THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Glorious Sun Enterprises Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or registered dealer in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

GLORIOUS SUN ENTERPRISES LIMITED
旭 日 企 業 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 393)

MAJOR AND CONNECTED TRANSACTION
DISPOSAL OF INTEREST IN
JEANSWEST INTERNATIONAL (L) LIMITED
CONTINUING CONNECTED TRANSACTIONS
SUPPLY OF APPAREL PRODUCTS AND ACCESSORIES
AND
NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders

YU MING INVESTMENT MANAGEMENT LIMITED
禹 銘 投 資 管 理 有 限 公 司

A letter from the Board is set out on pages 4 to 15 of this circular. A letter from the Independent Board Committee is set out on pages IBC-1 to IBC-2 of this circular. A letter from Yu Ming Investment Management Limited, the Independent Financial Adviser, containing its recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-15 of this circular.

The SGM of the Company will be held at Dynasty II, 7th Floor, The Dynasty Club Limited, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Friday, 2 June 2017 at 2:30 p.m.. A notice convening the SGM is set out on pages SGM-1 to SGM-3 of this circular.

A form of proxy for the SGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are advised to read the notice and to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, to the Company's principal place of business at 38/F., One Kowloon, 1 Wang Yuen Street, Kowloon Bay, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the SGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or at any adjourned meeting thereof should you so wish.

12 May 2017

CONTENTS

Pages

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"A$"	Australian dollars, the lawful currency of Australia
"Announcement"	the announcement of the Company dated 6 April 2017 in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder (including the Caps)
"associate(s)", "connected person(s)", "substantial shareholder(s)", "subsidiary(ies)"	each has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Cap(s)"	the maximum aggregate amount of sales to be made by the Group to the Target Group for each year/period under the Master Supply Agreement (as amended by the Supplemental Master Supply Agreement)
"Company"	Glorious Sun Enterprises Limited 旭日企業有限公司, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Disposal
"Consideration"	HK$220,000,000, being the consideration payable by the Purchaser to the Vendor pursuant to the Sale and Purchase Agreement
"Directors"	directors of the Company
"Disposal"	the disposal of the Sale Share and the Sale Loan by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement
"Group"	the Company and its subsidiaries, and shall not include the Target Group after Completion
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	an independent committee of the Board advising the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder (including the Caps), comprising 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., all being independent non-executive Directors
"Independent Financial Adviser"	Yu Ming Investment Management Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Independent Shareholders"	Shareholders other than Dr. Charles Yeung and Mr. Yeung Chun Fan and their respective associates
"Latest Practicable Date"	9 May 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Master Supply Agreement"	the master agreement dated 6 April 2017 between the Company and the Target Company in respect of the supply of apparel products and accessories to the Target Group by the Group (as amended by the Supplemental Master Supply Agreement)
"PRC"	The People's Republic of China
"Purchaser"	Howsea Limited, a company incorporated in Hong Kong with limited liability and a company owned by Dr. Charles Yeung and Mr. Yeung Chun Fan
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement dated 6 April 2017 between the Vendor and the Purchaser in respect of the Disposal
"Sale Loan"	HK$174,000,000, being the total amount owing from the Target Company to the Vendor as at Completion, which is non-interest bearing, unsecured and repayable on demand
"Sale Share"	1 share of US$1.00 in the issued share capital of the Target Company
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)

"SGM"	the special general meeting of the Company to be convened and held on Friday, 2 June 2017 (including any adjournment thereof) to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder (including the Caps)
"Shareholders"	the shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Master Supply Agreement"	the supplemental agreement dated 9 May 2017 between the Company and the Target Company to amend the Master Supply Agreement
"Target Company"	Jeanswest International (L) Limited, a company incorporated in Labuan, Malaysia with limited liability
"Target Group"	the Target Company and its subsidiaries
"US"	the United States of America
"US$"	United States dollars, the lawful currency of the United States of America
"Vendor"	Jeanswest (BVI) Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"%"	per cent.

GLORIOUS SUN ENTERPRISES LIMITED
旭日企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 393)

Board:
Executive Directors:
Dr. Charles Yeung, GBS, JP *(Chairman)*
Mr. Yeung Chun Fan *(Vice-chairman)*
Mr. Pau Sze Kee, Jackson
Mr. Hui Chung Shing, Herman, SBS, MH, JP
Ms. Cheung Wai Yee
Mr. Chan Wing Kan, Archie
Ms. Yeung Yin Chi, Jennifer

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
Dr. Lam Lee G.

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business in Hong Kong
38/F., One Kowloon
1 Wang Yuen Street
Kowloon Bay
Hong Kong

12 May 2017

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
DISPOSAL OF INTEREST IN
JEANSWEST INTERNATIONAL (L) LIMITED
CONTINUING CONNECTED TRANSACTIONS
SUPPLY OF APPAREL PRODUCTS AND ACCESSORIES
AND
NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder (including the Caps).

The purpose of this circular is to provide you with, among other things, (i) further information on the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder (including the Caps); (ii) the recommendations from the Independent Board Committee on the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder (including the Caps); (iii) the advice from the Independent Financial Adviser on the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder (including the Caps); and (iv) a notice for convening the SGM (to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder (including the Caps)).

On 6 April 2017, the Group (through its wholly-owned subsidiary) entered into the Sale and Purchase Agreement to dispose of its interest in the Target Company to the Purchaser, a company owned by Dr. Charles Yeung and Mr. Yeung Chun Fan (directors and substantial shareholders of the Company), details of which are set out below.

THE SALE AND PURCHASE AGREEMENT

Date

6 April 2017

Parties

(a) the Vendor, a wholly-owned subsidiary of the Company

(b) the Purchaser, a company owned by Dr. Charles Yeung and Mr. Yeung Chun Fan

Assets To Be Sold

(a) the Sale Share, representing 100% of the total issued share capital in the Target Company; and

(b) the Sale Loan in the amount of HK$174,000,000.

Consideration

The Consideration of HK$220,000,000 comprises:

(a) HK$46,000,000 for the Sale Share; and

(b) HK$174,000,000 for the Sale Loan, being the face value of the total amount of the Sale Loan.

The Consideration will be settled in cash at Completion.

The Consideration has been determined after arm's length negotiations between the parties with reference to (i) the business conditions of the Target Group; (ii) the financial position of the Target Group as at 31 March 2017 of an unaudited consolidated net liabilities of approximately HK$43,597,000; (iii) the historical profits and losses of the Target Group including those up to 31 March 2017, in particular the unaudited consolidated net loss before and after taxation of approximately HK$(40,990,000) and approximately HK$(29,042,000) for the year ended 31 December 2014, the unaudited consolidated net profit before and after taxation of approximately HK$7,558,000 and approximately HK$7,921,000 for the year ended 31 December 2015, and the unaudited consolidated net loss before and after taxation of approximately HK$(80,289,000) and approximately HK$(55,472,000) for the year ended 31 December 2016, resulting in an accumulative loss before and after taxation of approximately HK$(113,721,000) and approximately HK$(76,593,000) for the three years ended 31 December 2016, and the unaudited consolidated net loss before and after taxation of approximately HK$(40,320,000) and approximately HK$(40,320,000) for the three months ended 31 March 2017; (iv) any profits (and losses) of the Target Group accrued on or before 31 March 2017 shall belong to (or be borne by) the Vendor; and (v) the retail market conditions and macroeconomic environment of Australasia, whereby according to market information as extracted from Australian Bureau of Statistics Retail Reports, the growth rate of the overall Australian retail market in 2016 is 3.5%, reflecting a slowdown of growth rate as the average growth rate in the past 5 years is 4.0%. Further, the increasing importance of online retailing in the Australian apparel market is giving rise to an influx of international competitors, and a number of sizeable retailers in the Australian market have gone into voluntary administration in recent years. As the parties agreed that the Consideration took into account the profits and losses up to 31 March 2017 only, no completion adjustment to the Consideration is expected or required with reference to the financial position of the Target Group as at Completion.

The Consideration comprises HK$174,000,000 for disposal of the Sale Loan at its face value, and HK$46,000,000 for the Sale Share which represented a negotiated premium achieving satisfactory disposal gain. Having considered the above quantitative and qualitative factors, the Directors (including the independent non-executive Directors) are of the view that the Consideration is fair and reasonable, on normal commercial terms or better, and in the interests of the Company and its Shareholders as a whole.

Conditions Precedent

Completion is conditional upon the fulfillment or waiver of the following conditions on or before 30 September 2017 (or such other date as may be agreed between the Vendor and the Purchaser):

(a) the Independent Shareholders having approved the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM;

(b) the Vendor and/or the Company obtaining all necessary consents, approvals, clearances and authorisations of any relevant regulatory authorities in Hong Kong (including the Stock Exchange) or other relevant third parties in Hong Kong as required for the transactions contemplated under the Sale and Purchase Agreement; and

(c) the warranties in the Sale and Purchase Agreement remaining true and accurate in all material respects as at the date of the Sale and Purchase Agreement and as at Completion.

Save and except for condition (c) above (which may be waived at the discretion of the Purchaser), none of the conditions can be waived.

Completion

Completion shall take place on the fifth business day after all the conditions have been fulfilled or waived, or such other date as the parties may agree.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Group will no longer be consolidated into the Group's financial statements after Completion.

THE MASTER SUPPLY AGREEMENT

The Group has been supplying apparel products and accessories to the Target Group, and it is expected that the Group will continue to supply apparel products and accessories to the Target Group after the Disposal. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Purchaser, which is a company owned by Dr. Charles Yeung and Mr. Yeung Chun Fan (directors and substantial shareholders of the Company). As such, the supply of apparel products and accessories to the Target Group by the Group will constitute continuing connected transactions for the Company and the Company and the Target Company entered into the Master Supply Agreement to set out the basis and terms of such transactions.

Date

6 April 2017

Parties

(a) the Company

(b) the Target Company

Transaction Nature

The Group will supply to the Target Group apparel products and accessories.

Term and Conditions Precedent

The Master Supply Agreement is conditional upon the Disposal having been completed and the Company having obtained the approval of the Independent Shareholders at the SGM by way of poll in relation to the transactions contemplated under the Master Supply Agreement and complied with all necessary requirements as may be imposed by the Stock Exchange under the Listing Rules.

Subject to the fulfillment of the conditions, the Master Supply Agreement shall take effect on the date of Completion and shall continue until 31 December 2019.

Pricing Basis and Payment Terms

The price of the apparel products and accessories shall be mutually agreed by the parties for each individual order placed and shall be either at market rates or at rates no less favourable to the Company than such rates offered to any other independent third party and on a cost-plus pricing basis set out below:

(a) in order to determine the production costs of the orders, not less than 3 production quotes from a list of approved factories kept by the Group have to be obtained unless the production costs are below HK$250,000, in which case 2 production quotes from the approved factories would be acceptable;

(b) the merchandising team in conjunction with the quality assurance team in the relevant subsidiaries of the Group for the product sales shall recommend new factories, if any, for the approval by the general manager of the relevant subsidiaries and the responsible executive Director overseeing the operations of the relevant subsidiaries. All existing approved factories will be reviewed and their approved status will be confirmed on an annual basis by the general manager of the relevant subsidiary of the Group for the product sales and the responsible executive Director overseeing the operations of the relevant subsidiaries of the Group for the product sales. The factors considered when adding a factory in the approved list include the quality of the products produced by the factories, the track record and working history with the Group, the production and delivery capability and pricing competitiveness;

(c) given that all factories in the approved list have satisfied the Group with respect to the factors to be considered as mentioned above in paragraph 2, the Group would make a decision based on the price quoted, and the lowest quote obtained shall be selected, which shall form the basis of calculation of the sales price;

(d) the sales price of the apparel products and accessories should be calculated based on the lowest quote and a gross profit margin falling within a guideline range of percentage determined by the Group (the "**Guideline Range**"), which is determined and approved by the responsible executive Director overseeing the operations of the relevant subsidiaries of the Group for the product sales. The Guideline Range is a benchmark range of gross profit margin determined by the management of the Group with reference to factors including the historical financial results of the Group, the industry average of comparable companies, and the business and market conditions of the retail market. The exact and actual gross profit margin for each relevant apparel products and accessories is determined based on factors including the location of manufacturing, the shipment schedule and destination, the type of products and the total value of the order. As the circumstances of each of the above conditions and factors may vary, which may then increase or decrease the cost of the products, the exact gross profit margin might occasionally vary and become higher or lower than the Guideline Range;

(e) in the case where the gross profit margin falls outside of the Guideline Range and is higher than the Guideline Range, approval by the division head of the relevant subsidiary(ies) of the Group for the product sales (being the operating entity) must be obtained and such decision shall be endorsed by the responsible executive Director overseeing the operations of the relevant subsidiaries of the Group for the product sales. In the case where the gross profit margin is lower than the Guideline Range, approval by the general manager of the relevant subsidiary(ies) of the Group for the product sales is required and such decision shall be endorsed by the responsible executive Director overseeing the operations of the relevant subsidiaries of the Group for the product sales. A number of factors including the total value of the order, the specific type of product ordered, the business conditions of the market including abundance of orders at the relevant time, and the historical sales volume and profitability brought by the relevant customer to the Group, will be reviewed and taken into account by the division head/general manager/responsible executive Director while making such approvals;

(f) the finance department of the relevant subsidiary(ies) of the Group for the product sales must ensure the above pricing policy is strictly adhered to by making quarterly report on the turnover, gross profit margin and any deviation of the pricing policy to the management of the Group. The financial controller of the relevant subsidiary(ies) of the Group for the product sales must set key performance indicators ("**KPI**") for all divisions of the relevant subsidiary(ies) of the Group for the product sales (which shall be endorsed by the responsible executive Director overseeing the operations of the relevant subsidiaries of the Group for the product sales) for monitoring purpose and report on discrepancies without approval at the monthly executive meeting. The KPI include the turnover target and the gross profit target and such targets are set after considering the budget and past years KPI of the relevant subsidiary(ies) of the Group for the product sales;

(g) any non-compliance of the above pricing policy will be reflected in the KPI report of the respective executives and managers of the relevant divisions and of the general manager of the relevant subsidiary(ies) of the Group for the product sales; and

(h) the above pricing policy and compliance procedure will be reviewed by the Board (including the independent non-executive Directors) and internal auditors of the Company on an annual basis.

In view of the above pricing basis and policy, the Directors (including the independent non-executive Directors) consider that the price determined based on the pricing policy under the Master Supply Agreement is on normal commercial terms, fair and reasonable and not less favourable to the Company than those offered to the independent third party customers.

The price of the apparel products and accessories under the transactions shall be settled in cash upon 30 days after the end of the month in which the invoice is issued, and the same payment terms are also offered to the independent third party customers of the Company. In view of above, the Directors (including the independent non-executive Directors) consider that the above payment terms are on normal commercial terms, fair and reasonable and not less favourable to the Company than those offered to the independent third party customers.

On 9 May 2017, the Supplemental Master Supply Agreement was entered into between the Company and the Target Company to amend the Master Supply Agreement to the effect that the Cap for the period commencing from the date of Completion to 31 December 2017 was amended from HK$312,000,000 to HK$181,000,000 and the Cap for the year ending 31 December 2018 was amended from HK$312,000,000 to HK$294,000,000. Save for the aforesaid, all other terms and conditions of the Master Supply Agreement remain unchanged.

Caps

The Caps for the Master Supply Agreement for the following period/year are set out below:

For the period commencing from the date of Completion to 31 December 2017	For the year ending 31 December 2018	For the year ending 31 December 2019
HK$181,000,000	HK$294,000,000	HK$312,000,000

For the three years ended 31 December 2016, the amounts of apparel products and accessories supplied to the Target Group were approximately HK$308,000,000, HK$269,000,000 and HK$250,000,000 respectively.

The Caps are determined with reference to the following:

(a) the average of the above three-year historical transaction amounts, namely approximately HK$276,000,000;

(b) the Cap for the period commencing from the date of Completion to 31 December 2017 is calculated by deducting the estimated amount of transaction from 1 January 2017 to the date of Completion of approximately HK$95,000,000, from the average three-year historical transaction amount of approximately HK$276,000,000;

(c) the Caps for the year ending 31 December 2018 and 2019 are determined based on a modest average annual increment of approximately 6.0% from the average three-year historical transaction amount of approximately HK$276,000,000; and

(d) in determining such modest average annual increment of approximately 6.0%, amid a decreasing trend of the three-year historical transaction amounts in general, the Group has taken into account (i) the average growth rate of the overall Australian retail market in the past 5 years of 4.0% (the annual growth rate in the past 5 years ranges from 3.3% to 5.5%) according to market information as extracted from Australian Bureau of Statistics Retail Reports, (ii) potential changes in market conditions (which may include short-term upswing in the markets) and (iii) inflation rate.

INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company incorporated in Labuan, Malaysia in 1996. The Target Group is engaged in the retailing of apparel products and accessories in Australasia. The Target Group has been purchasing apparel products and accessories from the Group.

The unaudited consolidated net liabilities of the Target Group as at 31 December 2016 and 31 March 2017 were approximately HK$3,277,000 and HK$43,597,000 respectively. The unaudited consolidated net profits/(losses) before and after taxation of the Target Group for the two financial years ended 31 December 2015 and 2016 were as follows:

	For the year ended 31 December 2015 *Approximately*	**For the year ended 31 December 2016** *Approximately*
Unaudited consolidated net profits/(losses) before taxation	HK$7,558,000	HK$(80,289,000)
Unaudited consolidated net profits/(losses) after taxation	HK$7,921,000	HK$(55,472,000)

INFORMATION ON THE PARTIES

The Group is principally engaged in the retailing, export and production of casual wear and financial investments. The Vendor is a wholly-owned subsidiary of the Company and is an investment holding company holding the interest in the Target Group.

The Purchaser is a company owned by Dr. Charles Yeung and Mr. Yeung Chun Fan, directors and substantial shareholders of the Company, and is an investment holding company.

REASONS AND BENEFITS OF THE TRANSACTIONS

The retail market in Australasia is relatively small and mature. In recent years, competition intensified as global brand names have been entering the market. Furthermore, the recent macroeconomic slowdown and the change of consumption patterns towards non-garment goods have subdued market sentiment and brought challenges to the apparel products and accessories retail business environment.

The Target Group has seen substantial operating losses in two of the past three years. The Directors expect that turnaround of the Jeanswest brand name and business will entail deep level reforms and reinvestment in Jeanswest's product design, market positioning and electronic platform, with additional resources in boosting its brand name and to bring new image to Jeanswest. The Directors believe that this will mean costly effort while optimal results will only be achieved in a long time span.

Despite the decrease in turnover for the Target Group as compared between the year ended 31 December 2015 and the year ended 31 December 2016 is approximately 12.53%, the impact on the net profit or loss for the Target Group is more significant, namely a drop in 800% on the net profits after taxation as compared between the year ended 31 December 2015 and the year ended 31 December 2016. The unaudited consolidated net profits before taxation has also dropped for approximately HK$87.85 million as compared between the year ended 31 December 2015 and the year ended 31 December 2016. This is due to a decrease in the gross profit of HK$129.82 million as a result of decrease in turnover and decline of gross profit margin by 5.01%, which is partially offset by decrease in selling and other expenses in the amount of HK$41.97 million.

As such, a divestment of the Australasia retail business will bring positive impact on the earnings and performance of the Group in the coming years. Although the Disposal will result in the Group exiting the Australasian market and reducing the turnover of the Group, resources of the Group could then be put to use in markets with greater potential, thereby contributing to the Group's business prospects. Accordingly, the Directors believe that the Disposal will be beneficial for the Group. Prior to entering into negotiation with the Purchaser regarding the Disposal, the Group had approached local Australian bank as well as international investment bank to look for prospective purchaser to acquire the Target Group with a view of obtaining the best price for a proposed disposal. No purchaser had been identified and no terms nor price had been offered. The Group then initiated discussion and negotiation with the Purchaser for the Disposal.

It is estimated that the Disposal will generate a gain of approximately HK$89,597,000, being the premium of the consideration for the Sale Share over the net liabilities of the Target Group as at 31 March 2017. The Company intends to use the proceeds from the Disposal for general working capital of the Group, including the repayment of bank loans, which will reduce indebtedness of the Group and is beneficial to the Group.

The Directors (including the independent non-executive Directors whose views have been set out in this circular after taking into consideration the advice of the Independent Financial Adviser) consider that (i) though the Disposal is not in the ordinary and usual course of business of the Group, the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms or better, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (ii) the Master Supply Agreement and the transactions contemplated thereunder are expected to be entered into in the ordinary and usual course of business of the Group and on normal commercial terms after arm's length negotiations between the parties, and the terms thereof (including the Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Dr. Charles Yeung and Mr. Yeung Chun Fan, being the owners of the Purchaser and each an executive Director, Ms. Cheung Wai Yee, an executive Director and the spouse of Mr. Yeung Chun Fan, and Ms. Yeung Yin Chi, Jennifer, an executive Director, a niece of Dr. Charles Yeung and Mr. Yeung Chun Fan, did not vote on the Board resolutions in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the other Directors has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder and has abstained from voting on the Board resolutions in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Vendor, being a wholly-owned subsidiary of the Company, will cease to hold any shares in the Target Company through its 100% wholly owned subsidiary. The Target Company and its subsidiaries will cease to be subsidiaries of the Company. As such, the results of the Target Group will no longer be consolidated into the financial statements of the Group.

As disclosed above, the Disposal will generate a gain to the Group of approximately HK$89,597,000, being the premium of the consideration for the Sale Share over the net liabilities of approximately HK$43,597,000 of the Target Group as at 31 March 2017 without taking into account the relevant expenses of the Disposal and the adjustment in exchange reserve.

In addition, it is expected that the Disposal would lead to a decrease of the Group's total assets and total liabilities as the results of the Target Group will no longer be consolidated into the Group's financial statements. The net assets of the Group are expected to increase based on the potential gain on the disposal.

The actual gain or loss arising from the Disposal may be different from the above and shall be subject to audit, which will be determined based on the amount of the consolidated net assets/liabilities (as the case may be) of the Target Group at the date of Completion and the amount of expenses incidental to the Disposal.

LISTING RULES IMPLICATIONS

The Purchaser is a company owned by Dr. Charles Yeung and Mr. Yeung Chun Fan, directors and substantial shareholders of the Company. Accordingly, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal is 25% or more but less than 75%, the Disposal also constitutes a major transaction for the Company. The Disposal is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and will become a wholly-owned subsidiary of the Purchaser. Accordingly, the Target Company and its subsidiaries will become connected persons of the Company and the transactions contemplated under the Master Supply Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Master Supply Agreement calculated with reference to the highest Cap is 5% or more, the Master Supply Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising 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., all being independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder (including the Caps). Yu Ming Investment Management Limited has also been appointed as the Independent Financial Adviser to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder (including the Caps).

SGM

The SGM will be convened for the Independent Shareholders to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder (including the Caps) by poll. Dr. Charles Yeung and Mr. Yeung Chun Fan and their respective associates (together holding approximately 63.8% interest in the Company) will abstain from voting on the resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder (including the Caps).

As at the Latest Practicable Date, Dr. Charles Yeung and Mr. Yeung Chun Fan and their respective associates together are interested in 979,953,499 Shares, representing approximately 63.8% of the issued share capital of the Company. Dr. Charles Yeung and Mr. Yeung Chun Fan will, together with their respective associates, abstain from voting on the resolution to be proposed at the SGM to the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder (including the Caps).

A notice convening the SGM to be held at Dynasty II, 7th Floor, The Dynasty Club Limited, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Friday, 2 June 2017 at 2:30 p.m. is set out on pages SGM-1 to SGM-3 of this circular.

A form of proxy for the SGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are advised to read the notice and to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, to the Company's principal place of business at 38/F., One Kowloon, 1 Wang Yuen Street, Kowloon Bay, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the SGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM and any adjourned meeting thereof should you so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors whose views have been set out in this circular after taking into consideration the advice of the Independent Financial Adviser) consider that (i) though the Disposal is not in the ordinary and usual course of business of the Group, the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms or better, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (ii) the Master Supply Agreement and the transactions contemplated thereunder are expected to be entered into in the ordinary and usual course of business of the Group and on normal commercial terms after arm's length negotiations between the parties, and the terms thereof (including the Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolutions for approving the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder (including the Caps) to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Glorious Sun Enterprises Limited
Hui Chung Shing, Herman, SBS, MH, JP
Director

GLORIOUS SUN ENTERPRISES LIMITED
旭日企業有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 393)

12 May 2017

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION DISPOSAL OF INTEREST IN JEANSWEST INTERNATIONAL (L) LIMITED CONTINUING CONNECTED TRANSACTIONS SUPPLY OF APPAREL PRODUCTS AND ACCESSORIES AND NOTICE OF SPECIAL GENERAL MEETING

We refer to the circular dated 12 May 2017 (the "**Circular**") issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider and to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder (including the Caps) as set out in the Circular as to the fairness and reasonableness and to recommend whether or not the Independent Shareholders should approve on the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder (including the Caps) as set out in the Circular. Yu Ming Investment Management Limited has been appointed as the Independent Financial Adviser to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out on pages IFA-1 to IFA-15 of the Circular.

We wish to draw your attention to the Letter from the Board and the Letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder (including the Caps). Your attention is also drawn to the additional information set out in the appendices to the Circular.

Having considered the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, the terms of the Master Supply Agreement and the transactions contemplated thereunder (including the Caps), the advice of the Independent Financial Adviser and the relevant information contained in the letter from the Board, we consider that (i) though the Disposal is not in the ordinary and usual course of business of the Group, the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms or better, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (ii) the Master Supply Agreement and the transactions contemplated thereunder are expected to be entered into in the ordinary and usual course of business of the Group and on normal commercial terms after arm's length negotiations between the parties, and the terms thereof (including the Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions for approving the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder (including the Caps) to be proposed at the SGM.

Yours faithfully,
The Independent Board Committee of
Glorious Sun Enterprises Limited

Mr. Lau Hon Chuen, Ambrose, GBS, JP
Independent non-executive Director

Dr. Chung Shui Ming, Timpson, GBS, JP
Independent non-executive Director

Mr. Wong Man Kong, Peter, BBS, JP
Independent non-executive Director

Dr. Lam Lee G.
Independent non-executive Director

The following is the full text of a letter of advice from Yu Ming Investment Management Limited to the Independent Board Committee and the Independent Shareholders in relation to the Disposal and the Master Supply Agreement, which has been prepared for the purpose of inclusion in this circular.

YU MING INVESTMENT MANAGEMENT LIMITED
禹 銘 投 資 管 理 有 限 公 司

12 May 2017

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION
DISPOSAL OF INTEREST IN JEANSWEST INTERNATIONAL (L) LIMITED
CONTINUING CONNECTED TRANSACTIONS
SUPPLY OF APPAREL PRODUCTS AND ACCESSORIES

INTRODUCTION

Reference is made to the announcement of the Company dated 6 April 2017 in connection with the Disposal and the Master Supply Agreement and the transactions contemplated thereunder, details of which are set out in the section headed "Letter from the Board" (the "**Letter**") in the circular of the Company dated 12 May 2017 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 6 April 2017, the Group (through its wholly-owned subsidiary) entered into the Sale and Purchase Agreement to dispose of its interest in the Target Company to the Purchaser, a company owned by Dr. Charles Yeung and Mr. Yeung Chun Fan (directors and substantial shareholders of the Company) at a consideration of HK$220,000,000.

The Group has been supplying apparel products and accessories to the Target Group, and it is expected that the Group will continue to supply apparel products and accessories to the Target Group after the Disposal. As such, the Company and the Target Company entered into the Master Supply Agreement (as amended by the Supplemental Master Supply Agreement) to set out the basis and terms of such transactions.

The Purchaser is a company owned by Dr. Charles Yeung and Mr. Yeung Chun Fan, directors and substantial shareholders of the Company. Accordingly, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal is 25% or more but less than 75%, the Disposal also constitutes a major transaction for the Company. The Disposal is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and will become a wholly-owned subsidiary of the Purchaser. Accordingly, the Target Company and its subsidiaries will become connected persons of the Company and the transactions contemplated under the Master Supply Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Master Supply Agreement calculated with reference to the highest Cap is 5% or more, the Master Supply Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement requirements and independent shareholders' approval requirement under the Listing Rules.

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Lau Hon Chuen Ambrose, Dr. Chung Shui Ming Timpson, Mr. Wong Man Kong Peter and Dr. Lam Lee G, has been established to advise the Independent Shareholders as to whether the terms of the Disposal and the Master Supply Agreement (including the Caps) and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and how to vote on the relevant resolutions in the SGM. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the statements, information, opinions and representations provided to us by the Directors through management, officers and professional advisers of the Company ("**Relevant Information**"). We have assumed that all Relevant Information provided to us by the Directors for which they are solely responsible are, to the best of their knowledge, true, complete and accurate at the time they were made and continue to be so on the date of this letter.

We have no reason to suspect that any Relevant Information has been withheld, nor are we aware of any fact or circumstance which would render the Relevant Information provided and presented to us untrue, inaccurate, incomplete or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification on the Relevant Information provided to us by the Directors, nor have we conducted any independent investigation into the business and affairs of the Group.

We acted as the independent financial adviser to advise the independent board committee and the independent shareholders of the Company in respect of the connected transaction of the Company (details of the connected transaction were set out in the circular of the Company dated 23 September 2016). This previous engagement had been completed upon the issue of the circular of the Company. As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation in relation to the terms of the Disposal and the Master Supply Agreement and transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

The Group is engaging in the retailing, export and production of casual wear and financial investments.

A summary of financial information of the Group is extracted from the annual reports of the Company for years ended 31 December 2015 and 2016 in Table 1 below:

Table 1: Financial highlights of the Group

	For the year ended 31 December		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
	(Restated)	*(Restated)*	
Revenue	5,899,459	4,389,016	3,336,494
Gross profit	2,515,202	1,890,610	1,407,866
Profit before tax	146,903	56,376	50,928
Profit after tax	121,881	93,735	91,751
	As at 31 December		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	1,499,022	1,619,316	1,921,799
Current assets	3,337,527	2,077,168	2,185,679
Current liabilities	2,643,763	1,570,296	1,589,266
Non-current liabilities	47,220	76,994	53,243
Net current assets	693,764	506,872	596,413
Net assets	2,145,566	2,049,194	2,464,969

(i) For the year ended 31 December 2016

For the year ended 31 December 2016, the Group recorded a total revenue of approximately HK$3,336.5 million (2015: approximately HK$4,389.0 million), representing a decrease of approximately 23.98% from the previous year. Profit after tax of the Group for the year ended 31 December 2016 is approximately HK$91.8 million (2015: HK$93.7 million), representing a decrease of approximately 2.12%.

As stated in the annual report of the Company for the year ended 31 December 2016, the decrease in revenue of approximately 23.98% in 2016 was mainly due to the reduction in retail sales of approximately 25.88% and export sales of approximately 23.81% attributable to the persistently sluggish global economic activities. However, net profit in 2016 decreased by only approximately 2.12% mainly due to the decrease in selling and distribution expenses, administrative expenses and other expenses as a result of effective cost control.

As at 31 December 2016, the audited net current assets and net assets of the Group amounted to approximately HK$596.4 million and approximately HK$2,465.0 million, respectively.

(ii) For the year ended 31 December 2015

For the year ended 31 December 2015, the Group recorded a total revenue of approximately HK$4,389.0 million (2014: approximately HK$5,899.5 million), representing a decrease of approximately 25.60% from the previous year. Profit after tax of the Group for the year ended 31 December 2015 is approximately HK$93.7 million (2014: HK$121.9 million), representing a decrease of approximately 23.09%.

As stated in the annual financial report of the Company for the year ended 31 December 2015, the decrease in revenue and profit in the year 2015 is mainly due to the downward pressure of the PRC economy, the bubble burst of A shares and the commencement of RMB devaluation against US dollar, which deeply eroded the confidence of investors and consumers and dismayed the apparel retail sentiment and adversely affected the Group's retailing in Greater China.

As at 31 December 2015, the audited net current assets and net assets of the Group amounted to approximately HK$506.9 million and approximately HK$2,049.2 million, respectively.

2. The Disposal

Reasons for the Disposal

As set out in the Letter, the retail market in Australasia is relatively small and mature. In recent years, competition intensified as global brand names have been entering the market. Furthermore, the recent macroeconomic slowdown and the change of consumption patterns towards non-garment goods have subdued market sentiment and brought challenges to the apparel products and accessories retail business environment.

The Target Group has seen substantial operating losses in two of the past three years. The Directors expect that turnaround of the Jeanswest brand name and business will entail deep level reforms and reinvestment in the Jeanswest's product design, market positioning and electronic platform, with additional resources in boosting its brand name and to bring new image to Jeanswest. The Directors believe that this will mean costly effort while optimal results will only be achieved in a long time span.

Despite the decrease in turnover for the Target Group as compared between the year ended 31 December 2015 and the year ended 31 December 2016 is approximately 12.53%, the impact on the net profit or loss for the Target Group is more significant, namely a drop in 800% on the net profits after taxation as compared between the year ended 31 December 2015 and the year ended 31 December 2016. The unaudited consolidated net profits before taxation has also dropped for approximately HK$87.85 million as compared between the year ended 31 December 2015 and the year ended 31 December 2016. This is due to a decrease in the gross profit of HK$129.82 million as a result of decrease in turnover and decline of gross profit margin by 5.01%, which is partially offset by decrease in selling and other expenses in the amount of HK$41.97 million.

As such, a divestment of the Australasia retail business will bring positive impact on the earnings and performance of the Group in the coming years. Although the Disposal will result in the Group exiting the Australasian market and reducing the turnover of the Group, resources of the Group could then be put to use in markets with greater potential, thereby contributing to the Group's business prospects. Accordingly, the Directors believe that the Disposal will be beneficial for the Group. Prior to entering into negotiation with the Purchaser regarding the Disposal, the Group had approached local Australian bank as well as international investment bank to look for prospective purchaser to acquire the Target Group with a view of obtaining the best price for a proposed disposal. No purchaser had been identified and no terms nor price had been offered. The Group then initiated discussion and negotiation with the Purchaser for the Disposal.

It is estimated that the Disposal will generate a gain of approximately HK$89.6 million, being the premium of the consideration for the Sale Share over the net liabilities of the Target Group as at 31 March 2017. The proceeds from the Disposal are intended for use of general working capital of the Group, including the repayment of bank loans, which will reduce indebtedness of the Group and is beneficial to the Group.

Taking into account the reasons described above, we concur with the Directors that though the Disposal is not in the ordinary and usual course of business of the Group, the Disposal is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Major Terms of the Disposal

Assets to be disposed

Pursuant to the Sale and Purchase Agreement, the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the Sale Share and the Sale Loan at the aggregate consideration of HK$220,000,000.

(i) Information on the Target Group

The Target Company is an investment holding company incorporated in Labuan, Malaysia, in 1996. The Target Group is engaged in the retailing of apparel products and accessories in Australasia. The Target Group has been purchasing apparel products and accessories from the Group.

(ii) Financial information of the Target Group

Set out below is the consolidated unaudited financial information of the Target Group for the three years ended 31 December 2014 and 2015 and 2016 (the "**Review Period**"):

Table 2: Financial information of the Target Group

	For the year ended/as at 31 December 2014		**For the year ended/as at 31 December 2015**		**For the year ended/as at 31 December 2016**	
	HK$'000	*as% to Group*	*HK$'000*	*as% to Group*	*HK$'000*	*as% to Group*
Revenue	1,309,350	22.2%	1,092,408	24.9%	955,525	28.6%
Profit after tax	(29,042)	NA	7,921	8.5%	(55,472)	NA
Net assets	49,980	2.3%	50,030	2.4%	(3,277)	NA

It is noted that the revenue of the Target Group had been on a downward trend during the Review Period, decreasing from approximately HK$1,309.4 million for the year ended 31 December 2014 to approximately HK$955.5 million for the year ended 31 December 2016. The Target Group reported a net loss two out of three years during the Review Period, resulting in the net liabilities position of the Target Group as at 31 December 2016.

Based on the estimation by the management of the Company, the Target Group recorded a net loss of approximately HK$40.3 million for the three months ended 31 March 2017 and net liabilities of approximately HK$43.6 million as at 31 March 2017.

The unsatisfactory financial performance of the Target Group was mainly due to the fierce market competition of the clothing retail market and the sluggish economic activities in Australia and New Zealand (details of which were set out in the paragraphs headed "Reasons for the Disposal" above).

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Group will no longer be consolidated into the Group's financial statements after Completion.

Given (i) the revenue, profit and net assets of the Target Group represented not more than 28.6%, 8.5% and 2.4% of the Group's revenue, profit and net assets during the Review Period, respectively; and (ii) the Target Group reported a net loss and net liabilities for the year ended 31 December 2016, although the Group's revenue will decrease upon completion of the Disposal, the Disposal is expected to improve the quality of the business and profitability of the Group.

(iii) Consideration for the Disposal

The Consideration for the Disposal of HK$220,000,000 comprises:

(a) HK$46,000,000 for the Sale Share; and

(b) HK$174,000,000 for the Sale Loan, being the face value of the total amount of the Sale Loan.

The Consideration will be settled in cash at Completion.

The Consideration has been determined after arm's length negotiations between the parties with reference to (i) the business conditions of the Target Group; (ii) the financial position of the Target Group as at 31 March 2017 of an unaudited consolidated net liabilities of approximately HK$43,597,000; (iii) the historical profits and losses of the Target Group including those up to 31 March 2017, in particular the unaudited consolidated net loss before and after taxation of approximately HK$(40,990,000) and approximately HK$(29,042,000) for the year ended 31 December 2014, the unaudited consolidated net profit before and after taxation of approximately HK$7,558,000 and approximately HK$7,921,000 for the year ended 31 December 2015, and the unaudited consolidated net loss before and after taxation of approximately HK$(80,289,000) and approximately HK$(55,472,000) for the year ended 31 December 2016, resulting in an accumulative loss before and after taxation of approximately HK$(113,721,000) and approximately HK$(76,593,000) for the three years ended 31 December 2016, and the unaudited consolidated net loss before and after taxation of approximately HK$(40,320,000) and approximately HK$(40,320,000) for the three months ended 31 March 2017; (iv) any profits (and losses) of the Target Group accrued on or before 31 March 2017 shall belong to (or be borne by) the Vendor; and (v) the retail market conditions and macroeconomic environment of Australasia, whereby according to market information as extracted from Australian Bureau of Statistics Retail Reports, the growth rate of the overall Australian retail market in 2016 is 3.5%, reflecting a slowdown of growth rate as the average growth rate in the past 5 years is 4.0%. Further, the increasing importance of online retailing in the Australian apparel market is giving rise to an influx of international competitors, and a number of sizeable retailers in the Australian market have gone into voluntary administration in recent years. As the parties agreed that the Consideration took into account the profits and losses up to 31 March 2017 only, no completion adjustment to the Consideration is expected or required with reference to the financial position of the Target Group as at Completion.

(iv) Our assessment on the Consideration

It is noted that the consideration for the Sale Loan is on a dollar for dollar basis which is fair and reasonable.

To assess the fairness and reasonableness of the consideration for the Sale Share, we had compiled a comparable table on the price to book ratio ("**P/B**") of listed issuers on the Stock Exchange which is principally engaged in retail and/or wholesale of clothing and accessories in Australia, but no such companies were identified. Alternatively, we had researched on such companies on the Australian Securities Exchange. Based on our research on Bloomberg, we identified 6 comparable companies ("**Comparable Companies**") which is exhaustive and representative. Since the geographical operation and principal activities of the Comparable Companies are similar to those of the Target Group which is principally engaged in the retailing of apparel products and accessories in Australasia, we considered the Comparable Companies is comparable to the Target Group and provides a meaningful indicator for comparison. Although the Target Company is a subsidiary of a listed issuer on the Stock Exchange while the Comparable Companies are listed issuers on the Australia Securities Exchange, given both the Stock Exchange and the Australian Securities Exchange are open stock markets and multiple markets comparison is not uncommon for valuation in brokerage house investment research reports, we consider the P/B ratio of the Comparable Companies is comparable and applicable in valuation of the Target Company. Brief summary of relevant information of the Comparable Companies are set out in Table 3 below:

Table 3: Comparable Companies

	Company name	**Principal activities**	**Market capitalization** *(Note 1)* *A$'000*	**Net assets/ adjusted net assets** *(Note 1 & 2)* *A$'000*	**P/B**
1	Billabong International Limited	Marketing, distribution, wholesaling and retailing of apparel, accessories, eyewear, wetsuits and hardgoods in the boardsports sector	247,599	241,516	1.03
2	GAZAL Corp Limited	Developing and building national and international brands in the apparel and fashion accessories industry	127,950	102,054	1.25
3	Globe International Limited	Producer and distributor specializing in purpose-built apparel, footwear and skateboard hardgoods	43,537	33,012	1.30
4	GLG Corp Limited	Supply of knitwear/apparel and supply chain management operations	18,525	58,527	0.24
5	XPD Soccer Gear Group Limited	Designs, develops, manufactures, markets and distributes sportswear products	20,858	69,962	0.26
6	Sunbridge Group Limited	Retailer of menswear	6,133	63,089	0.10
				Maximum	**1.30**
				Minimum	**0.10**
				Average	**0.70**
	Target Group		**HK$220,000,000**	**HK$130,400,000** *(Note 2)*	**1.69**

Notes:

(1) Based on the market capitalisation of the Comparable Companies as at 6 April 2017 (being the date of the Sale and Purchase Agreement) and the latest reported net assets of the Comparable Companies.

(2) The Target Group recorded net liabilities of approximately HK$43.6 million as at 31 March 2017. For calculation of the P/B for comparison, since the Sale Loan is interest free and unsecured, capital contribution from the Company by way of loan and equity are of similar nature for the Target Company's development and the Sale Loan could be considered part of the equity of the Target Company. Assuming the Sale Loan was capitalised as at 31 March 2017, the Target Group would have adjusted net assets of HK$130,400,000 as at 31 March 2017 which is calculated for P/B comparison purpose only. No such adjustment had been made for the Comparable Companies since the loan of the Comparable Companies, if any, may not be the same nature of the Sale Loan.

As illustrated in Table 3 above, the P/B represented by the Consideration is 1.69 which is above the P/B of the Comparable Companies.

After taking into account (i) the financial position of the Target Group as at 31 March 2017 of an unaudited consolidated net liabilities of approximately HK$43,597,000; (ii) the Target Group reported a net loss two out of three years during the Review Period and continued to record a net loss in the first quarter of 2017; and (iii) the P/B represented by the Consideration is 1.69 which is above the P/B of the Comparable Companies, we consider that the Consideration is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

Financial Effect of the Disposal to the Group

Based on our discussion with the Directors, we understand that the Directors have taken into account the following factors when they consider the potential impact of the Disposal on the financial position of the Group:

(i) Earnings

Upon completion of the Disposal, it is estimated that the Group will record a potential gain on the Disposal of approximately HK$89.6 million, being the premium of the consideration for the Sale Share over the net liabilities of approximately HK$43.6 million of the Target Group as at 31 March 2017 without taking into account the relevant expenses of the Disposal and the adjustment in exchange reserve.

(ii) Net assets

As at 31 December 2016, the audited net assets of the Group attributable to the Shareholders were approximately HK$2,454.8 million. The Company expected that the net assets of the Group attributable to the Shareholders would increase upon completion of the Disposal.

(iii) Gearing

As at 31 December 2016, the gearing ratio of the Group was approximately 10.4%, representing the total borrowings of approximately HK$425.8 million divided by total assets of approximately HK$4,107.5 million. The Company expected that the gearing ratio of the Group would decrease upon completion of the Disposal.

(iv) Liquidity

As at 31 December 2016, the audited net current assets of the Group were approximately HK$596.4 million. The Company expected that the net current assets of the Group would improve upon completion of the Disposal.

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after completion of the Disposal.

3. Master Supply Agreement

Reasons for entering into of the Master Supply Agreement

The Group has been supplying apparel products and accessories to the Target Group since 1996, and it is expected that the Group will continue to supply apparel products and accessories to the Target Group after the Disposal. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Purchaser, which is a company owned by Dr. Charles Yeung and Mr. Yeung Chun Fan (directors and substantial shareholders of the Company). As such, the supply of apparel products and accessories to the Target Group by the Group will constitute continuing connected transactions for the Company and the Company and the Target Company entered into the Master Supply Agreement to set out the basis and terms of such transactions.

Pursuant to the Master Supply Agreement, the Group will supply the apparel products and accessories (the "**CCT Products**") to the Target Group.

Since (i) the Group has been supplying the CCT Products to the Target Group in its ordinary and usual course of business for over 20 years; (ii) the supply of the CCT Products to the Target Group by the Group is revenue in nature which is expected to boost the sales of the Group after Completion; and (iii) the Master Supply Agreement was entered into to govern the continuing connected transactions after Completion, we concur with the Directors that the entering into of the Master Supply Agreement is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Pricing Basis and Payment Terms

The price of the apparel products and accessories shall be mutually agreed by the parties for each individual order placed and shall be either at market rates or at rates no less favourable to the Company than such rates offered to any other independent third party and on a cost-plus pricing basis set out below:

(a) in order to determine the production costs of the orders, not less than 3 production quotes from a list of approved factories kept by the Group have to be obtained unless the production costs are below HK$250,000, in which case 2 production quotes from the approved factories would be acceptable;

(b) the merchandising team in conjunction with the quality assurance team in the relevant subsidiaries of the Group for the product sales shall recommend new factories, if any, for the approval by the general manager of the relevant subsidiaries and the responsible executive Director overseeing the operations of the relevant subsidiaries. All existing approved factories will be reviewed and their approved status will be confirmed on an annual basis by the general manager of the relevant subsidiaries of the Group for the product sales and the responsible executive Director overseeing the operations of the relevant subsidiaries of the Group for the product sales. The factors considered when adding a factory in the approved list include the quality of the products produced by the factories, the track record and working history with the Group, the production and delivery capability and pricing competitiveness;

(c) given that all factories in the approved list have satisfied the Group with respect to the factors to be considered as mentioned above in paragraph 2, the Group would make a decision based on the price quoted, and the lowest quote obtained shall be selected, which shall form the basis of calculation of the sales price;

(d) the sales price of the apparel products and accessories should be calculated based on the lowest quote and a gross profit margin falling within a guideline range of percentage determined by the Group (the "**Guideline Range**"), which is determined and approved by the responsible executive Director overseeing the operations of the relevant subsidiaries of the Group for the product sales. The Guideline Range is a benchmark range of gross profit margin determined by the management of the Group with reference to factors including the historical financial results of the Group, the industry average of comparable companies, and the business and market conditions of the retail market. The exact and actual gross profit margin for each relevant apparel products and accessories is determined based on factors including the location of manufacturing, the shipment schedule and destination, the type of products and the total value of the order. As the circumstances of each of the above conditions and factors may vary, which may then increase or decrease the cost of the products, the exact gross profit margin might occasionally vary and become higher or lower than the Guideline Range;

(e) in the case where the gross profit margin falls outside of the Guideline Range and is higher than the Guideline Range, approval by the division head of the relevant subsidiary(ies) of the Group for the product sales (being the operating entity) must be obtained and such decision shall be endorsed by the responsible executive Director overseeing the operations of the relevant subsidiaries of the Group for the product sales. In the case where the gross profit margin is lower than the Guideline Range, approval by the general manager of the relevant subsidiary(ies) of the Group for the product sales is required and such decision must be endorsed by the responsible executive Director overseeing the operations of the relevant subsidiaries of the Group for the product sales. A number of factors including the total value of the order, the specific type of product ordered, the business conditions of the market including abundance of orders at the relevant time, the historical sales volume and profitability brought by the relevant customer to the Group, will be reviewed and taken into account by the division head/general manager/responsible executive Director while making such approvals;

(f) the finance department of the relevant subsidiary(ies) of the Group for the product sales must ensure the above pricing policy is strictly adhered to by making quarterly report on the turnover, gross profit margin and any deviation of the pricing policy to the management of the Group. The financial controller of the relevant subsidiary(ies) of the Group for the product sales must set key performance indicators ("**KPI**") for all divisions of the relevant subsidiary(ies) of the Group for the product sales (which shall be endorsed by the responsible executive Director overseeing the operations of the relevant subsidiaries of the Group for the product sales) for monitoring purpose and report on discrepancies without approval at the monthly executive meeting ("**Regular Review**"). The KPI include the turnover target and the gross profit target and such targets are set after considering the budget and past years KPI of the relevant subsidiary(ies) of the Group for the product sales;

(g) any non-compliance of the above pricing policy will be reflected in the KPI report of the respective executives and managers of the relevant divisions and of the general manager of the relevant subsidiary(ies) of the Group for the product sales; and

(h) the above pricing policy and compliance procedure will be reviewed by the internal auditor of the Group and the Board (including the independent non-executive Directors) on an annual basis ("**Internal Review**").

The price of the apparel products and accessories under the transactions shall be settled in cash upon 30 days after the end of the month in which the invoice is issued, and the same payment terms are also offered to the independent third party customers of the Company.

The aforesaid internal control policy of the Group will be implemented after completion of the Disposal. Nevertheless, we were advised by the management of the Company that the Target Group and the other subsidiaries of the Group have transacted for the CCT Products as if they were independent third parties in the past for assessing their individual financial performance. We have selected and reviewed samples of transactions for the CCT Products entered into between the Group and independent third parties and between the Group and the Target Group in each of the quarters of 2016 and the first quarter of 2017 and noted that the gross profit margin and payment term offered by the Group to the Target Group is no more favourable than those offered by the Group to independent third parties ("**Sample Review**").

In light of the above, in particular (i) the gross profit margin to be offered by the Group requires the approval from the responsible executive Director overseeing the operations of the relevant subsidiaries of the Group for the product sales; (ii) general manager and/or executive Director's approval is required if the gross profit margin does not fall into the Guideline Range; (iii) the Regular Review will ensure the transactions under the Master Supply Agreement will be reviewed by the financial controller of the subsidiaries of the Group on monthly basis; (iv) the Internal Review will ensure that deviation of pricing policy and compliance procedure of the transactions of the CCT Products will be reported to the Board; and (v) the gross profit margin and payment term offered by the Group to the Target Group is no more favourable than those offered by the Group to independent third parties under the Sample Review before implementation of the aforesaid internal control policy of the Group, it is believed that the implementation of the aforesaid internal control policy will provide clearer guideline for the transactions of the CCT Products, we concur with the Directors that sufficient safeguard measures are in place to protect the interest of the Independent Shareholders and ensure the terms of the CCT Products to be offered to the Target Group are on normal commercial terms and no more favorable than those offered to independent third parties and fair and reasonable so far as the Independent Shareholders and the Company is concerned.

Annual Caps

Set out below are the historical transactions of the CCT Products between the Group and the Target Group during the Review Period:

	For the year ended 31 December		
	2014	**2015**	**2016**
	HK$'million	*HK$'million*	*HK$'million*
Transaction amount	308	269	250

The Caps for the Master Supply Agreement for the following period/year are set out below:

For the period commencing from the date of Completion to 31 December 2017	**For the year ending 31 December 2018**	**For the year ending 31 December 2019**
HK$'million	*HK$'million*	*HK$'million*
181	294	312

The Caps are determined with reference to (i) the average of the above three-year historical transaction amounts, namely approximately HK$276,000,000; (ii) the Cap for the period commencing from the date of Completion to 31 December 2017 is calculated by deducting the estimated amount of transaction from 1 January 2017 to the date of Completion of approximately HK$95,000,000 from the average three-year historical transaction amount of approximately HK$276,000,000; (iii) the Caps for the year ending 31 December 2018 and 2019 are determined based on a modest average annual increment of approximately 6% from the average three-year historical transaction amount of approximately HK$276,000,000; and (iv) in determining such modest average annual increment of approximately 6%, amid a decreasing trend of the three-year historical transaction amounts in general, the Group has taken into account the average growth rate of the overall Australian retail market in the past 5 years of 4.0% (the annual growth rate in the past 5 years ranges from 3.3% to 5.5%) according to market information as extracted from Australian Bureau of Statistics Retail Reports, potential changes in market conditions (which may include short-term upswing in the markets) and inflation rate.

It is noted that the Cap for 2017 (inclusive the estimated amount of transaction from 1 January 2017 to the date of Completion (i.e. 31 May 2017) of approximately HK$95,000,000) is determined with reference to the average three-year historical transaction amount of approximately HK$276,000,000 which represented a growth of approximately 10.4% over the actual transaction amount for the year ended 31 December 2016. The Caps for 2018 and 2019 represent a growth of approximately 6.5% and 6.1% over the Caps for 2017 (inclusive the estimated amount of transaction from 1 January 2017 to the date of Completion (i.e. 31 May 2017) of approximately HK$95,000,000) and 2018 respectively.

As advised by the management of the Company, the Target Group had closed down 11 retail stores in Australasia during 2014 to 2016. The Company was informed by the Purchaser that considerable resources will be deployed in order to revive the business of the Target Group, among others, (i) subject to identification of store locations, the Purchaser targets to open not less than 10 new retail stores in Australasia; (ii) the Purchaser plans to restructure the design department of the Target Group including but not limited to recruitment of internal design talents and appointment of external design consultants to improve the product designs of the Target Group; and (iii) the Purchaser plans to renovate the existing retail stores to improve the image of the Target Group (the "**Development Plan**").

According to Australian Bureau of Statistics, the retail sales in Australia recorded a year on year growth of 3.3% to 5.5% with an average of 4.0% and Australia reported inflation rate of 1.4% to 2.8% in the past five years.

Although the historical transactions of the CCT Products had been on a downward trend during the Review Period, taking into account (i) the average three-year historical transaction amount reflected a wider scope of macroeconomic factors and industry cycle in which the Target Group encountered, as such it is a better indicator for estimating the transaction amounts of the CCT Products; (ii) the historical growth of the retail market of Australia with a range from 3.3% to 5.5% in the past five years and the possible upswing in the retail market resulting in the higher demand for the CCT Products; (iii) the inflation rate of 1.4% to 2.8% in Australia in the past five years; and (iv) it is reasonable to project a growth slightly higher than historical market growth given the Purchaser targets to revive the Target Group's business with the Development Plan, we consider that setting the Caps with reference to the average three-year historical transaction amount and a slight growth of approximately 6% in 2018 and 2019 is fair and reasonable and in the interest of the Independent Shareholders.

RECOMMENDATION

Having considered the principal factors analysed above, in particular that:

in respect of the Disposal

(a) the Target Group has been struggling in the tough market conditions in Australia and New Zealand; the Group could retreat from the retail clothing markets in Australia and New Zealand by the Disposal and release capital to develop other projects with better prospects;

(b) it is estimated that the Company will record a gain of HK$89.6 million from the Disposal based on the net liabilities of the Target Group as at 31 March 2017;

(c) the Target Group reported a net loss and net liabilities for the year ended 31 December 2016;

(d) Although revenue of the Group will reduce upon the Disposal, it is expected that the Disposal will improve the quality of the business and profitability of the Group;

(e) the P/B represented by Consideration is above the P/B of the Comparable Companies as illustrated in Table 3 above;

(f) it is expected that the earnings, net assets, gearing and liquidity of the Group will improve upon completion of the Disposal;

in respect of the Master Supply Agreement

(g) the supply of the CCT Products to the Target Group by the Group is revenue in nature which is expected to boost the sales of the Group after Completion;

(h) sufficient safeguard measures are in place to protect the interest of the Independent Shareholders and ensure the terms of the CCT Products to be offered by the Group to the Target Group are on normal commercial terms and no more favorable than those offered to independent third party; and

(i) the Caps were determined with reference to the average three-year historical transaction amount of approximately HK$276,000,000, the possible upswing in the retail markets and the Development Plan,

although the Disposal is not in the ordinary and usual course of business of the Company while the transactions under Master Supply Agreement is in the ordinary and usual course of business of the Company, we concur with the Directors that (i) the terms of the Disposal and the Master Supply Agreement are fair and reasonable and on normal commercial terms; and (ii) the Disposal and the Master Supply Agreement are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution at the SGM to approve the Disposal and the Master Supply Agreement and the transactions contemplated thereunder.

The undersigned is a responsible officer of Yu Ming Investment Management Limited licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He has been active in the field of corporate finance advisory for over 20 years, and has been involved in and completed various corporate finance advisory transactions.

Yours faithfully,
For and on behalf of
YU MING INVESTMENT MANAGEMENT LIMITED
Warren Lee
Managing Director

1. INDEBTEDNESS OF THE GROUP

As at 31 March 2017, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Group had the following outstanding indebtedness and contingent liabilities:

(a) bank and other borrowings (including current and non-current portion) in aggregate of approximately HK$410.3 million made in the ordinary courses of business, of which HK$105.1 million are unsecured and unguaranteed, and HK$305.2 million are unsecured but guaranteed; and

(b) unpaid additional taxes requested by the Commissioner of the Hong Kong Inland Revenue Department and judged by the District Court of approximately HK$7.3 million.

As at 31 March 2017, save for the litigations/claims as stated in the paragraph headed "Litigation" in Appendix II to this circular, the Group had no other material litigations/claims. Accordingly, the Group had no material contingent liabilities as at 31 March 2017.

Save as aforesaid, and apart from intra-group liabilities, the Group did not have outstanding at the close of business 31 March 2017, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, any loan capital and/or debt securities issued and outstanding or agreed to be issued or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills, if any) or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or contingent liabilities.

The Board has further confirmed that, save as disclosed above, there has not any material change in the indebtedness of contingent liabilities of the Group since 31 March 2017 up to the Latest Practicable Date.

2. WORKING CAPITAL OF THE GROUP

The Directors are of the opinion that, after taking into account the present financial resources available to the Group including existing bank facilities and the estimated proceeds from the Disposal, in the absence of unforeseen circumstances, the Group will have sufficient working capital to satisfy its present requirements for the next twelve months from the date of this circular.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the retailing, export and production of casual wear and financial investments. Looking forward to 2017, the world is full of capricious elements in terms of political landscape in Europe, world trade agreements and Sino American disputes. The normalization of US dollar interest rate in last December signals the end of global quantitative easing measures that prevailed since 2008 and thereafter corporate and household's spending will be more costly. The market forecasts that in 2017, the US may have economic growth of around 2.2%, higher than the 1.6% in 2016. China is still in the process of its economic reforms. China Government points out that the economic development in the mainland in 2017 will be comparatively slow but steady and leaning to the brighter side. Hong Kong economic activities are still contained by the persistent strong US dollars. Therefore, tourism, hotel and retail sectors are relentlessly under pressure. However, the Hong Kong economic growth in 2017 is expected to be a bit better than 1.9% of last year.

In view of the macro economic conditions as described above, the Group's strategy for 2017 is to stand firmly before any attempt to move forwards. Other than the Disposal, the management will consider to dispose of other non-profitable operations and close down all under-performed stores in due course. Stringent operational costs cutting measures will be implemented to keep it abreast with the decreasing turnover and relentless inventory control will be upheld. The management will also strive for uplifting the product quality and design so as to rebuild our competitive edges – the "famous brand with products at affordable price". Once the rental price falls to a commercially viable level, Jeanswest will roll out more flagship stores in provincial capitals and those first tier cities. The management will further enforce wholesale operations and team up with our core franchisees to expand our mutually beneficial business.

While the closure of under-performed stores is in the ordinary and usual course of business of the Company, the Company has no current plan, arrangement, understanding, intention or negotiation with any counterparties in disposing of other existing businesses and/or developing new business. The Board will from time to time review the Group's operations with a view to developing suitable business strategy to enhance the Shareholders' value, the growth of its business and to optimise its asset base as well as to broadening its income stream, which may include, subject to market conditions, the expansion of the business of the Group or disposal of non-profitable operations should appropriate opportunities arise.

In the area of financial and real estates investments, the management will prudently and patiently wait for investment opportunities to emerge.

Barring unforeseen circumstances, the management is confident that the Group will continue to bring reasonable returns to its Shareholders in 2017.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interests and short positions of Directors and chief executive in shares of the Company and its associated corporation

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have been taken under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions in shares of the Company

Name of Director	Capacity	No. of shares held	Total	Percentage of issued share capital
Dr. Charles Yeung, GBS, JP	(i) Interest of controlled corporations	834,123,000	968,358,499 (1) & (2)	63.04%
	(ii) Joint interest	134,235,499		
Mr. Yeung Chun Fan	(i) Beneficial owner	1,500,000	979,953,499 (1), (2) & (3)	63.80%
	(ii) Interest of controlled corporations	834,123,000		
	(iii) Joint interest	134,235,499		
	(iv) Interest of spouse	10,095,000		
Mr. Pau Sze Kee, Jackson	Beneficial owner	9,370,000	9,370,000	0.61%
Mr. Hui Chung Shing, Herman, SBS, MH, JP	Beneficial owner	6,250,000	6,250,000	0.41%

Name of Director	Capacity	No. of shares held	Total	Percentage of issued share capital
Ms. Cheung Wai Yee	(i) Beneficial owner (ii) Interest of spouse	10,095,000 969,858,499	979,953,499[(1), (2) & (3)]	63.80%
Mr. Lau Hon Chuen, Ambrose, GBS, JP	Beneficial owner	1,492,402	1,492,402	0.10%
Dr. Chung Shui Ming, Timpson, GBS, JP	Beneficial owner	408,000	408,000	0.03%

Notes:

(1) 622,263,000 shares were held by Glorious Sun Holdings (BVI) Limited (the entire issued voting share capital of which was held as to 51.934% by Dr. Charles Yeung, GBS, JP and as to 48.066% by Mr. Yeung Chun Fan), 207,810,000 shares were held by Advancetex Holdings (BVI) Limited (the entire issued voting share capital of which was held as to 51.934% by Mr. Charles Yeung and as to 48.066% by Mr. Yeung Chun Fan) and 4,050,000 shares were held by G. S. Strategic Investment Limited (the entire issued voting share capital of which was held as to 50% by each of Mr. Charles Yeung and Mr. Yeung Chun Fan). Mr. Charles Yeung and Mr. Yeung Chun Fan are directors in each of Glorious Sun Holdings (BVI) Limited, Advancetex Holdings (BVI) Limited and G. S. Strategic Investment Limited.

(2) 134,235,499 shares were held by Mr. Charles Yeung and Mr. Yeung Chun Fan jointly.

(3) Ms. Cheung Wai Yee is the spouse of Mr. Yeung Chun Fan. 10,095,000 shares related to the same block of shares held by Ms. Cheung Wai Yee and 834,123,000 shares related to the same block of shares held by three companies controlled by Mr. Yeung Chun Fan.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors or proposed Directors is a director or employee of a company which has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' OTHER INTEREST

As at the Latest Practicable Date, none of the Directors (or proposed Directors, if any) or their respective close associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group and would require disclosure under Rule 8.10 of the Listing Rules.

As at the Latest Practicable Date, save as disclosed in the announcement of the Company dated 29 July 2016 in respect of leasing of certain properties in the PRC, none of the Directors had any direct or indirect interest in any assets which had since 31 December 2016 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Full particulars of the nature and extent of the interest of every Director or proposed Director as disclosed in the aforesaid announcement of the Company dated 29 July 2016 are set out below:

No.	Property leased by the Group	Use of property	Location	Landlord	Term	Payment of rent and management fee (as the case may be) per annum	Relationship between the Landlord and the Directors
1.	Huizhou Shop (惠州店)	Retail shop	PRC	Yeung's family	1 January 2017 to 31 December 2018	RMB1,100,000	a family in which Dr. Charles Yeung and Mr. Yeung Chun Fan are members
2.	One Kowloon Premises	Office	Hong Kong	Rank Profit Industries Limited	1 August 2014 to 31 July 2017	HK$13,276,798	owned as to 66.7% and 33.3% by Dr. Charles Yeung and Mr. Yeung Chun Fan respectively
3.	Yarra Street Premises	Office/ car parking	Australia	Harbour Guide Limited	1 August 2014 to 31 July 2015 1 August 2015 to 31 July 2016 1 August 2016 to 31 July 2017	A$660,000 A$679,800 A$700,194	owned as to 66.7% and 33.3% by Mr. Yeung Chun Fan and Ms. Cheung Wai Yee respectively
4.	Silver Fair Mansion	Director's residence	Hong Kong	G. S. (Yeungs) Limited	1 August 2015 to 31 July 2017	HK$516,000	owned as to 66.7% and 33.3% by Dr. Charles Yeung and Mr. Yeung Chun Fan respectively
5.	Sea View Villa	Staff quarters	Hong Kong	G. S. (Yeungs) Limited	1 August 2015 to 31 July 2017	HK$609,000	owned as to 66.7% and 33.3% by Dr. Charles Yeung and Mr. Yeung Chun Fan respectively

No.	Property leased by the Group	Use of property	Location	Landlord	Term	Payment of rent and management fee (as the case may be) per annum	Relationship between the Landlord and the Directors
6.	Zhengzhou Office (鄭州寫字樓)	Office	PRC	惠州市惠富置業有限公司 (Huizhou Hui Fu Properties Company Limited*)	1 August 2015 to 31 July 2017	RMB396,900	indirectly owned as to 98% by Mr. Yeung Chun Fan, Ms. Cheung Wai Yee and their sons
7.	Chengdu Shop (成都店)	Retail shop	PRC	Yeung Cheung Yip and Yeung Hon Yip	30 September 2015 to 29 September 2018	RMB6,750,000	sons of Mr. Yeung Chun Fan and Ms. Cheung Wai Yee
8.	City Garden (certain units)	Staff quarters	PRC	Gloryear Management Limited	1 August 2016 to 31 July 2018	RMB489,480	owned as to 50% by each of Dr. Charles Yeung and Mr. Yeung Chun Fan
9.	Xiangtan Shop (湘潭店)	Retail shop	PRC	銀富房產（惠州）有限公司(Yin Fu Properties (Huizhou) Company Limited*)	1 August 2016 to 31 July 2018	RMB560,000	indirect wholly-owned by Mr. Yeung Chun Fan, Ms. Cheung Wai Yee and their sons
10.	Shunde Shop (順德店)	Retail shop	PRC	Yeung Cheung Yip and Yeung Hon Yip	1 August 2016 to 31 July 2018	RMB333,000	sons of Mr. Yeung Chun Fan and Ms. Cheung Wai Yee
11.	Xianyang Shop (咸陽店)	Retail shop	PRC	惠州市惠富置業有限公司 (Huizhou Hui Fu Properties Company Limited*)	1 August 2016 to 31 July 2018	RMB957,000	indirectly owned as to 98% by Mr. Yeung Chun Fan, Ms. Cheung Wai Yee and their sons
12.	Shenyang Shop (瀋陽店) (term of lease ended on 31/7/2016)	Retail shop	PRC	瀋陽市惠富房產有限公司 (Shenyang Hui Fu Properties Company Limited*)	1 August 2014 to 31 July 2016	RMB600,000	indirectly owned as to 98% by Mr. Yeung Chun Fan, Ms. Cheung Wai Yee and their sons

Notes:

1. Dr. Charles Yeung is a Director and a substantial shareholder of the Company.

2. Mr. Yeung Chun Fan is a Director and a substantial shareholder of the Company.

3. Ms. Cheung Wai Yee is a Director and the spouse of Mr. Yeung Chun Fan.

4. Mr. Yeung Cheung Yip and Mr. Yeung Hon Yip are the sons of Mr. Yeung Chun Fan and Ms. Cheung Wai Yee.

5. Monthly rental of One Kowloon Premises has decreased from HK$937,483.80 to HK$427,660.80 and monthly air-conditioning and management charges has decreased from HK$168,916.00 to HK$82,835.20 since 1 November 2016, details of which are set out in the announcement dated 1 November 2016.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

4. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. EXPERT AND CONSENT

The following are the qualifications of the expert who has given opinions or advice which are contained in this circular:

Name	Qualification
Yu Ming Investment Management Limited	a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion (or summaries thereof) (as the case may be) and references to its name herein in the form and context in which it appears.

The above expert has confirmed that, as at the Latest Practicable Date:

(a) it did not have any shareholding, directly or indirectly, in any member of the Group or had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(b) it did not have any direct or indirect interest in any assets which had since 31 December 2016 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016 (being the date to which the latest published audited financial statements of the Company were made up).

7. LITIGATION

As at the Latest Practicable Date, there was no litigation or claims of material importance known to the Directors pending or threatened against any member of the Group, save that:

On 11 March 2003, Glorious Sun Overseas Company Limited ("**GSOC**"), a subsidiary of the Company, and Quiksilver Greater China Limited, a subsidiary of Quiksilver Inc., (collectively, "**Quiksilver**") entered into a joint venture agreement with the purpose of establishing various joint venture companies (collectively the "**JV**") to develop, own and operate a chain of Quiksilver Boardriders Club retail stores in the PRC, Hong Kong and Macau so as to promote and sell Quiksilver branded casual wear.

The joint venture agreement provided that either side had the option to sell its shareholding in the JV to the other shareholder or instead to purchase the shareholding of the other shareholder (the "**Buy-sell Option**"). In April 2012, Quiksilver served a Buy-sell Option on the Company. The Company replied confirming its intent to buy Quiksilver's shareholding in the JV, on the condition that the terms of a replacement licence agreement would be separately negotiated. Negotiations for a replacement license took place but no definitive agreement was ever reached.

On 27 November 2013, arbitration commenced in California, the United States of America in relation to the purchase or sale of Quiksilver's interest pursuant to the Buy-sell Option (the "**Arbitration**"). On 5 September 2014, the hearing of the first phase of the Arbitration took place in Singapore. The award for the first phase of the Arbitration was handed down in November 2014. The principal term of the first phase of the Arbitration Award was: (i) the condition to separately negotiate the terms of a replacement licence agreement was legally enforceable under California law to the extent they imposed on the parties an obligation to try and negotiate a replacement licence in good faith; (ii) however, such agreement did not empower the Arbitration tribunal to determine the terms of a replacement licence in the absence of the parties' agreement; and (iii) all other matters (including the costs of and occasioned by the first phase of the Arbitration Award) would be determined in a future award.

On 23 December 2013, Quiksilver Glorious Sun JV Limited ("**QGSJV**") and Quiksilver Glorious Sun Licensing Limited ("**QGSL**") received winding up petitions (the "**Petitions**") filed by Quiksilver in the High Court of Hong Kong (the "**Court**").

On 14 February 2014, Quiksilver published the Petitions in the Government Gazette. As a result, the bank accounts of QGSJV and QGSL were frozen by their respective banks and the bank loans drawn down by QGSJV, which were guaranteed by the Company, became immediately due and payable.

In response to the Petitions, GSOC applied to the Court on 29 January 2014 for a stay or strike-out of the Petitions. On 26 June 2014, the Court granted the order to stay the Petitions until the determination of the Arbitration or further order of the Court.

On 25 March 2014, Quiksilver applied to the Court for an injunction to restrain GSOC from (among other things) causing QGSJV and QGSL to incur further debt or obligation in breach of the joint venture agreement; and making purported unilateral capital advances or other loans to QGSJV and QGSL (the "**Injunction**"). The Injunction has been adjourned until the determination of the Arbitration or further order of the Court.

The second phase of the Arbitration was scheduled to take place in November 2015 but was vacated by consent of Quiksilver and GSOC, which agreed to stay the Arbitration until 15 December 2015. Since then, the stay has been repeatedly extended and expired on 7 May 2017. Request for further extension of the stay has been made but the tribunal has not yet granted its decision. No date has been fixed for the second phase of the Arbitration.

The Arbitration, the Petitions and the Injunction have not yet been finally determined as at the Latest Practicable Date. The Directors are of the opinion that it is not possible to predict the outcome of the Arbitration, the Petitions and the Injunction at this stage.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the date of this circular and are or may be material:

(a) the sale and purchase agreement dated 21 December 2015 entered into between Glorious Sun Trading (HK) Limited as the seller and Mr. Yeung Chun Kam and Mr. Yeung Chun Fan as the purchasers for the sale and purchase of the 8,300,000 ordinary shares of HK$0.10 each in the capital of I.T Limited at the consideration of HK$16,956,900;

(b) the underwriting agreement dated 29 March 2016 entered into between the Company and Glorious Sun Holdings (BVI) Limited as the underwriter in relation to the underwriting and certain other arrangements in respect of the issue by way of rights of one rights share for every two existing shares of the Company, details of which are set out in the prospectus of the Company dated 15 April 2016;

(c) the property sale and purchase agreement dated 1 September 2016 entered into between 江蘇真維斯服飾有限公司 (Jiangsu Jeanswest Apparels Company Limited*) as seller and 惠州旭興置業有限公司 (Huizhou Yuxing Property Company Limited*) as purchaser for the sale and purchase of Units 1065, 1066, 1067 and 1075 on Level 1, Jintaihu International City, Beitang District No.12, Wuxi, Jiangsu Province, the PRC at the consideration of RMB62,430,000 (equivalent to approximately HK$72,593,023);

(d) the property sale and purchase agreement dated 1 September 2016 entered into between 湖南真維斯服飾有限公司 (Hunan Jeanswest Apparels Company Limited*) as seller and 惠州旭興置業有限公司 (Huizhou Yuxing Property Company Limited*) as purchaser for the sale and purchase of First Floor to Fourth Floor of no. 147 and houses 101, 201, 301 and 401 at no. 147-1, Zhongshannan Road, Yanfeng District, Hengyang, Hunan Province, the PRC at the consideration of RMB56,350,000 (equivalent to approximately HK$65,523,255);

(e) the sale and purchase agreement dated 22 November 2016 entered into between Glorious Sun Enterprises (BVI) Limited as seller and Star Profit Industries Limited as purchaser for the sale and purchase of a non-interest bearing, unsecured and payable on demand shareholder's loan in the amount of HK$56,553,021 owing by Quiksilver Glorious Sun JV Limited to Glorious Sun Enterprises (BVI) Limited at the consideration of HK$56,553,021; and

(f) the Sale and Purchase Agreement.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 38/F., One Kowloon, 1 Wang Yuen Street, Kowloon Bay, Hong Kong from the date of this circular up to and including 2 June 2017 (except Saturdays, Sundays and public holidays):

(a) the memorandum of association and bye-laws of the Company;

(b) the tenancy agreements/leases referred to in the section headed "3. Directors' Other Interest" in this appendix;

(c) the material contracts referred to in the section headed "8. Material Contracts" in this appendix;

(d) the Master Supply Agreement;

(e) the Supplemental Master Supply Agreement;

(f) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages IBC-1 to IBC-2 of this circular;

(g) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages IFA-1 to IFA-15 of this circular;

(h) the written consent issued by the Independent Financial Adviser referred to in the section headed "5. Expert and Consent" in this appendix;

(i) the annual reports of the Company for the three years ended 31 December 2016;

(j) the circular of the Company dated 23 September 2016 in relation to a discloseable and connected transaction of disposal of properties; and

(k) this circular.

10. GENERAL

(a) The company secretary of the Company is Mr. Mui Sau Keung, Isaac, who is a member of the Hong Kong Institute of Certified Public Accountants.

(b) The principal share registrar and transfer office of the Company is Conyers Corporate Services (Bermuda) Limited, Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

(c) The branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(d) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company in Hong Kong is at 38/F., One Kowloon, 1 Wang Yuen Street, Kowloon Bay, Hong Kong.

(e) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in case of any inconsistency.

* *Denotes an English translation of a Chinese name and is for identification purpose only.*

GLORIOUS SUN ENTERPRISES LIMITED
旭日企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 393)

NOTICE IS HEREBY GIVEN that a special general meeting of Glorious Sun Enterprises Limited (the "**Company**") will be held at Dynasty II, 7th Floor, The Dynasty Club Limited, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Friday, 2 June 2017 at 2:30 p.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) the entering into of the Sale and Purchase Agreement (as defined in the circular of the Company dated 12 May 2017), a copy of which has been produced to the meeting and marked "A" and initialled by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder and the implementation thereof be and are hereby confirmed, approved, authorised and ratified; and

(b) any one director of the Company or any two directors of the Company, if the affixing of the common seal of the Company is necessary, be and is/are hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company to) any such documents, instruments and agreements and to do any such acts or things as may be deemed by him/her/them in his/her/their absolute discretion to be incidental to, ancillary to or in connection with the matters contemplated in the Sale and Purchase Agreement and the transactions contemplated thereunder, and the implementation thereof."

2. "**THAT**:

(a) the entering into of (i) the Master Supply Agreement (as defined in the circular of the Company dated 12 May 2017), a copy of which has been produced to the meeting and marked "B" and initialled by the chairman of the meeting for identification purpose and (ii) the Supplemental Master Supply Agreement (as defined in the circular of the Company dated 12 May 2017), a copy of which has been produced to the meeting and marked "C" and initialled by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder and the implementation thereof be and are hereby confirmed, approved, authorised and ratified; and

(b) the Caps (as defined in the circular of the Company dated 12 May 2017) be and are hereby approved; and

(c) any one director of the Company or any two directors of the Company, if the affixing of the common seal of the Company is necessary, be and is/are hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company to) any such documents, instruments and agreements and to do any such acts or things as may be deemed by him/her/them in his/her/their absolute discretion to be incidental to, ancillary to or in connection with the matters contemplated in the Master Supply Agreement and the transactions contemplated thereunder, and the implementation thereof."

By Order of the Board
Glorious Sun Enterprises Limited
Mui Sau Keung, Isaac
Company Secretary

Hong Kong, 12 May 2017

Principal Place of Business:
38/F., One Kowloon
1 Wang Yuen Street
Kowloon Bay
Hong Kong

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Notes:

(1) A form of proxy for use at the meeting is enclosed herewith.

(2) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf. A proxy need not be a member of the Company.

(3) The register of members will be closed from Monday, 29 May 2017 to Friday, 2 June 2017, both dates inclusive, in order to determine the entitlement to attend and vote at the forthcoming annual general meeting. As the annual general meeting and the Special General Meeting are of even date, the Special General Meeting will adopt the same dates for determining which members qualify for the entitlement to attend and vote at the Special General Meeting. In order to do so, 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 Friday, 26 May 2017.

(4) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(5) In order to be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's principal place of business at 38/F., One Kowloon, 1 Wang Yuen Street, Kowloon Bay, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the meeting or any adjournment thereof (as the case may be).

(6) Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

As at the date of this notice, 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, Mr. Wong Man Kong, Peter, BBS, JP and Dr. Lam Lee G.