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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)

CONTINUING CONNECTED TRANSACTIONS DESIGN AND MANAGEMENT AGREEMENT

On 24 April 2017, Jeanswest International (a wholly-owned subsidiary of the Company) and Glory Star entered into the Design and Management Agreement in respect of the outsourcing by Jeanswest International of its product design, development and certain management functions to Glory Star for a term of no more than three years commencing from 24 April 2017 and expiring on 31 December 2019.

As Glory Star is owned as to 51% and as to 34% by Dr. Charles Yeung and by Mr. Yeung Chun Fan (both being Directors and substantial shareholders of the Company), respectively, Glory Star is a connected person of the Company. Accordingly, the transactions under the Design and Management Agreement constitute continuing connected transactions for the Company under the Listing Rules.

Since the aggregate annual cap for each of the years ending 31 December 2017, 2018 and 2019 is more than 0.1% but less than 5% of each of the applicable percentage ratios as defined in the Listing Rules, the continuing connected transactions under the Design and Management Agreement are exempt from the circular and independent shareholders' approval requirements but are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

DESIGN AND MANAGEMENT AGREEMENT

The principal terms of the Design and Management Agreement are summarised as follows:

Date : 24 April 2017

Parties : (i) Jeanswest International, a wholly-owned subsidiary of the Company

(ii) Glory Star

Subject matter	:	Pursuant to the Design and Management Agreement, Jeanswest International agreed to outsource its product design, development and certain management functions in relation to Jeanswest International's apparel products under the brand name "Jeanswest" in the PRC. Glory Star will be responsible for design and product development of apparel products suitable for the retail market in the PRC, in particular those provinces along the seacoast in the PRC, as well as providing management services in the areas of in-depth retail market study and research, brand re-positioning and brand image enhancement, design, production and quality control, inventory management and logistic supervision, store display and renovation supervision, recruitment and training, administrative services, and those management supporting functions for retail operations. As part of the services, Glory Star has agreed, upon request from Jeanswest International, to hire as employees of Glory Star the current employees of Jeanswest International, who are performing the abovementioned functions.
Fee and Payment terms	:	The fee to be charged by Glory Star for such outsourcing has been determined after arm's length negotiations between relevant parties and shall be a percentage (i.e. 3%) of the net sales of the relevant products under the Jeanswest brand in the PRC during the term of the Design and Management Agreement, provided that the total fee payable shall not exceed RMB10 million for the period commencing from 24 April 2017 and ending on 31 December 2017, RMB15 million for the year ended 31 December 2018 and RMB18 million for the year ended 31 December 2019, and such fees shall be no less favourable to the Group than similar services offered from other suppliers which are independent third parties.
Term	:	A term of no more than three years commencing from 24 April 2017 and ending on 31 December 2019.

Annual caps

The Board has considered and proposed that the following caps be set for the annual transaction amounts under the Design and Management Agreement for no more than three years commencing from 24 April 2017 to 31 December 2019:

	For the period commencing from 24 April 2017 to 31 December 2017 <i>RMB</i>	For the year ending 31 December 2018 <i>RMB</i>	For the year ending 31 December 2019 <i>RMB</i>
Annual caps	10 million (approximately HK\$11.24 million)	15 million (approximately HK\$16.85 million)	18 million (approximately HK\$20.22 million)

The above annual caps for the three years ending 31 December 2019 are determined taking reference to the historical and estimated net sales of Jeanswest International's apparel products in the relevant PRC market.

REASONS FOR AND BENEFITS OF ENTERING INTO THE DESIGN AND MANAGEMENT AGREEMENT

Jeanswest International is a wholly-owned subsidiary of the Company and is now engaging in design and development of retail apparel products as well as retailing and wholesale business of apparel products under the brand name "Jeanswest" in the PRC, mainly in provinces along the seacoast of the PRC.

The Company considers that it is an appropriate timing to re-position the brand and products of Jeanswest in order to enhance its competitiveness and bargaining power in the market. Given the broad spectrum of consumer needs and preferences within the retail market in the PRC, the Company intends to test run new concepts of Jeanswest branding, design and development in the provinces along the seacoast in the PRC. The Company will then review effectiveness of the initiative and consider to expand it to other regions as appropriate.

The Directors (including the independent non-executive Directors) considered that in order to better control the cost associated with the above initiative of design, development and certain management functions of apparel products by Jeanswest International, outsourcing opportunities should be explored.

In considering whether to outsource the design, development and certain management functions of “Jeanswest” apparel products to Glory Star, the Group has considered the following factors: (a) the apparent cost savings by outsourcing these functions outside the Group, whereby the estimated relevant staff cost and overheads for design and management supporting functions to be incurred by Jeanswest International based on its 2017 budget assuming no outsourcing of such functions would amount to approximately RMB27.9 million; (b) the credentials of the management of Glory Star in handling such outsourcing arrangement taking into account that the management and owners of Glory Star have more than 40 years of experiences in the garment industry, and (c) cost from suppliers which are independent third parties offering the same or comparable services.

Having considered the service fees to be charged and the services to be provided by Glory Star, the Directors (including the independent non-executive Directors), save for those Directors who have been absent or have abstained from voting as mentioned below, are of the view the terms of the Design and Management Agreement have been negotiated on arm’s length basis and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, and that the terms of the Design and Management Agreement, the transactions contemplated thereunder and the annual caps thereof are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

Dr. Charles Yeung, Mr. Yeung Chun Fan, Ms. Cheung Wai Yee, an executive Director and the spouse of Mr. Yeung Chun Fan, who have a material interest in the Design and Management Agreement, have abstained from attending the Board meeting for approving the Design and Management Agreement. Ms. Yeung Yin Chi, Jennifer, an executive Director, a niece of Dr. Charles Yeung and Mr. Yeung Chun Fan, has abstained from voting on the relevant resolutions at the Board meeting for approving the Design and Management Agreement. Dr. Chung Shui Ming, Timpson has been absent from the Board meeting due to his other commitments outside Hong Kong.

INTERNAL CONTROL

The Company has established various internal control measures in order to ensure that the transactions under the Design and Management Agreement are in accordance with the pricing terms thereof and are on normal commercial terms or on terms no less favorable than those terms offered to/by the Group from/to independent third parties for similar products and services in its ordinary and usual course of business. Such internal control measures mainly include the following:

- (i) The Directors overseeing the transactions under the Design and Management Agreement will regularly review the terms of such transactions to ensure that the fees charged for such transactions will reflect the pricing terms of the transactions under the Design and Management Agreement.
- (ii) The finance department of the Company will also review annually the pricing terms of the transactions under the Design and Management Agreement to ensure that the transactions are charged on the same basis and the same rates for similar services rendered from/to independent third parties.

- (iii) The finance department of the Company is responsible for collecting data and statistics of the continuing connected transactions under the Design and Management Agreement on a monthly basis to ensure that the annual caps approved are not exceeded.
- (iv) The external auditors of the Company will report by issuing a letter to the Board every year on the continuing connected transactions of the Company in relation to the pricing terms and annual caps of the continuing connected transactions (under the Design and Management Agreement) of the Company conducted during the preceding financial year pursuant to the Listing Rules.
- (v) In addition, the independent non-executive Directors will conduct an annual review with respect to the continuing connected transactions of the Company throughout the preceding financial year and confirm on the transaction amounts and terms of the continuing connected transactions in the annual report of the Company pursuant to the requirements under the Listing Rules, and to ensure that the transactions are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of the relevant agreements governing the continuing connected transactions.

GENERAL

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

Glory Star is principally engaged in investment, design and development of apparel products and management services, and innovation and technology.

As at 24 April 2017, Dr. Charles Yeung and Mr. Yeung Chun Fan and their respective associates together hold approximately 63.80% interest in the Company.

LISTING RULES IMPLICATIONS

As Glory Star is owned as to 51% and as to 34% by Dr. Charles Yeung and by Mr. Yeung Chun Fan (both being Directors and substantial shareholders of the Company), respectively, Glory Star is a connected person of the Company. Accordingly, the transactions under the Design and Management Agreement constitute continuing connected transactions for the Company under the Listing Rules.

Since the aggregate annual cap for each of the years ending 31 December 2017, 2018 and 2019 is more than 0.1% but less than 5% of each of the applicable percentage ratios as defined in the Listing Rules, the continuing connected transactions under the Design and Management Agreement are exempt from the circular and independent shareholders' approval requirements but are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“associate(s)”, “connected person(s)”, “substantial shareholder(s)”, “subsidiary(ies)”	each has the meaning set out in the Listing Rules
“Board”	the board of Directors
“Company”	Glorious Sun Enterprises Limited 旭日企業有限公司, a limited liability company incorporated in Bermuda, the shares of which are listed on the main board of the Stock Exchange
“Design and Management Agreement”	the agreement dated 24 April 2017 entered into between Jeanswest International and Glory Star, pursuant to which Jeanswest International agreed to outsource its product design, development and certain management functions for its apparel products to Glory Star
“Directors”	directors of the Company
“Glory Star”	Glory Star Investments Limited, a company incorporated with limited liability in Hong Kong, and is owned by Dr. Charles Yeung as to 51% and by Mr. Yeung Chun Fan as to 34%
“Group”	the Company and its subsidiaries
“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
“Jeanswest International”	Jeanswest International (H.K.) Limited, a company incorporated with limited liability in Hong Kong, and a wholly-owned subsidiary of the Company

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

In this announcement, for reference only, the translation of Hong Kong dollars into RMB is based on the exchange rate of HK\$100 = RMB89.

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

Hong Kong, 24 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 and 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.