400	313,023	16,959	457,785
Other income and gains	3,544	822	1,265	2,287	7,918
Total	40,947	91,222	314,288	19,246	465,703
Segment result	32,585	3,992	3,312	20	39,909
Interest income					13,402
Unallocated revenue					628
Corporate and other unallocated expenses					(11,470)
Finance costs (other than interest on lease liabilities)					(487)
Profit before tax					41,982
Income tax expense					(4,471)
Profit for the period					37,511

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

(4) Profit before tax

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	959	1,211
Depreciation of right-of-use assets	5,837	8,319
Loss on disposal/write-off of items of property, plant and equipment	7	1
Interest income	(13,402)	(5,433)

(5) Income tax expense

Under the two-tiered profits tax rate regime, the first HK\$2,000,000 of assessable profits of qualifying corporations is taxed at 8.25% and the assessable profits above HK\$2,000,000 will continue to be subject to the rate of 16.5%. 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	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current - Hong Kong	3,901	4,993
Current - Elsewhere	1,074	1,393
Deferred	(504)	(9)
	4,471	6,377

(6) Dividends

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends for ordinary equity holders of the Company:		
Final dividend paid	51,963	51,352
Interim dividend declared	27,510	39,737

(7) **Earnings per share**

(a) *Basic earnings per share*

The calculations of basic earnings per share are based on:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation:	<u>36,484</u>	<u>55,761</u>
	Number of shares	
	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>1,528,336</u>	<u>1,528,354</u>

(b) *Diluted earnings per share*

The diluted earnings per share is not presented as the Company does not have dilutive potential ordinary share for both periods presented.

(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 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Less than 4 months	61,940	120,913
4 to 6 months	60,772	19,672
Over 6 months	7,889	25,826
	<u>130,601</u>	<u>166,411</u>

The credit period is generally 15 days to 85 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 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Less than 4 months	113,560	148,185
4 to 6 months	68	423
Over 6 months	701	1,067
	<u>114,329</u>	<u>149,675</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 2020 (Unaudited) '000	31 December 2019 (Audited) '000	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Issued and fully paid: Ordinary shares of HK\$0.10 each	<u>1,528,336</u>	<u>1,528,336</u>	<u>152,834</u>	<u>152,834</u>

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend of HK1.80 cents (2019: HK2.60 cents) per share for the six months ended 30 June 2020 to shareholders whose names appear on the register of members of the Company as at the close of business on Thursday, 17 September 2020. The interim dividend will be paid to shareholders on Tuesday, 29 September 2020.

REVIEW OF OPERATIONS

It was anticipated that after reaching the first phase of Sino-American trade agreement, there would be a smooth economic development ahead. However, the outburst of the new corona virus (COVID-19) in Mainland China before the Chinese New Year caused nearly all economic activities there to stand still. The COVID-19 pandemic then spread to Korea, Japan, Europe, America and the south hemisphere and caused serious problems there.

Although governments resolutely launched out quantitative easing measures with all their might including direct cash aid to those unemployed and lost no time to encourage business establishments to resume operations, it might take quite a while for the businesses to bounce back to the previous level. Meanwhile, the pandemic was not yet contained and it might further spread. Ever since the Second World War, people in the world were never alienated from one another in such a big scale. Even family gathering had to strictly follow social distancing requirements. Restaurants, shopping malls, sports grounds and entertainment arena all had to be closed. It hit all business activities heavily, especially retailing, with only a few exceptions such as cyber activities and those which could be conducted at home.

Under such difficult environment, the Group's performance in all aspects was affected. The turnover of our garment export to US market declined 65.82%. A drop of 35.48% revenue was registered in our Jeanswest Retail Operations in Hong Kong and Overseas Franchising. The move to downsize by nearly half of our bond portfolio in January did keep our investment far from the impact of extreme volatility caused by the COVID-19 pandemic in the capital market. However, the revenue derived from the Financial Investment also decreased by 37.31% due to the percentage of cash in hand was higher. As our Interior Decoration and Renovation business came mainly from telecommunication related sectors, we still managed to have a mild growth at the expense of narrowing our profit margin.

During the period under review, the Group recorded a turnover of HK\$457,785,000, representing a decrease of 31.01% when compared with the corresponding period in last year (2019: HK\$663,544,000).

Due to the above-mentioned reasons, profit attributable to ordinary equity holders of the Group was HK\$36,484,000, representing a decrease of 34.57% when compared with the corresponding period in last year (2019: HK\$55,761,000).

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

	2020 1st Half	2019 1st Half	Changes
<i>(Unit: HK\$'000)</i>			
Consolidated sales	457,785	663,544	↓31.01%
of which:			
A. Financial investments	37,403	59,662	↓37.31%
B. Total export sales	90,400	264,463	↓65.82%
C. Interior decoration and renovation	313,023	309,973	↑0.98%
D. Hong Kong retailing and overseas franchising and wholesale operations	16,935	26,246	↓35.48%
Profit attributable to ordinary equity holders of the Company	36,484	55,761	↓34.57%

<i>(Unit: HK cents)</i>			
Interim earnings per share (basic)	2.39	3.65	↓34.52%
Interim dividend per share	1.80	2.60	↓30.77%

	As at 30 June 2020	As at 31 December 2019	Changes
<i>(Unit: HK\$'000)</i>			
Net cash and near cash in hand*	2,571,973	2,563,490	↑0.33%

*“Net cash and near cash in hand” consists of debt investments at amortised cost, listed equity investments designated at fair value through other comprehensive income, pledged deposits, cash and cash equivalents, net of interest-bearing bank borrowings.

1. Financial and Real Estates Investments

At the beginning of the year, in view of the uncertainties ahead, the Management decided to increase the cash in hand in our investment portfolio. Before the Chinese New Year, our bond holding in the portfolio was thus reduced from HK\$1,828 million to HK\$1,199 million. Furthermore, some bonds were redeemed upon maturity in May 2020; the book value of our investment portfolio was thus decreased to HK\$959 million. We always refrained from using gearing to get higher investment yield. Thus the impact from extreme volatility caused by the COVID-19 pandemic was irrelevant to us. As at 30 June 2020, the revenue derived from investment was HK\$37,403,000 showing a decrease of 37.31% when compared with previous period (2019: HK\$59,662,000). It was caused by higher cash percentage in the portfolio.

At the beginning of the year, the Group's bond portfolio was HK\$1,828 million. As at 30 June 2020, the Group's holding of bond had a book value of HK\$959 million with the average yield of around 5.97%.

2. Export Operations

The export operations of the Group were composed of oversea agency trading and design centre targeting US as our main market. Commencing from the second quarter, the COVID-19 pandemic was dominating in US. Thereafter, our US customers either demanded delay shipments or outright cancellation of orders notwithstanding that our supply chain was no longer based in Mainland China. In the period under review, our export turnover dropped from the previous HK\$264,463,000 to HK\$90,400,000 representing a decrease of 65.82%.

3. Interior Decoration and Renovation

In the period under review, the turnover in our Interior Decoration and Renovation Operations increased marginally even under the COVID-19 pandemic. It was because more than 60% of our business was telecommunication related. Telecommunication and 5G related businesses were on the top of government favour list and also in their expanding phase. In order to win in the bidding, our margin was thus under pressure.

In the first half of the year, turnover amounted to HK\$313,023,000 showing an improvement of 0.98% when compared with last period (2019: HK\$309,973,000).

4. Hong Kong Retailing and Overseas Franchising and Wholesale Operations

The COVID-19 pandemic was devastating to retailing businesses. Our Jeanswest retailing in Hong Kong and our overseas franchising and wholesale operations were inevitably affected. As the prevalence of COVID-19 pandemic in Mainland China and in our overseas markets did not take place simultaneously, the decrease in turnover was lesser than that of the Export Operations. In the period under review, turnover of HK\$16,935,000 was registered showing a decline of 35.48% from last period (2019: HK\$26,246,000).

5. Financial Position

Liquidity and financial resources

In the period, the financial position of the Group was solid. As at 30 June 2020, the Group held net cash and near cash in hand of HK\$2,571,973,000 (31 December 2019: HK\$2,563,490,000).

Significant investments held

The Group's significant investments held are marketable debt instruments which as at 30 June 2020 amounted to HK\$959,248,000 (31 December 2019: HK\$1,828,124,000). The decrease of HK\$868,876,000 was mainly attributed to the disposals of part of debt instruments at the beginning of the year and the redemption of certain debt instruments upon maturity.

6. Human Resources

As at 30 June 2020, the Group employed about 498 members of staff. The Group offered competitive remuneration packages to its employees. Furthermore, 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 macro economic development will be highly affected by the development of COVID-19 and the Sino-American conflict. The Management cautiously expects that the COVID-19 pandemic may be contained in the third quarter or even the fourth quarter and hopes that the Sino-American conflict can be kept from further deterioration due to national self-restraint of respective decision makers. If our expectation is not deviated materially from the actual development, the profits variation of the Group in the second half of the year will be similar to that of the first half of the year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 15 September 2020 to Thursday, 17 September 2020, 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 Monday, 14 September 2020.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2020, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, save and except for the deviation from code provision E.1.2 of the CG Code.

Under code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Due to COVID-19 pandemic control measures, Mr. Charles Yeung (Chairman of the Board) was not present at the Company's annual general meeting for the year 2020, Mr. Yeung Chun Fan (Vice-chairman of the Board) was appointed as the chairman and addressed questions raised by shareholders at the meeting.

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 2020.

By Order of the Board
Glorious Sun Enterprises Limited
Dr. Charles Yeung, GBS, JP
Chairman

Hong Kong, 25 August 2020

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

Executive Directors:

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

Independent Non-executive Directors:

Mr. Lau Hon Chuen, Ambrose, GBS, JP, Dr. Chung Shui Ming, Timpson, GBS, JP, Dr. Chan Chung Bun, Bunny, GBS, JP and Mr. Ng Wing Ka, Jimmy, BBS, JP