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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)

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

The Board is pleased to announce that on 6 April 2017, the Group (through its wholly-owned subsidiary) entered into the Sale and Purchase Agreement to dispose of its interest in the Target Company to the Purchaser, a company owned by Dr. Charles Yeung and Mr. Yeung Chun Fan (directors and substantial shareholders of the Company) at a consideration of HK\$220,000,000. The Target Group is engaged in the retailing of apparel products and accessories in Australasia.

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

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

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

An independent board committee of the Company, comprising Mr. Lau Hon Chuen, Ambrose, Dr. Chung Shui Ming, Timpson, Mr. Wong Man Kong, Peter and Dr. Lam Lee G., all being independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder. Yu Ming Investment Management Limited has been appointed as the Independent Financial Adviser to provide advice and recommendation to the independent board committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder.

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

A circular containing, amongst others, further information on the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder (including the Caps), the recommendation from the independent board committee of the Company, the advice and recommendation from the Independent Financial Adviser, and a notice to convene the SGM will be despatched to the Shareholders on or before 2 May 2017.

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

THE SALE AND PURCHASE AGREEMENT

Date

6 April 2017

Parties

- (a) the Vendor, a wholly-owned subsidiary of the Company
- (b) the Purchaser, a company owned by Dr. Charles Yeung and Mr. Yeung Chun Fan

Assets to be sold

- (a) the Sale Share, representing 100% of the total issued share capital in the Target Company; and
- (b) the Sale Loan in the amount of HK\$174,000,000.

Consideration

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

- (a) HK\$46,000,000 for the Sale Share; and
- (b) HK\$174,000,000 for the Sale Loan, being the face value of the total amount of the Sale Loan.

The Consideration will be settled in cash at Completion.

The Consideration has been determined after arm's length negotiations between the parties with reference to (i) the business conditions of the Target Group; (ii) the financial position of the Target Group as at 31 March 2017; (iii) the historical profits and losses of the Target Group including those up to 31 March 2017; (iv) any profits (and losses) of the Target Group accrued on or before 31 March 2017 shall belong to (or be borne by) the Vendor; and (v) the retail market conditions and macroeconomic environment of Australasia.

Conditions Precedent

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

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

- (b) the Vendor and/or the Company obtaining all necessary consents, approvals, clearances and authorisations of any relevant regulatory authorities in Hong Kong (including the Stock Exchange) or other relevant third parties in Hong Kong as required for the transactions contemplated under the Sale and Purchase Agreement; and
- (c) the warranties in the Sale and Purchase Agreement remaining true and accurate in all material respects as at the date of the Sale and Purchase Agreement and as at Completion.

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

Completion

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

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

THE MASTER SUPPLY AGREEMENT

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

Date

6 April 2017

Parties

- (a) the Company
- (b) the Target Company

Transaction Nature

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

Term and Conditions Precedent

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

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

Pricing Basis and Payment Terms

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

1. not less than 3 production quotes from a list of approved factories kept by the Group have to be obtained unless the production costs are below HK\$250,000, in which case 2 production quotes from the approved factories would be acceptable;
2. the lowest quote obtained shall be selected, which shall form the basis of calculation of the sales price;
3. the sales price of the apparel products and accessories should be calculated based on a gross profit margin falling within a guideline range of the lowest quote determined by the Group (the “**Guideline Range**”). The exact gross profit margin is determined based on factors including the location of manufacturing, the shipment destination, the type of products and the total value of the order;
4. in the case where the gross profit margin is higher than the Guideline Range, approval by the division head of the relevant members of the Group must be obtained. In the case where the gross profit margin is lower than the Guideline Range, approval by the general manager or a director of the relevant members of the Group is required;
5. the finance department of the relevant members of the Group must ensure the above pricing policy is strictly adhered to, and the financial controller of the relevant members of the Group must set key performance indicators (“**KPI**”) for all divisions of the relevant members of the Group for monitoring purpose and report on discrepancies without approval at the monthly executive meeting;
6. any non-compliance of the above pricing policy will be reflected in the KPI report of the respective executives and managers of the relevant divisions and of the general manager of the relevant members of the Group; and

7. the above pricing policy and compliance procedure will be reviewed by the Directors and internal auditors of the Company on an annual basis.

The price of the apparel products and accessories under the Transactions shall be settled in cash upon 30 days after the end of the month in which the invoice is issued.

Caps

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

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

For the three years ended 31 December 2016, the amounts of apparel products and accessories supplied to the Target Group were approximately HK\$308,000,000, HK\$269,000,000 and HK\$250,000,000 respectively. The Caps are determined with reference to the historical transaction amounts and the estimated amounts of apparel products and accessories to be purchased by the Target Group for its retail operations.

INFORMATION ON THE TARGET GROUP

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

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

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

INFORMATION ON THE PARTIES

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

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

REASONS AND BENEFITS OF THE TRANSACTIONS

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

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

As such, a divestment of the Australasia retail business will bring positive impact on the earnings and performance of the Group in the coming years. Resources of the Group could then be put to use in markets with greater potential, thereby contributing to the Group's business prospects. Accordingly, the Directors believe that the Disposal will be beneficial for the Group.

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

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

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

LISTING RULES IMPLICATIONS

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

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

An independent board committee of the Company, comprising Mr. Lau Hon Chuen, Ambrose, Dr. Chung Shui Ming, Timpson, Mr. Wong Man Kong, Peter and Dr. Lam Lee G., all being independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder. Yu Ming Investment Management Limited has been appointed as the Independent Financial Adviser to provide advice and recommendation to the independent board committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder.

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

A circular containing, amongst others, further information on the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder (including the Caps), the recommendation from the independent board committee of the Company, the advice and recommendation from the Independent Financial Adviser, and a notice to convene the SGM will be despatched to the Shareholders on or before 2 May 2017.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“associate(s)”, “connected person(s)”, “substantial shareholder(s)”, “subsidiary(ies)”	each has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Cap(s)”	the maximum aggregate amount of sales to be made by the Group to Target Group for each year/period under the Master Supply Agreement
“Company”	Glorious Sun Enterprises Limited 旭日企業有限公司, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal
“Consideration”	HK\$220,000,000, being the consideration payable by the Purchaser to the Vendor pursuant to the Sale and Purchase Agreement
“Directors”	directors of the Company

“Disposal”	the disposal of the Sale Share and the Sale Loan by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries, and shall not include the Target Group after Completion
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Financial Adviser”	Yu Ming Investment Management Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Independent Shareholders”	Shareholders other than Dr. Charles Yeung and Mr. Yeung Chun Fan and their respective associates
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Master Supply Agreement”	the master agreement dated 6 April 2017 between the Company and the Target Company in respect of the supply of apparel products and accessories to the Target Group by the Group
“Purchaser”	Howsea Limited, a company incorporated in Hong Kong with limited liability and a company owned by Dr. Charles Yeung and Mr. Yeung Chun Fan
“Sale and Purchase Agreement”	the sale and purchase agreement dated 6 April 2017 between the Vendor and the Purchaser in respect of the Disposal
“Sale Loan”	HK\$174,000,000, being the total amount owing from the Target Company to the Vendor as at Completion, which is non-interest bearing, unsecured and repayable on demand
“Sale Share”	1 share of US\$1.00 in the issued share capital of Target Company

“SGM”	the special general meeting of the Company to be convened to approve, amongst others, the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Master Supply Agreement and the transactions contemplated thereunder
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Jeanswest International (L) Limited, a company incorporated in Labuan, Malaysia with limited liability
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Jeanswest (BVI) Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

By Order of the Board
Hui Chung Shing, Herman, SBS, MH, JP
Director

Hong Kong, 6 April 2017

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

Executive Directors:

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

Independent Non-Executive Directors:

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