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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.

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GLORIOUS SUN ENTERPRISES LIMITED

旭日企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 393)

DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF INTEREST IN GENNON INDUSTRIES LIMITED

SUPPLEMENTAL INFORMATION ON THE CONTINUING CONNECTED TRANSACTIONS SUPPLY OF KNITTED WEARS

AND

NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser

to the Independent Board Committee and the Independent Shareholders



CENTURION CORPORATE FINANCE LIMITED

A letter from the Board is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee is set out on pages 12 to 13 of this circular. A letter from Centurion Corporate Finance Limited, the Independent Financial Adviser, containing its recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 33 of this circular.

The SGM of the Company will be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 18 November 2013 at 2 p.m.. A notice convening the SGM is set out on pages 60 to 61 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.

17 October 2013

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 24 September 2013 in respect of the Disposal and the Continuing Connected Transactions;
“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;
“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;
“Continuing Connected Transactions”	the supply of knitted wears to the Group by Gennon Group as contemplated under the Master Supply Agreement, details of which are set out in the Announcement;
“Directors”	directors of the Company;
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement;
“DTZ”	DTZ Debenham Tie Leung Limited, an independent valuer;
“Gennon Industries”	Gennon Industries Limited 鎮安工貿有限公司, a company incorporated in Hong Kong with limited liability;
“Gennon Group”	Gennon Industries and its subsidiaries;
“Group”	the Company and its subsidiaries, and shall not include Gennon Group after Completion;

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“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, 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”	Centurion Corporate Finance 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 and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal;
“Independent Shareholders”	Shareholders, other than Dr. Charles Yeung and Mr. Yeung Chun Fan and their respective associates;
“Latest Practicable Date”	11 October 2013, 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 24 September 2013 between the Company and Gennon Industries in respect of the supply of knitted wears to the Group by Gennon Group;
“PRC”	The People’s Republic of China;
“Purchaser”	Gennon Holdings Limited 鎮安集團有限公司, a company incorporated in Hong Kong with limited liability and a company owned by Dr. Charles Yeung and Mr. Yeung Chun Fan;

DEFINITIONS

“Sale and Purchase Agreement”	the sale and purchase agreement dated 24 September 2013 between the Vendor and the Purchaser in respect of the Disposal;
“Sale Shares”	1,000 shares of HK\$10 each in the issued share capital of Gennon Industries;
“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 18 November 2013 (including any adjournment thereof) to consider, and if thought fit, approve, the Sale and Purchase Agreement and the transactions contemplated thereunder;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendor”	Glorious Sun Enterprises (BVI) Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company; and
“%”	per cent.

LETTER FROM THE BOARD



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, SBS, JP (*Chairman*)
Mr. Yeung Chun Fan (*Vice-chairman*)
Mr. Yeung Chun Ho
Mr. Pau Sze Kee, Jackson
Mr. Hui Chung Shing, Herman, BBS, MH, JP
Ms. Cheung Wai Yee
Mr. Chan Wing Kan, Archie

Independent non-executive Directors:

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

17 October 2013

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
DISPOSAL OF INTEREST IN GENNON INDUSTRIES LIMITED**

**SUPPLEMENTAL INFORMATION
ON THE CONTINUING CONNECTED TRANSACTIONS
SUPPLY OF KNITTED WEARS**

AND

NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in respect of the Sale and Purchase Agreement for the disposal of the interest in Gennon Industries by the Group to the Purchaser at a consideration of HK\$132,000,000. The Disposal constitutes a discloseable and connected transaction of the Company under the Listing Rules.

LETTER FROM THE BOARD

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; (ii) the recommendations from the Independent Board Committee on the Sale and Purchase Agreement and the transactions contemplated thereunder; (iii) the advice from the Independent Financial Adviser on the Sale and Purchase Agreement and the transactions contemplated thereunder; 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).

THE SALE AND PURCHASE AGREEMENT

Date

24 September 2013

Parties

- (1) Glorious Sun Enterprises (BVI) Limited, a wholly-owned subsidiary of the Company, as vendor
- (2) Gennon Holdings Limited, a company owned by Dr. Charles Yeung and Mr. Yeung Chun Fan, as purchaser

Assets to be sold

1,000 shares of HK\$10 each in the share capital of Gennon Industries, representing the entire issued share capital thereof.

Consideration

The consideration for the Sale Shares shall be HK\$132,000,000. The Purchaser shall pay to the Vendor the consideration by delivering to the Vendor a cheque drawn in favour of the Vendor at Completion.

The consideration has been determined after arm's length negotiations between the parties with reference to (i) the business conditions of Gennon Group (including the recent performance of Gennon Group and the business as a going-concern); (ii) the declining net asset value of Gennon Group; and (iii) the findings of the property valuation on Gennon Group's property interests conducted by DTZ (the "**Property Valuation**").

LETTER FROM THE BOARD

The audited net asset value of Gennon Group attributable to the Vendor as at 31 December 2012 was approximately HK\$74,436,000. The unaudited net asset value of Gennon Group attributable to the Vendor as at 30 June 2013 was approximately HK\$62,302,000. In determining the consideration, the Directors have also taken into account the revaluation surpluses on the properties of Gennon Group. The Company adopted cost model to account for the Group's property interests, including the property interests of Gennon Group. The unaudited net book value of the property interests of Gennon Group attributable to the Vendor as at 30 June 2013 was approximately HK\$30,473,000. With reference to the findings of the Property Valuation (details of which are set out in Appendix I to this circular), the market value of the property interests of Gennon Group attributable to the Vendor was approximately HK\$103,578,000. As such, the revaluation surpluses (which have not yet been booked) attributable to the Vendor was approximately HK\$73,105,000.

Conditions precedent

Completion is conditional upon the fulfillment or waiver of following conditions on or before 31 December 2013 (or such other date as may be agreed between the Vendor and the Purchaser) (the “**Long Stop Date**”):

- (i) the Independent Shareholders having approved the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM;
- (ii) the Vendor and/or the Company obtaining all necessary consents, approvals, clearances and authorizations 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
- (iii) 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.

If any of the above conditions precedent has not been satisfied or waived on or before the Long Stop Date, the Sale and Purchase Agreement and all rights and obligations thereunder will cease and terminate. The Vendor has agreed to use its reasonable endeavours to procure the fulfillment of conditions (i) and (ii) as soon as practicable and in any event no later than the Long Stop Date.

LETTER FROM THE BOARD

Completion

Completion shall take place on the third business day after all the conditions (as mentioned in the paragraph headed “Conditions precedent” on page 6 of this circular) have been fulfilled or waived, or such other date as the parties may agree.

INFORMATION ON GENNON GROUP

Gennon Industries is an investment holding company incorporated in Hong Kong and owns a 50.4% interest in the principal operating subsidiaries of Gennon Group. Gennon Group is engaged in the manufacturing of knitted wears involving dyeing yarns, knitting fabrics, dyeing fabrics and production of apparels. Apart from its direct export operations, Gennon Group has been supplying knitted wears to the Group.

The audited net asset value of Gennon Group attributable to the Vendor as at 31 December 2012 was approximately HK\$74,436,000. The consolidated net loss before and after taxation and extraordinary items of Gennon Group attributable to the Vendor for the two financial years ended 31 December 2011 and 2012 were as follows:

	For the year ended 31 December 2011 <i>approximately</i>	For the year ended 31 December 2012 <i>approximately</i>
Net loss before taxation and extraordinary items	HK\$12,839,000	HK\$33,027,000
Net loss after taxation and extraordinary items	HK\$16,526,000	HK\$26,707,000

A special tax provision of approximately HK\$130 million was made on the audited and unaudited consolidated statements of financial position of Gennon Group as at 31 December 2012 and 30 June 2013 respectively in respect of certain tax disputes between the Hong Kong Inland Revenue Department and certain 50.4%-owned subsidiaries of Gennon Industries (and certain fellow subsidiaries). Such special tax provision was taken into account by the Vendor and the Purchaser when determining the net asset value of Gennon Group and hence the consideration for the Disposal. The parties considered that such tax provision was appropriately made for Gennon Group and therefore agreed that no special arrangement or adjustment was required to be made to the consideration.

LETTER FROM THE BOARD

Gennon Group owns an interest in a plot of land situated at Jiang Bei Minor District No. 4, Huizhou, Guangdong Province, the PRC (the “**Property**”), details of which are set out in Appendix I to this circular. The Property is situated within an industrial area gradually converting to mixed industrial, residential and commercial uses. According to the legal opinion regarding the Group’s property interests in the PRC given by the Group’s PRC legal advisers, the Property has been idle for over two years. According to Clause No. 26 of 中華人民共和國城市房地產管理法 (Law of the People’s Republic of China on the Administration of the Urban Real Estate), the Property has to be developed in accordance with the land use and development period stipulated in the relevant Grant Contract for State-owned Land. If the development is lapsed for over two years, the Property will be subject to government resumption at nil compensation. However, as advised by the Group’s PRC legal advisers, in practice, the Property will be resumed by the government at certain amount of compensation to the owner. The Directors, based on the presently available information, believed that although the Property is held by a subsidiary of the Group as trustee for Gennon Group, should the government reclaim the Property after Completion, there would not have any material adverse impact on the financial position of the Group.

INFORMATION ON THE PARTIES

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

The Group is engaging in the retailing, export and production of casual wear. The Group has been reviewing its business strategy in order to improve its business operations and maximise return to Shareholders. Due to unfavourable export market conditions and high production costs, revenue generated from its manufacturing business has been decreasing over the past years. The management expects that the non-profitable knitted wear manufacturing business may not be able to turn around in the near future. The divestment of Gennon Group, which is engaged in the manufacturing of knitted wears for various customers, would be in line with the Group’s strategy to divest from such businesses with diminished competitive advantages and focus on expanding its retail and franchise operations. The manufacturing of knitted wears business of Gennon Group is only a part of the Group’s manufacturing business and is not a standalone business segment of the Group, and the Disposal would not constitute a disposal of a business segment of the Group. It is estimated that the Disposal will generate a gain of approximately HK\$73,000,000, calculated by reference to the estimated net asset value of Gennon Group attributable to the Vendor as at Completion, and the estimated transaction costs in relation to the Disposal. The Company intends to use the proceeds from the Disposal for future business expansion and general working capital of the Group.

LETTER FROM THE BOARD

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

SUPPLEMENTAL INFORMATION ON THE CONTINUING CONNECTED TRANSACTIONS

Reference is also made to the Announcement in respect of the supply of knitted wears to the Group by Gennon Group as contemplated under the Master Supply Agreement. As disclosed in the Announcement, Gennon Group has been supplying knitted wears to the Group, and it is expected that Gennon Group will continue to supply knitted wears to the Group after the Disposal. The Company and Gennon Industries entered into the Master Supply Agreement to set out the basis and terms of such transactions. Under the Master Supply Agreement, the purchase price of the knitted wears 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. The Company will follow its existing standard purchasing procedures with third party suppliers in negotiating and determining the purchase price with Gennon Group, which will involve obtaining quotations from other independent third party suppliers in the market and comparing them with those from Gennon Group.

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 more than 5% but less than 25%, the Disposal also constitutes a discloseable transaction of the Company. The Disposal is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Dr. Charles Yeung and Mr. Yeung Chun Fan, being the shareholders of the Purchaser, abstained from attending the Board meeting for considering and approving the Disposal. As good corporate governance measure, Mr. Yeung Chun Ho (a brother of Dr. Charles Yeung and Mr. Yeung Chun Fan) abstained from voting on the Board resolutions in respect of the Disposal in view of his relationship with Dr. Charles Yeung and Mr. Yeung Chun Fan, although he does not have material interest in the Disposal. Ms. Cheung Wai Yee (the spouse of Mr. Yeung Chun Fan) was absent from the Board meeting due to her other commitments outside Hong Kong. Save as disclosed above, none of the other Directors has a material interest in the Disposal.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Dr. Charles Yeung and Mr. Yeung Chun Fan and their respective associates together are interested in 622,242,000 Shares, representing approximately 58.73% of the issued share capital of the Company. As such, 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 approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

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 give advice to the Independent Shareholders in respect of the Disposal. Centurion Corporate Finance Limited has 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 Disposal.

SGM

A notice convening the SGM to be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 18 November 2013 at 2 p.m. is set out on pages 60 to 61 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 the Disposal is on normal commercial terms, the terms of the Sale and Purchase Agreement 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 ordinary resolution for approving the Sale and Purchase Agreement and the transactions contemplated thereunder to be proposed at the SGM.

LETTER FROM THE BOARD

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, BBS, MH, JP

Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



GLORIOUS SUN ENTERPRISES LIMITED

旭日企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 393)

17 October 2013

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
DISPOSAL OF INTEREST IN GENNON INDUSTRIES LIMITED
AND
NOTICE OF SPECIAL GENERAL MEETING**

We refer to the circular dated 17 October 2013 (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 as set out in the Circular as to the fairness and reasonableness and to recommend whether or not the Independent Shareholders should approve the Sale and Purchase Agreement and the transactions contemplated thereunder as set out in the Circular. Centurion Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise 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 14 to 33 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. Your attention is also drawn to the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, the advice of the Independent Financial Adviser and the relevant information contained in the letter from the Board, we consider that the Disposal is on normal commercial terms, the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned 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 ordinary resolution for approving the Sale and Purchase Agreement and the transactions contemplated thereunder 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Centurion Corporate Finance Limited dated 17 October 2013 for incorporation in this circular:–



CENTURION CORPORATE FINANCE LIMITED 盛百利財務顧問有限公司

7th Floor, Duke Wellington House
14-24 Wellington Street
Central, Hong Kong

香港中環
威靈頓街14-24號
威靈頓公爵大廈7號

Telephone : (852) 2525 2128
(852) 2525 6026
Facsimile : (852) 2537 7622

17 October 2013

*To the Independent Board Committee and
the Independent Shareholders of
Glorious Sun Enterprises Limited*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF INTEREST IN GENNON INDUSTRIES LIMITED

INTRODUCTION

We have been engaged as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the Disposal, the terms and conditions of the Sale and Purchase Agreement and the transaction contemplated thereunder. Details of the Disposal are outlined in the “Letter From The Board” set out from pages 4 to 11 of the circular dated 17 October 2013 to the Shareholders (“Circular”) of which this letter forms a part.

We have been appointed (i) to give an opinion as to whether the Disposal, the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder are of normal commercial terms, are in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (ii) to recommend to the Independent Board Committee and the Independent Shareholders how to vote at the SGM. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Board announced on 24 September 2013 that the Vendor, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser for the disposal of the entire issued share capital of Gennon Industries at a consideration of HK\$132,000,000. The Gennon Group is engaged in the manufacturing of knitted wears involving dyeing yarns, knitting fabrics, dyeing fabrics and production of apparels. Apart from its direct export operations, the Gennon Group has been supplying knitted wears to the Group, and it is expected that the Gennon Group will continue to supply knitted wears to the Group after the Disposal.

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 more than 5% but less than 25%, the Disposal also constitutes a discloseable transaction for the Company. The Disposal is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

As set out in the "Letter From The Board", 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 Disposal. The SGM will be convened for the Independent Shareholders to approve the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder by way of poll. Dr. Charles Yeung and Mr. Yeung Chun Fan and their respective associates (together holding approximately 58.73% of the issued Shares) will abstain from voting on the ordinary resolution to approve the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the other Directors has a material interest in the Disposal.

Please refer to the sections headed "Listing Rules Implications" and "SGM" respectively as set out in the "Letter From The Board" for further details.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinions and recommendation, we have relied on the accuracy of the information, opinions and representations contained in the Circular and other documents which have been provided to us by the Directors and for which they take full responsibility. In this regard, we have considered (i) an indicative valuation report on the business of the Gennon Group prepared by an international firm of accountants (“Gennon Valuation Report”) and submitted in strict confidence to the Board in relation to the Disposal; and (ii) the property valuation report set out in Appendix I to the Circular (“Property Valuation Report”).

The Directors have declared in a responsibility statement set out in Appendix II to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained in the Circular. We have also assumed that all statements, information, opinions and representations made or referred to in the Circular were true at the time they were made and continued to be true at the date of this Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular are reasonably made after due and careful enquiry.

In respect of the financial information of each of the Group and the Gennon Group, we have relied principally on their respective audited and/or unaudited financial statements, such financial statements are prepared by the Company and for which the Directors take full responsibility. We have also sought and obtained confirmation from the Directors that, having made all reasonable enquiries and to the best of their knowledge and belief, no material facts have been omitted from the information provided and/or referred to in the Circular.

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We consider that we have reviewed sufficient financial information and have taken reasonable steps as required under the Listing Rules, which enable us to reach an informed view and to justify our reliance on the accuracy of the information as contained in the Circular and to provide us with a reasonable basis for our opinion. We have not, however, conducted any form of independent or in-depth investigation into the businesses, assets, affairs and/or the prospects of each of the Group, the Gennon Group and the Purchaser, or any of their respective subsidiaries, associates or parent companies, nor have we independently verified any of the information supplied to us.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background

Information of the Group

The Group is principally engaged in retailing, export and production of casual wear. For the year ended 31 December 2012, turnover of the Group amounted to approximately HK\$7,186.7 million. The following is an overview of the breakdown in turnover of the Group for the two years ended 31 December 2012 by activity and is extracted from the Company's 2012 Annual Report dated 18 March 2013:–

Table A: Segment revenue of the Group for the two years ended 31 December 2011 and 2012 respectively

For the year ended 31 December	2012		2011	
	(HK\$'000)	(in %)	(HK\$'000)	(in %)
Segment revenue				
Retailing of casual wear	6,335,733	88.2%	5,958,477	87.1%
Export of apparel	770,308	10.7%	768,628	11.2%
Trading of fabric and other businesses	80,640	1.1%	114,480	1.7%
Consolidated	<u>7,186,681</u>	<u>100.0%</u>	<u>6,841,585</u>	<u>100.0%</u>

(Source: 2012 Annual Report of the Company dated 18 March 2013)

The approximately HK\$7,186.7 million turnover of the Group for the year ended 31 December 2012 set out above generated an operating profit of approximately HK\$133.4 million, down from the operating profit of approximately HK\$377.0 million for the previous year ended 31 December 2011. As highlighted above, the retail operations accounted for approximately 88.2% of the Group's turnover or approximately HK\$6,335.7 million, and segment results attributable to such retail operations was approximately HK\$214.9 million, or approximately 118.7% of the consolidated segment results of the Group for the year ended 31 December 2012.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Information on the Gennon Group

Gennon Industries is an investment holding company incorporated in Hong Kong and owns a 50.4% interest in the principal operating subsidiaries of the Gennon Group. The Gennon Group, which consists of 31 subsidiaries and associates, is engaged in the manufacturing of knitted wears involving dyeing yarns, knitting fabrics, dyeing fabrics and production of apparels. Apart from its direct export operations, the Gennon Group has been supplying knitted wears to the Group. The audited net asset value of the Gennon Group attributable to the Vendor as at 31 December 2012 was approximately HK\$74,436,000. Major assets as at 31 December 2012 included property, plant and equipment, inventories, accounts receivable and cash balances. Major liabilities included bank overdraft, accounts payable and accrued liabilities and provision for tax payable. The unaudited net asset value of the Gennon Group attributable to the Vendor as at 30 June 2013 was approximately HK\$62,302,000.

The consolidated net loss before and after taxation and extraordinary items of the Gennon Group attributable to the Vendor for the two financial years ended 31 December 2011 and 2012 were as follows:

	For the year ended	
	31 December	
	2011	2012
	(unaudited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net loss before taxation and extraordinary items	Approximately 12,839	Approximately 33,027
Net loss after taxation and extraordinary items	Approximately 16,526	Approximately 26,707

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The consolidated net losses before and after taxation and extraordinary items of the Gennon Group attributable to the Vendor as set out above highlight the volatile market condition of the knitted wear manufacturing industry faced by the Gennon Group. For the purpose of better analysing such business, we have also extracted the following income statement highlights of the Gennon Group for the five years ended 31 December 2012:–

Table B: Income statement highlights of the Gennon Group for the five years ended 31 December 2012

For the year ended 31 December	2008 (unaudited) HK\$'000	2009 (unaudited) HK\$'000	2010 (unaudited) HK\$'000	2011 (unaudited) HK\$'000	2012 (audited) HK\$'000
Total turnover	931,142	824,068	820,463	623,154	413,220
Net profit (loss) attributable to the Vendor	10,838	18,955	2,988	(16,526)	(26,707)

(Source: the Company)

The above income statement highlights serve to illustrate the difficult trading conditions faced by the Gennon Group over the last 5-year period and in particular, the last three years ended 31 December 2012. We have discussed such poor performance with senior management and executive Directors of the Company and we understand that such poor performance was a result of the macro and/or structural economic developments both in the U.S. and in mainland China. The U.S., being the single largest market for the Gennon Group, has been affected by a pro-longed recession since the collapse of Lehman Brothers. In mainland China where a portion of the Gennon Group's manufacturing footprint was located, has seen considerable increase in all facets of the manufacturing cost over the last decade.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. The Sale and Purchase Agreement

The Sale and Purchase Agreement is entered into between Glorious Sun Enterprises (BVI) Limited, a wholly-owned subsidiary of the Company as the Vendor and Gennon Holdings Limited, a company owned by Dr. Charles Yeung and Mr. Yeung Chun Fan, as the Purchaser. Both Dr. Charles Yeung and Mr. Yeung Chun Fan are Directors and substantial Shareholders (they and their respective associates together holding approximately 58.73% of the issued Shares).

Pursuant to the Sale and Purchase Agreement, assets to be sold are the 1,000 shares of HK\$10 each in the share capital of Gennon Industries, representing the entire issued share capital thereof.

Conditions Precedent

Completion is conditional upon the fulfillment or waiver of following conditions on or before 31 December 2013 (or such other date as may be agreed between the Vendor and the Purchaser) (the “Long Stop Date”):

- (i) the Independent Shareholders having approved the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM;
- (ii) the Vendor and/or the Company obtaining all necessary consents, approvals, clearances and authorizations 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
- (iii) 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.

If any of the above conditions precedent has not been satisfied or waived on or before the Long Stop Date, the Sale and Purchase Agreement and all rights and obligations thereunder will cease and terminate. The Purchaser may in its absolute discretion at any time waive in writing conditions (ii) and (iii) (or any part thereof) set out above. The Vendor has agreed to use its reasonable endeavours to procure the fulfillment of conditions (i) and (ii) as soon as practicable and in any event no later than the Long Stop Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our views

The conditions precedent of the Sale and Purchase Agreement includes, among others, (i) regulatory approval requirements under the Listing Rules; (ii) certain warranties with respect to accounts; tax, records and returns; corporate matters; trading and general commercial matters; properties; insurance; litigation and matters since 31 December 2012. Pursuant to the Sale and Purchase Agreement, the Vendor represents and warrants to, and undertakes with, the Purchaser that all warranties as set out in the Sale and Purchase Agreement are true and accurate in all material respects and not misleading in any material respect. Having discussed such warranties with the Directors, we take the view that such warranties are considered standard and are therefore, fair and reasonable.

Completion

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

Our views

We take the view that Completion is an important “milestone” event for the Group in respect of the Disposal and a standard clause under an agreement such as the Sale and Purchase Agreement.

Consideration

As set out in the “Letter From The Board”, the consideration for the Sale Shares shall be HK\$132,000,000. The Purchaser shall pay to the Vendor the consideration by delivering to the Vendor a cheque drawn in favour of the Vendor at Completion. The consideration has been determined after arm’s length negotiations between the parties with reference to (i) the business conditions of the Gennon Group (including its recent performance and its manufacturing business as a going concern); (ii) the declining net asset value of Gennon Group (as at 31 December 2012 as shown in its audited accounts and updated to as at 30 June 2013 in its unaudited management accounts); and (iii) the findings of the Property Valuation Report.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our views

Apart from the audited net asset value of the Gennon Group attributable to the Vendor as at 31 December 2012 of approximately HK\$74,436,000, which was further declined to HK\$62,302,000 as at 30 June 2013 according to its unaudited management accounts, and the consolidated net losses before and after taxation and extraordinary items of Gennon Group attributable to shareholders of Gennon Industries for the two financial years ended 31 December 2011 and 2012 respectively as set out above, we have also considered the following principal factors and bases, in determining the fairness and reasonableness of the consideration:–

1. The unaudited consolidated net asset value of the Gennon Group attributable to the Vendor as at 30 June 2013;
2. The consolidated income statements of the Gennon Group for each of the last 10-year period, with a special focus on the last 5-year period;
3. The Gennon Valuation Report and the bases and assumptions set out therein;
4. The Property Valuation Report and the approaches, bases and assumptions set out therein;
5. Management and Board representations, a summary of which is set out in each of the sections headed “Reasons For The Disposal” and “Financial Effects Of The Disposal” respectively below; and
6. Share price performance of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Dealing with each of these factors in turn:–

1. The unaudited consolidated net asset value of the Gennon Group attributable to the Vendor as at 30 June 2013 was less than the comparable audited net asset value as at 31 December 2012, due in part from continuing loss attributable to the Vendor. We noted the way in which the consideration has been determined is with reference to, among all the factors set out above, the unaudited net asset value of the Gennon Group. In considering such net asset value of the Gennon Group, we have discussed with the Directors the special tax provision made on the audited and unaudited consolidated statements of financial position of the Gennon Group as at 31 December 2012 and 30 June 2013 respectively. The carrying amount of such special tax provision totaled approximately HK\$130 million and such special tax provision has been taken into account in determining the net asset value of the Gennon Group and ultimately, the consideration for the Disposal. Any significant increase or decrease in such potential tax liabilities would therefore have a material impact on the value of the Gennon Group. This is because if the tax liabilities were to be increased materially from the HK\$130 million provision when they are finally settled would mean the actual net asset value of the Gennon Group would have been less as at 30 June 2013 and hence the Purchaser would have overpaid for the Disposal and vice versa.

It should be noted that the consideration for the Disposal is not subject to any adjustment, including the outcome of this taxation matter. In this regard, we have noted that the Directors, having considered the unqualified auditors' report on the Gennon Group as at 31 December 2012, are of the view that the abovementioned special tax provision is adequate and appropriate. Details on the abovementioned special tax provision have also been disclosed in the section headed "Notes To Financial Statements" of the audited consolidated financial statements of the Company under Note 35(b) on page 128 of its Annual Report 2012.

2. The consolidated income statements of the Gennon Group for each of the last 5-year period ended 31 December 2012 do confirm a steady decline in turnover of the Gennon Group and in general, a fluctuating or declining net profit.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. The Gennon Valuation Report, which is submitted in strict confidence to the Board, provides an independent and indicative value on the knitted wear manufacturing business of the Gennon Group and having taken into account the findings of the Property Valuation Report, arrived at an indicative valuation range of the Gennon Group. The consideration for the Disposal is fair and reasonable, when viewed against the Gennon Valuation Report. As the knitted wear manufacturing business of the Gennon Group is valued on a going concern basis, such an approach also takes into account the underlying value of its relevant machinery and equipment used for the knitted wear manufacturing business.
4. The Company engaged DTZ to assess the market values of the properties of the Gennon Group and to prepare the Property Valuation Report. In order to assess the property valuation, we have reviewed the terms of engagement of DTZ and the Property Valuation Report and discussed with DTZ on the methodologies adopted and bases and assumptions made in arriving at such property valuations. In our discussion with DTZ about its experience in similar property valuations, we have also assessed the experience and qualification of DTZ and are satisfied with such assessment. As set out in the Property Valuation Report, Groups I and II properties adopted the “Direct Comparison Approach” whereas Groups III and IV adopted the “Depreciated Replacement Cost” (“DRC”) Approach.

We understand from DTZ that the rationale for the (i) Direct Comparison Approach adopted for its valuation methodology is because such approach is the most common method, when comparable sales evidences are available; and (ii) when comparable sales evidences are not readily available, the DRC Approach would be used. The DRC Approach in this case requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures from which deductions are then made to allow for age, condition and functional obsolescence. For the land portion, DTZ has made reference to comparable sales evidence as available in the market.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have also reviewed recent discloseable and connected transaction sample circulars published by listed issuers and noted that in at least one case, namely Symphony Holdings Ltd. (stock code: 01223) which published a circular dated 22 October 2012, the DRC Approach was also adopted on its disposal of property citing the same reason that comparable sales evidences were not readily available.

Your attention is drawn to the disclosure made in the “Letter From The Board” on page 8 with respect to the plot of land situated at Jiang Bei Minor District No. 4, Huizhou, Guangdong Province and the manner in which such property is held by a subsidiary of the Group as trustee for the Gennon Group. We have discussed all the properties set out in the Property Valuation Report with DTZ (including this plot of land) and the major assumptions thereof (i.e. market value in existing state of the properties are principally assumed for industrial usage), including the limitations on assumptions other than industrial usage. We are satisfied with such discussions with DTZ.

In light of the above and based on our discussions with DTZ, we are of the view that the methodologies adopted and the major assumptions thereof (namely market value in existing state of the properties are principally assumed for industrial usage) are consistent with market practice and are fair and reasonable. We have also noted that the valuation standards as set out in the Property Valuation Report specifically stated that DTZ has complied with the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules and the HKIS Valuation Standards 2012 by the Hong Kong Institute of Surveyors. Having considered the aforesaid, we are of the view that the Property Valuation Report provides a valid basis for the Directors to assess the fairness and reasonableness of the market values of the properties owned by the Gennon Group, which in turn have been taken into account in the Gennon Valuation Report.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have also noted that as set out in the “Letter From The Board”, the Company adopted the cost method to account for the Group’s property interests, including the property interests of the Gennon Group. The unaudited net book value of the property interests of Gennon Group attributable to the Vendor as at 30 June 2013 was approximately HK\$30,473,000. With reference to the findings the Property Valuation (details of which are set out in Appendix I to this Circular), the market value of the property interests of Gennon Group attributable to the Vendor was approximately HK\$103,578,000. As such, the revaluation surpluses (which have not yet been booked) attributable to the Vendor was approximately HK\$73,105,000.

5. Management and Board representations with respect to the reasons for the Disposal, a summary of which is set out in the section headed “Reasons For The Disposal” below. As set out in the section headed “Reasons For The Disposal” below, we concur with the executive Directors that the unfavourable export market conditions faced by the Gennon Group have been in existence since the collapse of Lehman Brothers some 5 years ago. We therefore concur with the Board on its reasons for the Disposal.
6. Share price performance of the Company is set out below.

It should be noted that based on the closing price per Share of HK\$1.68 on 24 September 2013 (the date of the Announcement) and the audited earnings per Share of HK\$0.1519 for the year ended 31 December 2012, the Share was trading at a price/earnings multiple at approximately 11.1 times. It is however, important to note that this price/earnings multiple of 11.1 times was less applicable to be used as comparison because for each of the two years ended 31 December 2012, the Gennon Group incurred net loss attributable to the Vendor. Such loss-making continued for the 6-month period ended 30 June 2013. Therefore, given such loss-making, the consideration for the Disposal does not yield any price/earnings multiple, the price/earnings multiple approach is thus not applicable to the consideration for the Disposal. That said, the following historical price-earnings multiples as commanded by the Shares should still give a general overview on the market price performance of the Share.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have noted that at the beginning of the following chart in September 2010, the historical price-earnings multiples as commanded by the Shares was at a double digit of approximately 12-14 times range. Subsequently, earnings per Share actually went up but the market price per Share failed to reflect such increases, resulting in a drop in price-earnings multiples to single digit of approximately 7-9 times range. The aforesaid audited earnings per Share of HK\$0.1519 for the year ended 31 December 2012 was a major drop from the previous year of HK\$0.2995 per Share, which explained why at the end of the charting period, historical price-earnings multiples actually rose to double digit again to approximately 11-14 times range, as the Share price declined less when compared to the decline in audited earnings per Share. This Share price performance was not ideal and given the loss-making of the Gennon Group for the past two years ended 31 December 2012, the Disposal is in our view, a right step forward in addressing such Share performance.

Chart I A general overview of the price/earnings multiples as commanded by the Shares since September 2010 (closing price per Share to reported earnings per Share)



(Source: data extracted from the Company's published reports and iInvestor of Infocast Ltd.)

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Given the unaudited net asset value of the Gennon Group attributable to the Vendor as at 30 June 2013 of approximately HK\$62,302,000, the consideration for the Disposal represents a price-to-book (“P/B”) ratio of 2.12 times. Based on the closing price per Share of HK\$1.68 on 24 September 2013 and the unaudited consolidated net asset value per Share of HK\$2.184 as at 30 June 2013, the Share was trading at a P/B multiple at 0.77 times. The market price as commanded by the Share was therefore trading at a discount to the Group’s net book value, as represented by the P/B multiple of 0.77 times. On this issue, set out below is a chart which shows the historical P/B multiples as commanded by the Shares since September 2010.

Chart II A general overview of the historical price/book multiples as commanded by the Shares since September 2010 (closing price per Share to reported net asset value of the Group)



(Source: data extracted from the Company's published reports and iInvestor of Infocast Ltd.)

When viewed against such historical P/B multiples as commanded by the Shares as set out in the chart above, the consideration for the Disposal which represents a P/B ratio of 2.12 times is above that commanded by the Share price, which has been trading at less than the P/B ratio of 2.12 times for the entire period covered by the chart above. When viewed against such P/B ratio, the consideration for the Disposal is thus in our view, fair and reasonable.

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In view of the above, in particular, the consideration of HK\$132,000,000 represents approximately (i) a 112% premium to unaudited net asset value of the Gennon Group attributable to the Vendor as at 30 June 2013 of HK\$62,302,000; and (ii) a 2% discount to the adjusted net asset of the Gennon Group as at 30 June 2013 by adding the HK\$73,105,000 revaluation surplus as set out above to the HK\$62,302,000 to arrive at an adjusted net asset value of approximately HK\$135,407,000. Such consideration also reflects the business value of the Gennon Group in a going concern manner and in this regard, we take the view that the underlying value for its machinery and equipment, which are assumed to be used to support such going concern basis, can be more accurately assessed. We are therefore of the opinion that the consideration for the Disposal is fair and reasonable.

3. Reasons for the Disposal

As set out in the “Letter From The Board”, the Group is engaged in the retailing, export and production of casual wear. The Group has been reviewing its business strategy in order to improve its business operations and maximize return to Shareholders. Due to unfavourable export market conditions and high production costs, revenue generated from its manufacturing business has been decreasing over the past years. The management expects that the non-profitable knitted wear manufacturing business may not be able to turn around in the near future. The divestment of the Gennon Group, which is engaged in the manufacturing of knitted wears for various customers, would be in line with the Group’s strategy to divest from such businesses with diminished competitive advantages and to focus on expanding its retail and franchise operations. The manufacturing of knitted wears business of the Gennon Group is only a part of the Group’s manufacturing business and is not a standalone business segment of the Group, and the Disposal would not constitute a disposal of a business segment of the Group. It is expected that Gennon Group will continue to supply knitted wears to the Group for the Group’s retail operations after the Disposal and the entering into of the Master Supply Agreement is to set out the basis and terms of such transactions. It is estimated that the Disposal will generate a gain of approximately HK\$73,000,000, calculated by reference to the estimated net asset value of the Gennon Group attributable to the Vendor as at Completion, and the estimated transaction costs in relation to the Disposal. The Directors consider that the Disposal is on normal commercial terms, the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Our views

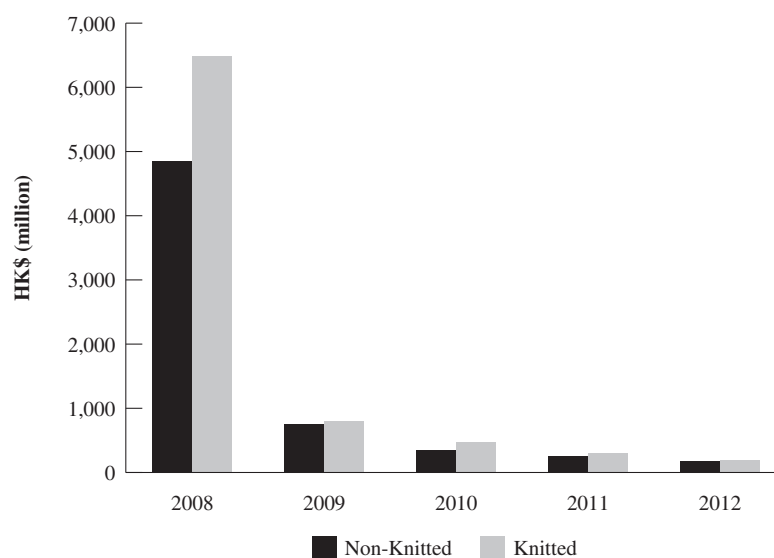
As set out above, following our discussions with the senior management of the Company and the Directors, we understand that the export market conditions for the knitted wears business as undertaken by the Gennon Group have suffered significant

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

setbacks, as a result of the deteriorating U.S. economy after the collapse of Lehman Brothers some 5 years ago. This challenging market condition is supported by the 5-year income statement highlights of the Gennon Group as set out in Table B above.

Furthermore, Chart III below gives a general overview on the sharp decline in the value of domestic exports of both knitted and non-knitted wears from Hong Kong to the U.S. during the five years from 2008 to 2012 as compiled by Hong Kong Census and Statistics Department. That is, from approximately HK\$6,489 million and approximately HK\$4,846 million for knitted and non-knitted respectively in 2008 to just approximately HK\$194 million and approximately HK\$250 million for knitted and non-knitted respectively in 2012.

Chart III Value of domestic exports of knitted and non-knitted wears to the U.S. as compiled by Hong Kong Census and Statistics Department from 2008 to 2012



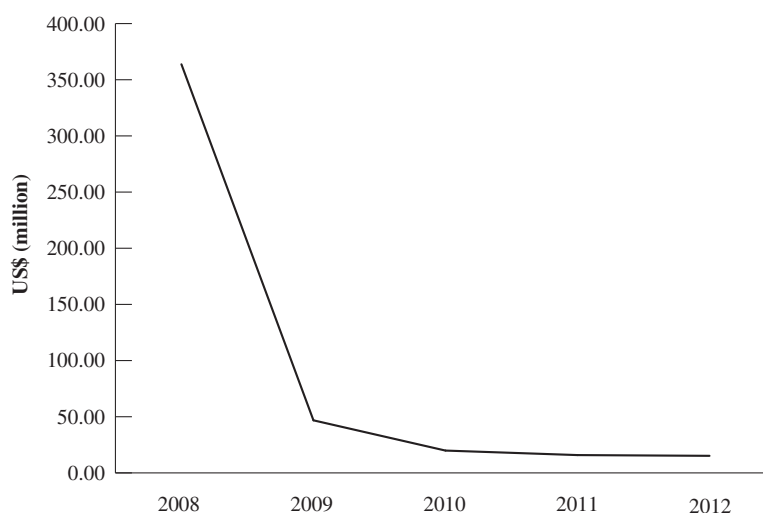
(Source: Hong Kong External Merchandise Trade reports published by the Census and Statistics Department of the Hong Kong SAR Government)

(Note: The recording of merchandise trade statistics set out above is adopted in Hong Kong to include all imports, domestic exports and re-exports whereas goods in transit through Hong Kong and goods entered for transshipment on a through bill of lading are excluded from the trade statistics)

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We have also reviewed data published by the Office of Textiles and Apparel (OTEXA) of the U.S. Department of Commerce and in particular, the past trends of women and girls knitted shirts and blouses (cotton) (i.e. Category 339) exported from Hong Kong to the U.S. as represented by Chart IV below, which also gives a general overview on the sharp decline in the value of such exports during the five years from 2008 to 2012. That is, from approximately US\$364 million in 2008 to just approximately US\$15 million in 2012.

Chart IV Value of exports of women and girls knitted shirts and blouses (cotton) (i.e. Category 339) exported from Hong Kong to the U.S. as compiled by the Office of Textiles and Apparel of the U.S. Department of Commerce



(Source: data published by the Office of Textiles and Apparel (OTEXA) of the U.S. Department of Commerce)

We are of the view that both charts as set out above support the drastic decline in market conditions in the U.S. for the Gennon Group's business, which is its single most important market. We therefore concur with the Board on its reason for the Disposal.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Financial effects of the Disposal

As set out in the “Letter From The Board”, Gennon Industries will cease to become a wholly-owned subsidiary of the Company and its financial performance will not be accounted for using the consolidation method. In other words, each of the assets and liabilities, or income and expenses and cash flow, as the case may be, of the companies within the Gennon Group will be de-consolidated, based on the Group’s 100% interest, from the financial statements of the Group following completion of the Disposal.

Earnings

According to the audited consolidated financial statements of Gennon Industries, Gennon Industries recorded a consolidated net loss after taxation and extraordinary items of approximately HK\$26,707,000 for the year ended 31 December 2012 attributable to the Group. Upon completion of the Disposal, Gennon Industries will cease to be a wholly-owned subsidiary of the Company and the Company will cease to have any equity interests in Gennon Industries. Such loss, if any, would cease to be consolidated into the financial statements of the Group following completion.

As set out in the Letter from the Board, after deducting expenses relating to the Disposal, it is estimated that there will be net proceeds of approximately HK\$130,000,000 from the Disposal and the Company intends to use the proceeds from the Disposal for future business expansion and general working capital of the Group. It is further stated that by reference to the estimated net asset value of the Gennon Group attributable to the Company as at Completion, and the estimated transaction costs in relation to the Disposal, the Group estimates that there will be a gain of approximately HK\$73,000,000 arising from the Disposal. As advised by the Company, the Disposal would not have any adverse effect on earnings of the Group.

Assets and liabilities

According to the audited consolidated financial statements of Gennon Industries, Gennon Industries had net asset value of approximately HK\$74,436,000 attributable to the Company as at 31 December 2012. Upon completion of the Disposal, all assets and liabilities of Gennon Industries will not be consolidated into the consolidated statement of financial position of the Company. As mention above, the Group is expected to recognize a gain on the Disposal, which will enhance the net asset value of the Group and the cashflow position of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Cash flow

Base on the 2012 Annual Report of the Company, the Group had working capital (i.e. current assets less current liabilities) and cash and cash equivalents as at 31 December 2012 of approximately HK\$846,762,000 and HK\$1,370,036,000 respectively. The Company intends to use the proceeds from the Disposal for future business expansion and general working capital of the Group.

RECOMMENDATION

Having considered the principal factors and reasons set out above, we are of the opinion that the Disposal, the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder, whilst are not in the ordinary and usual course of business of the Group, are of normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole. We therefore, advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

Yours faithfully,
For and on behalf of
Centurion Corporate Finance Limited
Baldwin LEE
Managing Director

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market value in existing state of the properties of Gennon Group in Hong Kong, the People's Republic of China, the Republic of Indonesia and the People's Republic of Bangladesh as at 31 July 2013.



16/F
Jardine House
1 Connaught Place
Central
Hong Kong

17 October 2013

The Directors
Glorious Sun Enterprises Limited
38/F, One Kowloon
1 Wang Yuen Street
Kowloon Bay
Hong Kong

Dear Sirs,

INSTRUCTIONS, PURPOSE AND DATE OF VALUATION

In accordance with your instruction for us to value the properties held by Gennon Industries Limited (referred to as the “**Gennon Industries**”) and its subsidiaries (together referred to as the “**Gennon Group**”) in Hong Kong, the People's Republic of China (the “**PRC**”), the Republic of Indonesia (“**Indonesia**”) and the People's Republic of Bangladesh (“**Bangladesh**”), we confirm that we have carried out inspections, made relevant searches in Hong Kong only and enquiries and obtained such further information as we consider necessary for the purpose of providing Glorious Sun Enterprises Limited (the “**Company**”) and its subsidiaries (together referred to as the “**Group**”) with our opinion of the market values of those properties as at 31 July 2013 (the “**date of valuation**”).

Note: The Group refers to the Company and its subsidiaries, and shall not include Gennon Group after Completion of the Disposal of the issued share capital of Gennon Industries.

DEFINITION OF MARKET VALUE

Our valuation of each of the properties represents the market value which in accordance with The HKIS Valuation Standards 2012 Edition published by The Hong Kong Institute of Surveyors is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION STANDARDS

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by The Hong Kong Institute of Surveyors.

VALUATION BASIS AND ASSUMPTION

Our valuation of each of the properties excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

Unless otherwise stated, in the course of our valuation of the properties situated in the PRC, Indonesia and Bangladesh, we have assumed that transferable land use rights in respect of the properties for specific terms at nominal annual land use fees have been granted and that, any premiums payable have already been fully paid. We have also assumed that the grantees or the users of the properties have free and uninterrupted rights to use or to assign the properties for the whole of the unexpired terms as granted. We have relied on the advice given by the Company and the Company’s legal adviser, Guangdong Weilun Law Firm, on the PRC laws, regarding the title and the Gennon’s interests in the properties in the PRC. We have relied on the advice given by the Company and the Company’s legal adviser, DNC advocates at work, on the Indonesian laws, regarding the title and the Gennon’s interests in the properties in Indonesia. We have relied on the advice given by the Company and the Company legal adviser, HASAN & ASSOCIATES, on the Bangladesh laws, regarding the title and Gennon Group’s interests in the properties in Bangladesh.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

GOVERNMENT LEASES

In valuing those properties in Hong Kong held under Government Leases expiring before 30 June 1997, we have taken into account the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the Question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases have been extended without premium until 30 June 2047 and that rents of three per cent of the then rateable value are charged per annum from the date of extension.

METHODS OF VALUATION

In valuing the properties in Group I and II, which are currently held by Gennon Group in Hong Kong and the PRC for owner occupation respectively, we have adopted Direct Comparison Approach by making reference to comparable sales evidences as available in the relevant market.

In valuing the properties in Group III and IV, which are currently held by Gennon Group in Indonesia and Bangladesh for owner occupation respectively due to the specific nature of the properties and imperfection of the property market, we have adopted the Depreciated Replacement Cost (“**DRC**”) Approach. The DRC Approach requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures from which deductions are then made to allow for the age, condition and functional obsolescence. For the land portion, we have made reference to comparable sales evidence as available in the market. The valuations by DRC apply to the whole of each of the property developments as a unique interest, and no piecemeal transaction of the development is assumed. The values by DRC are subject to service potential of the entity from the use of assets as a whole.

SOURCE OF INFORMATION

In the course of our valuation, we have relied to a considerable extent on the information given by the Company and its legal adviser, Guangdong Weilun Law Firm, DNC advocates at work and HASAN & ASSOCIATES in respect of the title to the properties in the PRC, Indonesia and Bangladesh respectively. We have also accepted advice given to us on such matters as tenure, identification of properties, completion date of buildings, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters. Dimensions and measurements are based on the copies of documents or other information provided to us by the Company and are therefore only approximations. No on-site measurement has been carried out.

TITLE INVESTIGATION

We have been provided by Gennon Group with extracts of documents in relation to the titles to the properties in the PRC, Indonesia and Bangladesh. However, we have not searched the original documents to verify ownership or to ascertain any amendments to any documents. We have not been able to cause title searches for the properties in the PRC, Indonesia and Bangladesh but have relied on the legal opinions provided by the Company's legal advisers. We have caused searches to be made at the appropriate Land Registry in Hong Kong in respect of Hong Kong properties only.

SITE INSPECTION

Our Hong Kong Office Assistant Manager Angelina Kwok (BSc (Hons) Surveying, MRICS), Shenzhen Office Assistant Valuer Eva Yin (Bachelor of Science) and Assistant Valuer Danica Luo (Bachelor of Management), Singapore Office Executive Director Nicholas Cheng (BSc Estate Management, MSISV) and India Office Senior Associate Somnath Maity (MBA), inspected the exterior and, wherever possible, the interior of the properties in Hong Kong, the PRC, Indonesia and Bangladesh in August 2013 respectively.

However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. Moreover, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. of the properties for any development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no unexpected extraordinary expenses or delays will be incurred during the construction period. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

CURRENCY & EXCHANGE RATE

Unless otherwise stated, all money amounts stated herein are in Hong Kong dollars “HK\$” for the properties in Hong Kong, Renminbi “RMB” for the properties in the PRC, Indonesian Rupiah “Rupiah” for the properties in Indonesia and Bangladesh Taka “Tk” for the properties in Bangladesh which are the official currencies of Hong Kong, the PRC, Indonesia and Bangladesh respectively.

The exchange rates adopted in our valuations are approximately HK\$1 = RMB0.7926, Indonesian Rupiah (Rupiah) 1 = HK\$0.0008 and Bangladesh Taka (Tk) 1 = HK\$0.0996, which were approximately the prevailing exchange rates as at the date of valuation.

We enclose herewith the summary of valuations and valuation certificates.

Yours faithfully,

For and on behalf of

DTZ Debenham Tie Leung Limited

Philip C.Y. Tsang

Registered Professional Surveyor (General Practice)

Registered China Real Estate Appraiser

MSc, MHKIS, MRICS

Director

- Note: (1) *Mr. Philip C.Y. Tsang is a Registered Professional Surveyor (General Practice) who has over 20 years' experience in the valuation of properties in Hong Kong, the PRC and other Asian countries.*
- (2) *Valuers from DTZ Singapore Office and DTZ India Office are with over two years' relevant experience in Indonesia and Bangladesh respectively and they have provided their professional support to Mr. Philip C. Y. Tsang for the valuation done. It is a common professional practice for DTZ to carry out valuation by DTZ's global network.*
- (3) *Please note that we have also issued a valuation report in respect of the properties held by Gennon Group on 18 September 2013 with date of valuation as at 30 June 2013 to the Company for internal reference purpose.*

SUMMARY OF VALUATIONS

Property	Market value in existing state as at 31 July 2013 HK\$	Current Interest attributable to the Group %	Market value in existing state attributable to the Group as at 31 July 2013 HK\$
Group I – Properties held by Gennon Group for owner occupation in Hong Kong			
1. Factory Unit No. 1 on 6th Floor, Lee Sum Factory Building, No. 28 Ng Fong Street and Nos. 21-25 Sze Mei Street, San Po Kong, Kowloon, Hong Kong	HK\$22,000,000	50.4	HK\$11,088,000
2. Unit Nos 1, 2, 3 and 4 on 13th Floor and the store room, Perfect Industrial Building, No. 31 Tai Yau Street, San Po Kong, Kowloon, Hong Kong	HK\$50,000,000	50.4	HK\$25,200,000
Group I Total:			<u>HK\$36,288,000</u>

SUMMARY OF VALUATIONS

Property	Market value in existing state as at 31 July 2013 <i>RMB</i>	Current Interest attributable to the Group <i>%</i>	Market value in existing state attributable to the Group as at 31 July 2013 <i>RMB</i>
Group II – Properties held by Gennon Group for owner occupation in the PRC			
3. A factory complex situated at Nan Ya Village, Dao Jiao Town, Dongguan, Guangdong Province, the PRC	RMB58,200,000 (equivalent to approximately HK\$73,429,000)	50.4	RMB29,332,800 (equivalent to approximately HK\$37,008,216)
4. A plot of land Lot No. 01-02-087 situated at Jiang Bei Minor District No. 4, Huizhou, Guangdong Province, the PRC	RMB11,110,000 (equivalent to approximately HK\$14,017,000)	50.4	RMB5,599,440 (equivalent to approximately HK\$7,064,568)
Group II Total:			RMB34,932,240 (equivalent to approximately <u>HK\$44,072,784</u>)

SUMMARY OF VALUATIONS

		Market value in existing state attributable to the Group as at 31 July 2013 <i>Rupiah</i>	Current Interest attributable to the Group %	Market value in existing state attributable to the Group as at 31 July 2013 <i>Rupiah</i>
Group III – Properties held by Gennon Group for owner occupation in Indonesia				
5.	Citra Garden I Extension Housing Complex, Jalan Nusa Timur Block Ac3 No. 11, Sub-District of Kalideres, District of Kalideres, Municipality of Jakarta Barat, Province of Daerah Khusus Ibukota Jakarta, Indonesia	No commercial value	47.88	No commercial value
6.	Jalan Jenderal Gatot Subroto Km 4.5, Sub-District of Sangiang Jaya, District of Jatiuwung, Regency of Tangerang, Province of Banten, Indonesia	Rupiah18,614,000,000 (equivalent to approximately HK\$14,891,000)	47.88	Rupiah8,912,383,200 (equivalent to approximately HK\$7,129,811)
Group III Total:				Rupiah8,912,383,200 (equivalent to approximately HK\$7,129,811)

SUMMARY OF VALUATIONS

Property	Market value in existing state as at 31 July 2013 <i>Tk</i>	Current Interest attributable to the Group <i>%</i>	Market value in existing state attributable to the Group as at 31 July 2013 <i>Tk</i>
Group IV – Properties held by Gennon Group for owner occupation in Bangladesh			
7. A building located at 13/1, Ring Road, Shamoli, Dhaka, Bangladesh	Tk173,130,000 (equivalent to approximately HK\$17,244,000)	35.28	Tk61,080,264 (equivalent to approximately HK\$6,083,683)
8. The buildings located at South Salna, P.O.Salna, Joydevpur, Gazipur, Bangladesh	Tk284,690,000 (equivalent to approximately HK\$28,355,000)	35.28	Tk100,438,632 (equivalent to approximately HK\$10,003,644)
Group IV Total:			Tk161,518,896 (equivalent to approximately HK\$16,087,327)

VALUATION CERTIFICATE

Group I – Properties held by Gennon Group for owner occupation in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2013
1. Factory Unit No. 1 on 6th Floor, Lee Sum Factory Building, No. 28 Ng Fong Street and Nos. 21-25 Sze Mei Street, San Po Kong, Kowloon, Hong Kong	The property comprises a factory unit on the 6th floor of a 13-storey industrial building completed in 1967. The property has a gross floor area of 804.63 sq m (8,661 sq ft). The property is situated in San Po Kong, an industrial area mixed with industrial and office buildings nearby.	The property is currently occupied by Gennon Group for storage use.	HK\$22,000,000 (50.4% current interest attributable to the Group: HK\$11,088,000)
17/512th shares of and in New Kowloon Inland Lot No. 4859	The property is held under Conditions of Sale No. 8311 for a term of 99 years less the last three days commencing from 1 July, 1898 which has been statutorily extended for a further term of 50 years until 30 June, 2047. The current Government Rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Notes:

- (1) The registered owner of the property is Main Pui Investments Limited (in which the Group has an attributable interest of 50.4%).
- (2) The property is subject to a legal charge to secure general banking facilities in favour of Standard Chartered Bank.

VALUATION CERTIFICATE

Group I – Properties held by Gennon Group for owner occupation in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2013
2. Unit Nos 1, 2, 3 and 4 on 13th Floor and the store room, Perfect Industrial Building, No. 31 Tai Yau Street, San Po Kong, Kowloon, Hong Kong	<p>The property comprises four units and a store room on the 13th floor of a 26-storey industrial building completed in 1985.</p> <p>The property has a total gross floor area of 1,152.55 sq m (12,406 sq ft) including a store room with an area of 8.92 sq m (96 sq ft).</p>	The property is currently occupied by the Gennon Group for ancillary office use.	<p>HK\$50,000,000</p> <p>(50.4% current interest attributable to the Group: HK\$25,200,000)</p>
80/2190th shares of and in New Kowloon Inland Lot Nos. 4440 and 4441.	<p>The property is situated in San Po Kong, an industrial area mixed with industrial and office buildings nearby.</p> <p>The property is held under Conditions of Sale No. 6751 and a Government Lease for the same term of 99 years less the last three days thereof from 1 July 1898 which has been statutorily extended for a further term of 50 years to 30 June 2047. The current Government Rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>		

Note: The registered owner of the property is Main Pui Investments Limited (in which the Group has an attributable interest of 50.4%).

VALUATION CERTIFICATE

Group II – Properties held by Gennon Group for owner occupation in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2013
3. A factory complex situated at Nan Ya Village, Dao Jiao Town, Dongguan, Guangdong Province, the PRC	<p>The property comprises a factory complex erected on two irregular-shaped sites with a combined site area of 43,041.95 sq m (463,304 sq ft). The property was completed in 2003.</p> <p>The factory complex comprises a 4-storey composite building, a 3-storey office building, a 3-storey workshop building and a 6-storey dormitory building.</p> <p>The property is situated in at Nan Ya Village, Dao Jiao Town, Dongguan, which is predominantly an industrial area.</p>	The property is currently owner-occupied for industrial use.	<p>RMB58,200,000 (equivalent to approximately HK\$73,429,000)</p> <p>(50.4% current interest attributable to the Group: RMB29,332,800 (equivalent to approximately HK\$37,008,216))</p>

The following are the approximate gross floor areas of each building:–

Building	Gross Floor Area	
	(sq m)	(sq ft)
Composite Building	4,242.48	45,666
Office Building	3,624.00	39,009
Workshop Building	17,770.11	191,277
Dormitory Building	7,771.26	83,650
Total:	<u>33,407.85</u>	<u>359,602</u>

The land use rights of the site have been granted for respective terms with expiry dates on 28 September 2052 and 7 September 2053 for industrial use.

Notes:

- (1) The owner of the property is Dongguan Ming Hoi Dyeing & Finishing Factory Co., Ltd. (東莞明海整染廠有限公司) (in which the Group has an attributable interest of 50.4%);
- (2) According to two Certificates for the Use of State-owned Land, the land use rights of the property, comprising a total site area of 43,041.95 sq m, have been vested in Dongguan Ming Hoi Dyeing & Finishing Factory Co., Ltd. (東莞明海整染廠有限公司) as follows:-

Certificate No.	Use	Site Area (sq m)	Land Use Term
			Expiry Date
(1) No. (2003)180	Industrial	18,359.65	28 September 2052
(2) No. (2003)696	Industrial	24,682.30	7 September 2053
		<u>43,041.95</u>	

- (3) According to four Building Ownership Certificates issued by The Guangdong People's Government on 13 July 2005, the building ownership of the property, having a total gross floor area of 33,407.85 sq m, have been vested in Dongguan Ming Hoi Dyeing & Finishing Factory Co., Ltd. (東莞明海整染廠有限公司). The gross floor area breakdown of each building is summarized as follows:

Certificate No.	Building	Gross Floor Area
		(sq m)
C 3332893	Composite Building	4,242.48
C 3332891	Office Building	3,624.00
C 3332892	Workshop Building	17,770.11
C 3332890	Dormitory Building	<u>7,771.26</u>
Total:		<u>33,407.85</u>

(4) According to the legal opinion:

(i) Dongguan Ming Hoi Dyeing & Finishing Factory Co., Ltd. (東莞明海整染廠有限公司) has obtained the Certificates for the Use of State-owned Land and Building Ownership Certificates of the property;

(ii) The property is not subject to mortgage; and

(iii) Dongguan Ming Hoi Dyeing & Finishing Factory Co., Ltd. (東莞明海整染廠有限公司) is entitled to use, lease, transfer or mortgage the property.

(5) The status of title and grant of major approvals and licences in accordance with the information provided by Gennon Group are as follows:

Certificates for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes

VALUATION CERTIFICATE

Group II – Properties held by Gennon Group for owner occupation in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2013
4. A plot of land Lot No. 01-02-087 situated at Jiang Bei Minor District No. 4, Huizhou, Guangdong Province, The PRC	The property comprises a plot of irregular-shaped site with total site area of 29,239.90 sq m (314,738 sq ft). The property is situated in Jiang Bei Minor District No. 4 of Huizhou, which is within an industrial area gradually being converting to mixed industrial, residential and commercial uses. The land use rights of the property have been granted for a term of 50 years expiring on 19 June 2048 for industrial use.	The property is currently a plot of vacant industrial land.	RMB11,110,000 (equivalent to approximately HK\$14,017,000) (50.4% current interest attributable to the Group: RMB5,599,440 (equivalent to approximately HK\$7,064,568))

Notes:

- (1) According to the legal opinion, Advancetex Fashion Garment Mfy. (Hui Zhou) Limited (大進製衣廠 (惠州) 有限公司) has submitted an application for “三舊改造”(關於惠州大進製衣廠江北4號小區現址地塊“三舊”升級改造方案) “Three Old Transformation” (Regarding Huizhou Advancetex Fashion Garment Jiang Bei District No. 4 In-Situ Three Old Transformation Proposal) of the property to the relevant local authority. However, the property is not included in the proposal of “三舊改造” (“Three Old Transformation”) and thus the application for “三舊改造” (“Three Old Transformation”) of the property was rejected on 16 January 2013 and the property cannot be redeveloped for residential/commercial uses at present by “三舊改造” (“Three Old Transformation”). In the course of our valuation, we have based on the Certificate for the Use of State-owned Land No. (2002)13020100125 that the property can be used as industrial use only as at the date of valuation.
- (2) According to Grant Contract for State-owned Land dated 15 June 1998, the land use rights of property have been contracted to be granted to 先鋒製衣工業 (惠州) 有限公司 (Pioneer Fashion Garment Manufacturing (Huizhou) Co., Ltd.) for a term of 50 years from June 1998 to June 2048 for industrial use.

According to a land purchase agreement dated 9 July 1998, the land use rights of the property, comprising a total site area of 29,330 sq m, have been subsequently purchased by 鎮安國際貿易有限公司 (Gennon International Trading (H.K.) Limited).

According to Approval of Land Administration due to Corporate Restructuring of Advantetex Fashion Garment Mfy. (Hui Zhou) Limited (大進製衣廠(惠州)有限公司) dated 25 December 2002, the land use rights of the property were subsequently transferred to Advantetex Fashion Garment Mfy. (Hui Zhou) Limited (大進製衣廠(惠州)有限公司).

According to the legal opinion, the Approval of Land Administration due to Corporate Restructuring dated 25 December 2002 did not affect the legal interest of 鎮安國際貿易有限公司 (Gennon International Trading (H.K.) Limited) through the land purchase agreement dated 9 July 1998. Thus, the property is by management representation held by Advantetex Fashion Garment Mfy. (Hui Zhou) Limited (大進製衣廠(惠州)有限公司) as a trustee for 鎮安國際貿易有限公司 (Gennon International Trading (H.K.) Limited) with an attributable interest of 50.4% to the Group.

- (3) According to Certificate for the Use of State-owned Land No. (2002)13020100125 dated 27 December 2002, the land use rights of the property, comprising a total site area of 29,239.90 sq m, have been vested in to Advantetex Fashion Garment Mfy. (Hui Zhou) Limited (大進製衣廠(惠州)有限公司) for a term with the latest expiry date on 19 June 2048 for industrial use.
- (4) According to the legal opinion:
 - (i) Advantetex Fashion Garment Mfy. (Hui Zhou) Limited (大進製衣廠(惠州)有限公司) is a 100% indirectly owned subsidiary of the Company. The Approval of Land Administration due to Corporate Restructuring dated 25 December 2002 did not affect the legal interest of 鎮安國際貿易有限公司 (Gennon International Trading (H.K.) Limited) through the land purchase agreement dated 9 July 1998. Thus, the property is by management representation held by Advantetex Fashion Garment Mfy. (Hui Zhou) Limited (大進製衣廠(惠州)有限公司) as a trustee for 鎮安國際貿易有限公司 (Gennon International Trading (H.K.) Limited) with an attributable interest of 50.4% to the Group;
 - (ii) Advantetex Fashion Garment Mfy. (Hui Zhou) Limited (大進製衣廠(惠州)有限公司) has obtained the Certificates for the Use of State-owned Land of the property;
 - (iii) The property has been idle for over 2 years. According to Clause No. 26 of 中華人民共和國城市房地產管理法 (Law of the People's Republic of China on the Administration of the Urban Real Estate), the property has to be developed in accordance with the land use and development period stipulated in the relevant Grant Contract for State-owned Land. If the development is lapsed for over 2 years, the property will be subject to government resumption at nil compensation. However, in practice, the property will be resumed by the government at certain amount of compensation to the owner.
 - (iv) Advantetex Fashion Garment Mfy. (Hui Zhou) Limited (大進製衣廠(惠州)有限公司) has submitted an application for “三舊改造”(關於惠州大進製衣廠江北4號小區現址地塊“三舊”升級改造方案)“Three Old Transformation” (Regarding Huizhou Advantetex Fashion Garment Jiang Bei District No. 4 In-Situ Three Old Transformation Proposal) of the property to the relevant local authority. However, the property is not included in the proposal of “三舊改造”(“Three Old Transformation”) and thus the application for “三舊改造”(“Three Old Transformation”) of the property was rejected on 16 January 2013 and the property cannot be redeveloped for residential/commercial uses at present by “三舊改造”(“Three Old Transformation”).
- (5) The status of title and grant of major approvals and licences in accordance with the information provided by Gennon Group are as follows:—

Certificate for the Use of State-owned Land	Yes
Grant Contract for State-owned Land	Yes

VALUATION CERTIFICATE

Group III – Properties held by Gennon Group for owner occupation in Indonesia

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2013
5. Citra Garden I Extension Housing Complex, Jalan Nusa Timur Block Ac3 No. 11, Sub-District of Kalideres, District of Kalideres, Municipality of Jakarta Barat, Province of Daerah Khusus Ibukota Jakarta, Indonesia	<p>The property comprises a single storey house erected upon a plot of land with a site area of approximately 200 sq m (2,153 sq ft). The house was completed in 1993.</p> <p>The property has a gross floor area of approximately 142 sq m (1,528 sq ft).</p> <p>The property is situated in District of Kalideres, Municipality of Jakarta Barat, which is a residential area.</p> <p>The property is held for residential use and the land use term expired on 10 January 2010. Per the legal opinion, the owner of the property is undergoing the renewal process pending issuance of the decree from the head of land office.</p>	The property is vacant.	No commercial value

Notes:

- (1) For reference only, assuming the land lease had been officially renewed and all relevant land premium and necessary costs had been settled in full, the market value of the property as at 31 July 2013 would be Rupiah1,121,000,000 (equivalent to approximately HK\$897,000) (47.88% current interest attributable to the Group: Rupiah536,734,800 (equivalent to approximately HK\$429,484)).
- (2) Before the land lease expired, the owner of the property was P.T. Crownfund Garment Factory (in which the Group has an attributable interest of 47.88%).
- (3) The property is zoned as residential use.
- (4) According to the legal opinion:
 - (i) P.T. Crownfund Garment Factory owned a right to build title over the land which expired on 10 January 2010;
 - (ii) The land is free from encumbrance;
 - (iii) P.T. Crownfund Garment Factory is undergoing the renewal process pending the issuance of the decree from the head of land office, which requires the latest articles of association of P.T. Crownfund Garment Factory adjusted to the new Indonesian Company Law, the Law No. 40 Year 2007 concerning Limited Liability Company in order to obtain the decree from the head of land office. After obtaining the said decree, the application process may continue for the issuance of certificate of Citra Garden House land; and
 - (iv) Pursuant to Law No. 5/1960 and GR No. 40/1996, the right to build title may be encumbered by way of mortgage as well as assigned to any other third parties, in which the new Citra Garden House land title may be transferred, mortgaged freely to and used by the third parties.

VALUATION CERTIFICATE

Group III – Properties held by Gennon Group for owner occupation in Indonesia

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2013
6. Jalan Jenderal Gatot Subroto Km 4.5, Sub-District of Sangiang Jaya, District of Jatiuwung, Regency of Tangerang, Province of Banten, Indonesia	<p>The property comprises a factory complex erected upon a plot of land with a site area of approximately 6,241 sq m (67,178 sq ft). The property was completed in 1983 and was renovated and extended in 1992 and 1993.</p> <p>The property is situated in District of Jatiuwung, Regency of Tangerang, which is an area mixed of industrial, residential and commercial uses.</p>	The property is vacant.	<p>Rupiah18,614,000,000 (equivalent to approximately HK\$14,891,000)</p> <p>(47.88% current interest attributable to the Group: Rupiah8,912,383,200 (equivalent to approximately HK\$7,129,811))</p>

The followings are the approximate gross floor areas of each building:

	Gross Floor Area	
	(sq m)	(sq ft)
Factory building I:	2,308	24,843
Factory building II:	2,971	31,980
Factory building III:	3,482	37,480
Warehouse:	178	1,916
Powerhouse:	17	183
Canteen:	14	151
Guardhouse:	12	129
Total	8,982	96,682

The property is held for land use terms expiring on 31 October 2014, 30 June 2029 and 19 March 2033 respectively.

Notes:

- (1) The owner of the property is P.T. Crownfund Garment Factory (in which the Group has an attributable interest of 47.88%).
- (2) The property is zoned for industrial use.
- (3) According to the legal opinion:
 - (i) P.T. Crownfund Garment Factory owned a right to build title over the land which will expire on 31 October 2014, 30 June 2029 and 19 March 2033 respectively;
 - (ii) P.T. Crownfund Garment Factory may conduct an extension of right to build title at the latest two years prior to the expiration of such right. P.T. Crownfund Garment Factory needs to apply for the issuance of new right to build certificate over the relevant factory land and it may be extended for a maximum tenure of twenty years. The extension of such right to build title may still be conducted provided that the land certificate has not expired; and
 - (iii) The right to build title may be encumbered by way of mortgage as well as assigned to any other third parties, in which the property land title may be transferred, mortgaged freely to and used by the third parties.

VALUATION CERTIFICATE

Group IV – Properties held by Gennon Group for owner occupation in Bangladesh

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2013
7. A building located at 13/1, Ring Road, Shamoli, Dhaka, Bangladesh	<p>The property is a 9-storey building erected on a plot of land of a site area of 830 sq m (8,934 sq ft). The property was completed in 1990s.</p> <p>The property has a total gross floor area of 7,112 sq m (76,554 sq ft).</p> <p>The property is situated in Ring Road, Shamoli, which is a mixed residential and commercial area.</p> <p>The property is held under freehold interest for commercial use.</p>	<p>Portion of the property with gross floor area of 4,000 sq ft (371.61 sqm) is currently leased by an independent third party, Al Arafah Islami Bank Limited, for 5 years expiring on 31 July 2017 at a monthly rent of Tk160,000. The remaining portions are owner-occupied.</p>	<p>Tk173,130,000 (equivalent to approximately HK\$17,244,000)</p> <p>(35.28% current interest attributable to the Group: Tk61,080,264 (equivalent to approximately HK\$6,083,683))</p>

Notes:

- (1) The owner of the property is Shamoli Garments Limited (in which the Group has an attributable interest of 35.28%).
- (2) The property is zoned for commercial.
- (3) According to the legal opinion:
 - (i) The property rights, title, interest and ownership are held by Shamoli Garments Limited under freehold interest.

VALUATION CERTIFICATE

Group IV – Properties held by Gennon Group for owner occupation in Bangladesh

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2013
8. The buildings located at South Salna, P.O.Salna, Joydevpur, Gazipur, Bangladesh	<p>The property comprises two 4-storey buildings erected on a plot of land of a site area of 9,913 sq m (106,704 sq ft). The property was completed in 1990s.</p> <p>The property has a total gross floor area of 26,476 sq m (284,988 sq ft).</p> <p>The property is situated in Joydevpur, Gazipur, which is an industrial area.</p> <p>The property is held under freehold interest for industrial use.</p>	<p>The property is currently vacant.</p>	<p>Tk284,690,000 (equivalent to approximately HK\$28,355,000)</p> <p>(35.28% current interest attributable to the Group: Tk100,438,632 (equivalent to approximately HK\$10,003,644))</p>

Notes:

- (1) The owner of the property is Shamoli Garments Limited (in which the Group has an attributable interest of 35.28%).
- (2) The property is zoned for industrial use.
- (3) According to the legal opinion:
 - (i) The property rights, title, interest and ownership are held by Shamoli Garments Limited under freehold interest.

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, SBS, JP	(i) Interest of controlled corporations	556,082,000	587,082,000 (1) & (2)	55.416
	(ii) Joint interest	31,000,000		
Mr. Yeung Chun Fan	(i) Beneficial owner	1,000,000	594,812,000 (1), (2) & (4)	56.145
	(ii) Interest of controlled corporations	556,082,000		
	(iii) Joint interest	31,000,000		
	(iv) Interest of spouse	6,730,000		

APPENDIX II

GENERAL INFORMATION

Name of Director	Capacity	No. of shares held	Total	Percentage of issued share capital (%)
Mr. Yeung Chun Ho	Interest of a controlled corporation	27,430,000	27,430,000 (3)	2.589
Mr. Pau Sze Kee, Jackson	Beneficial owner	9,370,000	9,370,000	0.884
Mr. Hui Chung Shing, Herman, BBS, MH, JP	Beneficial owner	6,250,000	6,250,000	0.590
Ms. Cheung Wai Yee	(i) Beneficial owner	6,730,000	594,812,000 (1), (2) & (4)	56.145
	(ii) Interest of spouse	588,082,000		
Mr. Lau Hon Chuen, Ambrose, GBS, JP	Beneficial owner	956,000	956,000	0.090
Dr. Chung Shui Ming, Timpson, GBS, JP	Beneficial owner	408,000	408,000	0.039

Notes:

- (1) 414,842,000 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, SBS, JP and as to 48.066% by Mr. Yeung Chun Fan), 138,540,000 shares were held by Advantetex 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 2,700,000 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).
- (2) 31,000,000 shares were held by Mr. Charles Yeung and Mr. Yeung Chun Fan jointly.
- (3) 27,430,000 shares were held by Unicom Consultants Limited, a company wholly owned by Mr. Yeung Chun Ho.
- (4) Ms. Cheung Wai Yee is the spouse of Mr. Yeung Chun Fan. 6,730,000 shares related to the same block of shares held by Ms. Cheung Wai Yee and 556,082,000 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 their respective 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 announcements of the Company dated 30 July 2013 in respect of leasing of certain properties and dated 5 September 2013 in respect of the disposal of interest in I.T Limited, none of the Directors had any direct or indirect interest in any assets which had since 31 December 2012 (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.

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. EXPERTS AND CONSENTS

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

Name	Qualification
Centurion Corporate Finance 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
DTZ Debenham Tie Leung Limited	professional property valuers

Name	Qualification
Guangdong Weilun Law Firm	legal advisers as to PRC laws
DNC advocates at work	legal advisers as to Indonesian laws
HASAN & ASSOCIATES	legal advisers as to Bangladesh laws

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, report or opinion (or summaries thereof) (as the case may be) and references to its name herein in the form and context in which they respectively appear.

Each of the above experts 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 2012 (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 2012 (being the date to which the latest published audited financial statements of the Company were made up).

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copy of the Sale and Purchase Agreement is 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 18 November 2013 (except Saturdays, Sundays and public holidays).

8. GENERAL

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

NOTICE OF SPECIAL GENERAL MEETING



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 Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 18 November 2013 at 2 p.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (A) the entering into of the Sale and Purchase Agreement (as defined in the circular of the Company dated 17 October 2013), 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.”

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

Hong Kong, 17 October 2013

NOTICE OF SPECIAL GENERAL MEETING

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 instead. A member who is the holder to 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 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.
- (4) 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).
- (5) 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, SBS, JP, Mr. Yeung Chun Fan, Mr. Yeung Chun Ho, Mr. Pau Sze Kee, Jackson, Mr. Hui Chung Shing, Herman, BBS, MH, JP, Ms. Cheung Wai Yee and Mr. Chan Wing Kan, Archie

Independent Non-Executive Directors:

Mr. 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.