# GLORIOUS SUN ENTERPRISES LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 393)

## Announcement of Results
## For the year ended 31 December 2009

### ANNUAL RESULTS

The Directors of Glorious Sun Enterprises Limited (the "Company") are pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 together with the comparative figures as follows:

### CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2009

| | Notes | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| REVENUE | (4) | **5,767,808** | 5,573,751 |
| Cost of sales | | **(3,257,172)** | (3,201,205) |
| Gross profit | | **2,510,636** | 2,372,546 |
| Other income and gains | | **144,993** | 206,855 |
| Selling and distribution costs | | **(1,564,964)** | (1,492,676) |
| Administrative expenses | | **(706,115)** | (643,202) |
| Other expenses | | **(56,272)** | (30,792) |
| Finance costs | | **(9,723)** | (15,916) |
| | | **318,555** | 396,815 |
| Gains on disposal and liquidation of investments, net | | **-** | 6,231 |
| Impairment loss on an available-for-sale investment | | **-** | (214,396) |
| OPERATING PROFIT | | **318,555** | 188,650 |
| Share of profits and losses of: | | | |
| Jointly-controlled entities | | **(756)** | (5,139) |
| Associates | | **25,572** | 8,897 |
| PROFIT BEFORE TAX | (5) | **343,371** | 192,408 |
| Income tax expense | (6) | **(67,444)** | (94,386) |
| PROFIT FOR THE YEAR | | **275,927** | 98,022 |
| Attributable to: | | | |
| Ordinary equity holders of the Company | | **259,538** | 84,718 |
| Minority interests | | **16,389** | 13,304 |
| | | **275,927** | 98,022 |
| DIVIDENDS | (7) | **181,266** | 181,266 |
| | | *HK cents* | *HK cents* |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | (8) | | |
| Basic | | **24.50** | 8.00 |
| Diluted | | **N/A** | 8.00 |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
Year ended 31 December 2009

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| PROFIT FOR THE YEAR | **275,927** | 98,022 |
| OTHER COMPREHENSIVE INCOME | | |
| Available-for-sale investment: | | |
| Changes in fair value | **105,398** | (248,329) |
| Impairment loss charged to the consolidated income statement | **-** | 214,396 |
| | **105,398** | (33,933) |
| Gains on property revaluation | **-** | 74,634 |
| Deferred tax effect | **-** | (17,232) |
| | **-** | 57,402 |
| Other comprehensive income released on disposal and liquidation of jointly-controlled entities | **-** | (2,361) |
| Other comprehensive income released on liquidation of associates | **-** | 631 |
| Exchange differences on translation of foreign operations | **44,860** | (27,769) |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | **150,258** | (6,030) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | **426,185** | 91,992 |
| Attributable to: | | |
| Ordinary equity holders of the Company | **409,462** | 62,676 |
| Minority interests | **16,723** | 29,316 |
| | **426,185** | 91,992 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

| | Notes | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **974,903** | 917,081 |
| Investment properties | | **52,667** | 51,111 |
| Prepaid land lease payments | | **18,460** | 18,937 |
| Goodwill | | **36,119** | 30,388 |
| Interest in a jointly-controlled entity | | **7,911** | 8,650 |
| Interests in associates | | **146,807** | 128,156 |
| Available-for-sale investment | | **155,269** | 49,871 |
| Deposit paid for purchase of a property | | **-** | 11,430 |
| Deferred tax assets | | **17,583** | 14,369 |
| Total non-current assets | | **1,409,719** | 1,229,993 |
| **CURRENT ASSETS** | | | |
| Inventories | | **749,840** | 844,223 |
| Trade and bills receivables | *(9)* | **487,532** | 522,602 |
| Prepayments, deposits and other receivables | | **332,389** | 368,106 |
| Derivative financial instruments | | **157** | 6,004 |
| Due from related companies | | **4,088** | 3,609 |
| Due from associates | | **1,266** | 6,274 |
| Financial asset at fair value through profit or loss | | **-** | 23,337 |
| Pledged deposits | | **24,508** | 3,388 |
| Cash and cash equivalents | | **1,291,638** | 1,233,538 |
| Total current assets | | **2,891,418** | 3,011,081 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | *(10)* | **645,764** | 706,293 |
| Other payables and accruals | | **828,125** | 803,707 |
| Due to a jointly-controlled entity | | **9,921** | 5,653 |
| Due to associates | | **7,013** | 9,508 |
| Interest-bearing bank and other borrowings | | **188,691** | 333,499 |
| Tax payable | | **370,103** | 371,460 |
| Total current liabilities | | **2,049,617** | 2,230,120 |
| **NET CURRENT ASSETS** | | **841,801** | 780,961 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **2,251,520** | 2,010,954 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank and other borrowings | | **471** | 953 |
| Long term loans from minority shareholders | | **9,400** | 9,400 |
| Deferred tax liabilities | | **19,827** | 19,512 |
| Total non-current liabilities | | **29,698** | 29,865 |
| Net assets | | **2,221,822** | 1,981,089 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2009

| | Note | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **EQUITY** | | | |
| **Equity attributable to ordinary equity holders of the Company** | | | |
| Issued capital | | **105,941** | 105,941 |
| Reserves | | **1,826,249** | 1,597,762 |
| Proposed dividends | (7) | **138,889** | 138,889 |
| | | **2,071,079** | 1,842,592 |
| **Minority interests** | | **150,743** | 138,497 |
| Total equity | | **2,221,822** | 1,981,089 |

*NOTES*

**(1) Principal accounting policies and basis of preparation**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings and certain financial assets, which have been measured at fair value. These 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 financial statements have been reviewed by the Audit Committee of the Company.

The accounting policies and basis of preparation used in the preparation of the financial statements are the same as those adopted in preparing the audited financial statements for the year ended 31 December 2008 except for the new adoption of HKFRSs as disclosed in note (2) below.

**(2) Changes in accounting policy and disclosures**

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| HKFRS 1 and HKAS 27 Amendments | Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* |
| HKFRS 2 Amendments | Amendments to HKFRS 2 *Share-based Payment - Vesting Conditions and Cancellations* |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments* |
| HKFRS 8 | *Operating Segments* |
| HKFRS 8 Amendment* | Amendment to HKFRS 8 *Operating Segments - Disclosure of information about segment assets* (early adopted) |
| HKAS 1 (Revised) | *Presentation of Financial Statements* |
| HKAS 18 Amendment* | Amendment to Appendix to HKAS 18 *Revenue - Determining whether an entity is acting as a principal or as an agent* |
| HKAS 23 (Revised) | *Borrowing Costs* |
| HKAS 32 and HKAS 1 Amendments | Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation* |
| HK(IFRIC)-Int 9 and HKAS 39 Amendments | Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement - Embedded Derivatives* |
| HK(IFRIC)-Int 13 | *Customer Loyalty Programmes* |
| HK(IFRIC)-Int 15 | *Agreements for the Construction of Real Estate* |
| HK(IFRIC)-Int 16 | *Hedges of a Net Investment in a Foreign Operation* |
| HK(IFRIC)-Int 18 | *Transfers of Assets from Customers* (adopted from 1 July 2009) |
| Improvements to HKFRSs (October 2008) | Amendments to a number of HKFRSs |

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

**(3) Issued but not yet effective Hong Kong Financial Reporting Standards**

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| HKFRS 1 (Revised) | *First-time Adoption of Hong Kong Financial Reporting Standards* [1] |
| HKFRS 1 Amendments | Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Additional Exemptions for First-time Adopters* [2] |
| HKFRS 1 Amendment | Amendment to HKFRS 1 *Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [4] |
| HKFRS 2 Amendments | Amendments to HKFRS 2 *Share-based Payment - Group Cash-settled Share-based Payment Transactions* [2] |
| HKFRS 3 (Revised) | *Business Combinations* [1] |
| HKFRS 9 | *Financial Instruments* [6] |
| HKAS 24 (Revised) | *Related Party Disclosures* [5] |
| HKAS 27 (Revised) | *Consolidated and Separate Financial Statements* [1] |
| HKAS 32 Amendment | Amendment to HKAS 32 *Financial Instruments: Presentation - Classification of Rights Issues* [3] |
| HKAS 39 Amendment | Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items* [1] |
| HK(IFRIC)-Int 14 Amendments | Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [5] |
| HK(IFRIC)-Int 17 | *Distributions of Non-cash Assets to Owners* [1] |
| HK(IFRIC)-Int 19 | *Extinguishing Financial Liabilities with Equity Instruments* [4] |
| Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008 | Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations - Plan to Sell the Controlling Interest in a Subsidiary* [1] |
| HK Interpretation 4 (Revised in December 2009) | *Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2] |

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

## (4) Operating segment information

### By businesses

| | Retail operations HK$'000 | Export operations HK$'000 | Others HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|
| | | **Year ended 31 December 2009** | | |
| **Segment revenue:** | | | | |
| Sales to external customers | **4,732,495** | **855,904** | **179,409** | **5,767,808** |
| Other income and gains | **22,399** | **47,510** | **27,228** | **97,137** |
| Total | **4,754,894** | **903,414** | **206,637** | **5,864,945** |
| **Segment results** | **319,674** | **39,158** | **756** | **359,588** |
| Interest income | | | | **7,460** |
| Unallocated revenue | | | | **40,396** |
| Unallocated expenses | | | | **(79,166)** |
| Finance costs | | | | **(9,723)** |
| Share of profits and losses of: | | | | |
| A jointly-controlled entity | **-** | **(756)** | **-** | **(756)** |
| Associates | **-** | **25,572** | **-** | **25,572** |
| Profit before tax | | | | **343,371** |
| Income tax expense | | | | **(67,444)** |
| Profit for the year | | | | **275,927** |

| | Retail operations HK$'000 | Export operations HK$'000 | Others HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|
| | | Year ended 31 December 2008 | | |
| **Segment revenue:** | | | | |
| Sales to external customers | 4,449,461 | 876,690 | 247,600 | 5,573,751 |
| Other income and gains | 41,554 | 61,280 | 25,075 | 127,909 |
| Total | 4,491,015 | 937,970 | 272,675 | 5,701,660 |
| **Segment results** | 346,493 | 40,858 | 5,107 | 392,458 |
| Interest income | | | | 28,647 |
| Unallocated revenue | | | | 50,299 |
| Unallocated expenses | | | | (58,673) |
| Finance costs | | | | (15,916) |
| Gains on disposal and liquidation of investments, net | | | | 6,231 |
| Impairment loss on an available-for-sale investment | | | | (214,396) |
| Share of profits and losses of: | | | | |
| Jointly-controlled entities | - | (139) | (5,000) | (5,139) |
| Associates | - | 8,897 | - | 8,897 |
| Profit before tax | | | | 192,408 |
| Income tax expense | | | | (94,386) |
| Profit for the year | | | | 98,022 |

## (4) Operating segment information (Continued)

### By regions

| | Year ended 31 December 2009 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Mainland China** | **Hong Kong** | **United States of America** | **Australia and New Zealand** | **Canada** | **Others** | **Consolidated** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| **Segment revenue:** | | | | | | | |
| Sales to external customers | **3,808,162** | **110,252** | **638,764** | **985,176** | **64,169** | **161,285** | **5,767,808** |

| | Year ended 31 December 2008 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Mainland China | Hong Kong | United States of America | Australia and New Zealand | Canada | Others | Consolidated |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Segment revenue:** | | | | | | | |
| Sales to external customers | 3,427,721 | 126,680 | 628,234 | 1,119,656 | 69,568 | 201,892 | 5,573,751 |

## (5) Profit before tax

Profit before tax is arrived at after charging/(crediting):

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Depreciation | **193,100** | 184,370 |
| Recognition of prepaid land lease payments | **487** | 477 |
| Impairment/(reversal of impairment) of items of property, plant and equipment | **(1,601)** | 1,720 |
| Loss on disposal/write-off of items of property, plant and equipment | **15,711** | 12,544 |
| Reversal of revaluation deficit on buildings | **-** | (3,844) |
| Fair value (gains)/losses, net: | | |
| Investment properties | **(1,556)** | (4,824) |
| Derivative financial instruments - transactions not qualifying as hedges | **1,137** | (6,501) |
| Financial asset at fair value through profit or loss | **-** | 1,174 |
| | **(419)** | (10,151) |
| (Gains)/losses on disposal and liquidation of investments, net: | | |
| Gain on disposal of equity investments | **-** | (13,383) |
| Loss on liquidation of an associate | **-** | 631 |
| Loss on disposal of jointly-controlled entities | **-** | 1,930 |
| Loss on liquidation of jointly-controlled entities | **-** | 4,591 |
| | **-** | (6,231) |
| Bank interest income | **(7,460)** | (28,647) |

## (6) Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current – Hong Kong | | |
| Charge for the year | **4,836** | 6,308 |
| Overprovision in prior years | **(323)** | (914) |
| Current – Elsewhere | **61,716** | 87,421 |
| Deferred | **1,215** | 1,571 |
| Total tax charge for the year | **67,444** | 94,386 |

## (7) Dividends

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interim – HK4.00 cents (2008: HK4.00 cents) per ordinary share | **42,377** | 42,377 |
| Proposed final – HK13.11 cents (2008: HK13.11 cents) per ordinary share | **138,889** | 138,889 |
| | **181,266** | 181,266 |

The proposed final dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## (8) Earnings per share attributable to ordinary equity holders of the Company

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of HK$259,538,000 (2008: HK$84,718,000) and the weighted average number of 1,059,414,000 (2008: 1,059,414,000) ordinary shares in issue during the year.

**(b) Diluted earnings per share**

As the subscription price of the share options outstanding during the year ended 31 December 2009 are higher than the respective average market price of the Company's shares during the year, there is no dilution effect on the basic earnings per share.

For the year ended 31 December 2008, the calculation of diluted earnings per share is based on the profit for that year attributable to ordinary equity holders of the Company of HK$84,718,000. The weighted average number of ordinary shares used in the calculation is the 1,059,414,000 of ordinary shares in issue during that year, as used in the basic earnings per share calculation, and the weighted average number of 19,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

## (9) Trade and bills receivables

The trade and bills receivables include trade receivables of HK$351,516,000 (2008: HK$318,882,000) and bills receivables of HK$136,016,000 (2008: HK$203,720,000). The bills receivables aged less than four months at the end of the reporting period. An aged analysis of the trade receivables as at the end of the reporting date, based on the payment due date and net of impairment, is as follows:

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current | **277,964** | 226,770 |
| Less than 4 months | **67,104** | 79,068 |
| 4 to 6 months | **4,258** | 10,077 |
| Over 6 months | **2,190** | 2,967 |
| | **351,516** | 318,882 |

The Group allows an average credit period of 45 days to its trade customers.

## (10) Trade and bills payables

The trade and bills payables include trade payables of HK$592,002,000 (2008: HK$632,016,000). An aged analysis of the trade payables is as follows:

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Less than 4 months | **583,679** | 621,955 |
| 4 to 6 months | **4,167** | 6,286 |
| Over 6 months | **4,156** | 3,775 |
| | **592,002** | 632,016 |

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

## (11) Comparative amounts

Certain comparative amounts have been reclassified to conform with the current year's presentation. The directors consider that such reclassifications will allow a more appropriate presentation of the Group's state of affairs and better reflect the nature of the transactions.

## DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK13.11 cents (2008: HK13.11 cents) per share for the year ended 31 December 2009 at the forthcoming annual general meeting to be held on Friday, 4 June 2010. The final dividend amounting to HK$138,889,000, if approved by the shareholders, are to be paid on Monday, 14 June 2010 to those shareholders whose names appear on the register of members of the Company on Friday, 4 June 2010.

## GROUP RESULTS

In the year under review, business environment was predominated by the adverse effects of the global financial tsunami, particularly in the retail sector. Attributed to the strict adherence to the prudent financial policy laid down by the Management, the Group maintained its debt at a very low level and net cash position adequate to keep the Group away from the problem of "Credit Crunch" in the market, thus managed to sail through this formidable storm steadily. In implementing the strategic operational plan already put in place for a few years, the Group curtailed any expansion of manufacturing operation in the Mainland China and closed down its production facilities in the Philippines, Indonesia, Bangladesh and other non-profitable areas. These measures kept the Group away from the serious effects of excess production capacity in the time of stern slips in export. The Group could therefore focus on the development of its retail operation. Furthermore, the RMB4,000 billion stimulus packages promulgated by the Chinese Government did help out the economy materially and substantially mitigated the adverse effect of the financial tsunami.

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

| | 2009 | 2008 | Changes |
|---|---|---|---|
| *(Unit: HK$'000)* | | | |
| Consolidated sales | 5,767,808 | 5,573,751 | ↑ 3.48% |
| Of which: | | | |
| A. Total retail sales in Mainland China | 3,750,275 | 3,335,253 | ↑ 12.44% |
| B. Total retail sales in Australia & New Zealand | 982,220 | 1,114,208 | ↓ 11.85% |
| Sub-total | 4,732,495 | 4,449,461 | ↑ 6.36% |
| C. Total export sales | 855,904 | 876,690 | ↓ 2.37% |
| Profit before non-recurring provision | 259,538 | 299,114 | ↓ 13.23% |
| Profit attributable to equity holders of the Company | 259,538 | 84,718# | N/A |

| | | | |
|---|---|---|---|
| *(Unit: HK cents)* | | | |
| Earnings per share (basic) | 24.50 | 8.00 | N/A |
| Dividend | | | |
| —Final | 13.11 | 13.11 | - |
| —Total | 17.11 | 17.11 | - |

| | | | |
|---|---|---|---|
| *(Unit: HK$'000)* | | | |
| Net cash in hand | 1,126,984 | 902,474 | ↑ 24.88% |

# Non-recurring provision for the year HK$214,396,000

**REVIEW OF BUSINESSES**

## Retailing

In the year under review, the retail market environment oscillated widely. At the beginning of the year, consumers in the Mainland were scared by the global financial crisis and the retail market there was fairly sluggish. The Management promptly responded to the situation and adjusted our sales strategy accordingly. The sales became stable in the summer and autumn. The early advent of cold winter further provided us with an opportunity to catch up the deviation in the first half of the year. In Australia and New Zealand the Group's retail businesses operated quite smoothly in the first half of the year as the economy there recovered comparatively well among other western countries. However the market turned lukewarm when the effects of the economic stimulus faded out in the third quarter. The increases of the Australian dollar interest rate for three times in the fourth quarter further depressed the retail sentiment. With a dismayed Christmas sales our performance there was not as good as last year.

The Group's retail network has stretched out from Mainland China and Australia to New Zealand, Hong Kong, Macao, as well as the Middle East, Vietnam, and Venezuela. There were a total of 2,634 retail shops at year-end 2009 (2008: 2,321), of which 1,348 (2008: 1,126) were operated under franchise arrangements. For the financial year under review, the Group's aggregate sales from its retail operations amounted to HK$4,732,495,000 (2008: HK$4,449,461,000) representing a year-on-year increase of 6.36%. Contribution from its retail operations to the Group's consolidated sales had increased to 82.05% from 79.83% recorded in the corresponding period in the previous year. Inventory turnover days improved from the previous 55 days to 47 days.

**1. The PRC**

*i.* *Jeanswest*

The brand name "Jeanswest" still remained the Group's flagship business in Mainland China. Due to the global financial crisis, consumers were reluctant to spend money, especially after the Chinese New Year. The retail market was so slothful that even new season products had to be marked down to stimulate sales. Some other retailers with high inventory level had to resort to dumping their products in the market so as to reduce their inventory. It thus intensified the competition and made the market even worse for the operators. Retail market was at its lowest ebb in March and April as margin was under pressure while operating costs such as rental, salary and the likes had not yet been adjusted in line with the depressed macro economic situation. The market turned out to be worse than the already conservative forecast of our operation team and the spring season performance could not meet with our expectation. The Management then promptly revised the business strategy and managed to raise our sales in the following season to an acceptable level. The effectiveness of this strategy was attributed to our success in adjusting the buy plan according to the tuned down forecast so as to reduce our operating costs. Our endeavour enabled us to operate with lower inventory carrying risk and better versatility to the changes of the market. The RMB4,000 billion stimulus packages promulgated by the Chinese Government gradually brought about their intended results and the sales in the summer and autumn became stable. The early arrival of cold weather in November caught most of our competitors in surprise and provided an excellent opportunity for Jeanswest to catch up. As we had a very powerful replenishment and logistic system, our stores could have sufficient winter products for sales during the relevant period. Jeanswest thus not only recovered the deviation in its first half-year sales plan but laid down a sound starting point for the coming year as its inventory was further reduced to a low level.

Even in the prevalent tough business environment, the Management still did not hold back its efforts in brand building. In June, the Group prefixed the *Entertainment News*, a popular program broadcasted daily in more than 150 TV channels in the Mainland as *Jeanswest Entertainment News*. The brand awareness of Jeanswest was thus further improved as this innovative programme also previewed and promoted the latest Jeanswest products. In the period, Jeanswest was also bestowed with the award of "the Best 500 Chinese Enterprises in ERP" to accredit the comprehensiveness of its management information system.

In the year under review, turnover of PRC retails lifted by 12.44% to HK$3,750,275,000 (2008: HK$3,335,253,000), accounting for 65.02% of the Group's consolidated sales. As at 31 December 2009, Jeanswest operated 2,309 stores (2008: 2,008) covering 250 cities in the Mainland, among which 1,282 stores (2008: 1,069) were under franchise arrangements.

*ii.* *Quiksilver Glorious Sun*

In the year under review, Quiksilver Glorious Sun opted for a prudent development pace in response to the prevailing tough environment. Expansion of new stores was slowed down and certain locations at comparatively high rental had been fixed. The total number of stores in the network had been consolidated from 61 in the previous year to 56. Year 2009 was the fortieth anniversary of Quiksilver Brand. A series of events had been organized to promote the image and brand awareness of Quiksilver.

Due to the inert market situation, the annual turnover of Quiksilver Glorious Sun decreased 2% from last year.

**2. Australia and New Zealand**

Australia and New Zealand were similarly affected by the global financial crisis though the impacts were comparatively less significant. The prompt launching of the governments' stimulus packages in late 2008 managed to hold back the adverse effects on the retail activities in the first half of the year. However, the interest increases of Australian dollar three times in the fourth quarter on top of the weakening of the stimulus effects in the second half depressed the market. Retail sentiment during Christmas period was the worst in recent years. Aggressive markdown was common. The Group's retail performance there was thus hit. The results expressed in Hong Kong dollar terms further suffered, as the average Australian dollar exchange rate against Hong Kong dollar was 7% lower when compared with previous year.

For the year under review, turnover of HK$982,220,000 (2008: HK$1,114,208,000) was registered in Australia and New Zealand markets showing a drop of 11.85% on year-on-year basis. As at the end of 2009, Jeanswest operated a network of 232 stores (2008: 226) in Australia and New Zealand, among which 6 (2008: 6) were under franchise arrangements.

**3. Overseas Franchise Operations**

In the period, Jeanswest had 37 franchised stores (2008: 26 stores) in Dubai, Oman, Abu Dhabi, Kuwait, Bahrain, Saudi Arabia, Iran, Vietnam and Venezuela. Generally, the impact of global financial crisis on our franchising operations was not so material, and our development prospect was still promising.

**Export**

In the year under review, our export business still operated under a very tough environment. Average export price was low and margin was under pressure as the adverse effect of the global financial crisis still prevailed in the US retail market. In the period, revenue generated from export operations accounted for only 14.84% of the Group's consolidated sales. Thus its negative impact on the Group's overall results was still manageable.

For the year, the Group's sales from exports amounted to HK$855,904,000 (2008: HK$876,690,000), slipped 2.37% from last year.

**Other Businesses**

Products manufactured by our factories in the Mainland and sold locally to third parties were the principal activity of the Group's other businesses. Its revenue contributed aggregate sales of HK$179,409,000 (2008: HK$247,600,000) showing a decrease of 27.54% year-on-year.

## FINANCIAL POSITION

The Group's financial position was unaffected by the global financial crisis and remained very solid. As mentioned earlier, the Group's net cash and inventory level were kept at healthy levels in the year under review. In 2009, the Group had entered into foreign currency forward contracts to hedge its exposure to foreign currency risks in respect of the Australian dollars.

## HUMAN RESOURCES

As at 31 December 2009, the Group employed about 28,000 employees (2008: 30,000). The Group offered competitive remuneration packages to them. In addition, bonus and share options may be granted based on the Group's results and individual performance from time to time. In the period our factory in Huizhou was named as "The most outstanding corporation with harmonious labour relationship in the textile industry in China".

## SOCIAL RESPONSIBILITY

It is the belief of the Management that while maximizing returns for shareholders through upgrading the quality of profitability, a company has to take up its social responsibilities. In addition to the strict adherence to stringent environmental protection policies and regulations, the Group also made direct contributions to the society. During the financial year, Jeanswest Australia on top of monetary donation to the 2009 Victorian Bushfire Fund managed by Red Cross also provided 15,000 pieces of garment to the volunteers who helped to fight the bushfire. In the Mainland, Jeanswest continued to fund various charity projects namely "Hope Primary Schools". "Jeanswest University Students Sponsorship Fund" and "Jeanswest Hope Teachers Program". Our factory in Huizhou was one of the ten publicized by the Government nationally as the outstanding factories in practicing the "CSC9000T", the social responsibility management system introduced by China National Textile Industry Society. In the process of running this management system we had successfully reduced the resource inputs and waste discharge but with higher productivity. The earned benefit arising there from has thus been shared with related workers.

## PROSPECTS

Looking forward to 2010, the worst of the global financial crisis may be over; but there are still a lot of uncertainties hanging over. PRC and Australia where we have our retailing are in the process of unwinding their stimulus measures. The other countries will soon follow their paths perhaps in different paces. It is doubtful if the present early economic recovery can still be sustained. The credit issue of certain European countries also arouses our concern. Therefore, the Management is always alerted to a possible "second regression" of the financial tsunami and harbours a prudent attitude in the development of our retail business. In the Mainland, Jeanswest will endeavour in enriching our margin while in Australia and New Zealand, the focus is on brand building and consolidation of our leading position in denim jeans.

In respect of the export business, we do not foresee any significant improvement ahead. The Management will strive to cost control and efficiency up-lift to enhance our competitiveness pending the recovery from the present tough environment.

Barring unforeseen circumstances, the Management has confidence that the Group will continue to bring reasonable returns to its shareholders in 2010.

## ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year 2010 will be held on Friday, 4 June 2010. For details of the annual general meeting, please refer to the notice of annual general meeting of the Company which is expected to be published on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (www.hkexnews.hk) and the Company (www.glorisun.com) on or around Wednesday, 21 April 2010.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 1 June 2010 to Friday, 4 June 2010, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrars 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 Monday, 31 May 2010.

## CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the year ended 31 December 2009.

## 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 year.

## APPRECIATION

The Board of Directors of the Company would like to take this opportunity to express its sincere appreciation to the shareholders for their support, and to the Management and staff for their dedicated efforts.

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

Hong Kong, 8 April 2010

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. Wong Man Kong, Peter, BBS, JP, Mr. Lau Hon Chuen, Ambrose, GBS, JP and Mr. Chung Shui Ming, Timpson, GBS, JP

*Non-Executive Director:*
Dr. Lam Lee G.