



GLORIOUS SUN ENTREPRISES LIMITED

Glorious Sun was founded in 1974 by Charles Yeung whom we first met in 1994. From its humble beginnings as a clothing manufacturer without any brands, the company grew quickly using its low cost manufacturing base in China.

In the early 1990s, the company concluded that with the ongoing ‘opening up’ of China, rising income levels would lead to growth in domestic consumerism and hence retailing. The question was, how could a traditional apparel manufacturer (whose business was totally export driven) transform itself to take advantage of this trend.

Glorious Sun found the answer in Australia. In 1993 it purchased a company called JeansWest which was a retailer of casual wear in Australia. Importantly, JeansWest did not compete with Glorious Sun’s major customers (which were based in the US, e.g. The Gap) and also provided them with a brand whose identity was portable.

The company transferred some of its best people to Australia, essentially to learn the retail business. Having built up its knowledge base the company then began the difficult journey of establishing a national retailer in

China, providing affordable fashionable clothes to young people.



Using the JeansWest brand name it developed a business which, by the end of 2004, had 565 stores in China to complement its 179 stores in Australia. In this same year, total group sales reached HK\$3.6 billion, of which 64% was retail. Furthermore, the company had diversified its traditional textile business with a significant portion of its production moved outside of China.

The company has achieved all of this whilst always prudently managing its financial resources – today it has in excess of HK\$1.1 billion in cash. This puts it in a strong position to be able to further expand its business as it

has done in the last two years, by initiating start up retail joint ventures in China with IT and Quicksilver.

Glorious Sun has strong cash flows, earns a 15% return on equity, pays out 60% of its profits as dividends and, in our view, is set to continue growing over the long term.

In conclusion, Glorious Sun displays many of the attributes we look for, namely:

- ◆ Operating in an industry with growth potential;
- ◆ A management team that is both long term and strategic in its vision and importantly, continues to execute effectively;
- ◆ Strong financial position and cash flows;
- ◆ Return on equity.

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The Allard Partners Team