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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)

FURTHER ANNOUNCEMENT REGARDING CONTINUING CONNECTED TRANSACTIONS - SURRENDER AGREEMENT

Reference is made to the Announcement in relation to, inter alia, the Tenancy Agreement entered into between GSE (BVI) as tenant (a wholly-owned subsidiary of the Company) and Rank Profit as landlord in respect of leasing of One Kowloon Premises in Hong Kong.

Rank Profit is a company owned by certain Directors and Substantial Shareholders. Accordingly, Rank Profit is a connected person of the Company under the Listing Rules.

On 6 June 2019, GSE (BVI) and Rank Profit entered into the Surrender Agreement for partial surrender and variation of lease. Upon entering into of the Surrender Agreement, the terms of the Tenancy Agreement have been revised and accordingly, it is subject to the announcement requirement under Rule 14A.35 of the Listing Rules.

After the entering into of the Surrender Agreement, the aggregate annual caps for the years ending 31 December 2019 and 2020 are lowered. Since the aggregate annual cap for the year ending 31 December 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 Surrender Agreement and the existing tenancy agreement are exempt from the circular and independent shareholders' approval requirements but are subject to the reporting, announcement and annual review requirements under the Listing Rules. For the year ending 31 December 2020, the aggregate annual cap falls within the de minimis transaction prescribed in Rule 14A.76 of the Listing Rules, accordingly, the transactions will be exempt from the reporting, announcement, annual review, circular and independent shareholders' approval requirements under the Listing Rules.

References are made to (i) the Company's announcement dated 20 July 2017 (the "Announcement") in relation to, inter alia, the tenancy agreement entered into between GSE (BVI) as tenant (a wholly-owned subsidiary of the Company) and Rank Profit as landlord in respect of leasing of One Kowloon Premises in Hong Kong for a period of three years from 1 August 2017 to 31 July 2020 (the "Tenancy Agreement") and (ii) the Company's announcement dated 31 July 2018 in respect of certain tenancy agreements entered into by the Group as tenants.

Unless otherwise specified, capitalized terms used herein shall have the same meaning as those defined in the Announcement.

THE SURRENDER AGREEMENT

On 6 June 2019, GSE (BVI) and Rank Profit entered into an agreement of partial surrender and variation of lease (the “Surrender Agreement”), pursuant to which, GSE (BVI) shall surrender and deliver up to Rank Profit the tenancy of certain portions of 37/F, 38/F and 41/F of One Kowloon Premises, constituting a deduction of 11,199 square feet (the “Surrendered Portions”) from a total gross floor area of 18,349 square feet under the Tenancy Agreement. Accordingly, the monthly rental will decrease from HK\$407,347.80 to HK\$158,730 and the monthly air-conditioning and management charges will also decrease from HK\$78,900.70 to HK\$33,605, both with effect from 6 June 2019 (the “Effective Date”).

With effect from the Effective Date, GSE (BVI) and Rank Profit will release each other from all claims, demands, liabilities, payments and obligations under the Tenancy Agreement in respect of the Surrendered Portions as a result of the entering into of the Surrender Agreement.

Save for the aforesaid changes, all the other terms and conditions of the Tenancy Agreement shall remain in full force and effect.

REVISED AGGREGATE ANNUAL CAP

With the entering into of the Surrender Agreement, the aggregate annual caps of the existing tenancy agreements for the years ending 31 December 2019 and 2020 as disclosed in the Company’s announcement dated 31 July 2018 are revised to HK\$4,350,000 and HK\$1,415,000 respectively.

The table below shows how to determine the revised aggregate annual cap of the existing tenancy agreements:-

Date of announcement	Premises	Term	Rental and management fee (as appropriate) per annum	Amount Payable	
				Year ending 31/12/2019	Year ending 31/12/2020
existing tenancy agreement					
20/7/2017	One Kowloon Premises	3 years from 1/8/2017 to 31/7/2020	HK\$5,834,982 (revised to HK\$192,335 per month from 6/6/2019 to 31/7/2020)	HK\$3,826,573	HK\$1,346,345
20/7/2017	Silver Fair Mansion	2 years from 1/8/2017 to 31/7/2019	HK\$540,000	HK\$315,000	not applicable
Total amount payable				HK\$4,141,573	HK\$1,346,345
Aggregate annual cap				HK\$4,350,000	HK\$1,415,000

Note: In determining the above annual caps, the other tenancy agreements disclosed in the Announcement and the Company’s announcement dated 31 July 2018 are excluded because the tenants in respect of the other tenancy agreements ceased to be subsidiaries of the Company upon completion of the “Disposal of Business” (as defined hereinafter). As such, those premises ceased to be leased by the Group. Details of the Disposal of Business are set out in the Company’s circular dated 4 October 2018.

REASONS FOR ENTERING INTO THE SURRENDER AGREEMENT

The disposal of the Group's retailing business of apparel products and accessories in the PRC (excluding Hong Kong and Macau) (the "Disposal of Business") was completed on 23 November 2018. As a result of restructuring of the Group due to the Disposal of Business, the office areas in the portions of 37/F, 38/F and 41/F of One Kowloon Premises are no longer required by the Group. The entering into of the Surrender Agreement will reduce rental expenses and operating costs, and enable the Group to utilize its resources in a more efficient way. The Board believes that the entering into of the Surrender Agreement will not cause any material adverse impact on the Group's business and operational activities.

The Group is now principally engaged in the financial investments, retail of casual wear in Hong Kong, export of casual wear, and interior decoration and renovation.

The Directors, including the independent non-executive Directors, consider that the Surrender Agreement has been entered into in the ordinary and usual course of business of the Group, on normal commercial terms which are fair and reasonable, and in the interests of the Company and its shareholders as a whole. Dr. Charles Yeung and Mr. Yeung Chun Fan who have a material interest in the Surrender Agreement, have abstained from voting on the relevant resolutions at the Directors' meeting for approving the Surrender Agreement. Ms. Cheung Wai Yee (a Director and the spouse of Mr. Yeung Chun Fan) and Ms. Yeung Yin Chi, Jennifer (a Director and a niece of Dr. Charles Yeung and Mr. Yeung Chun Fan) have also abstained from voting on the relevant resolutions at the Directors' meeting for approving the Surrender Agreement.

LISTING RULES IMPLICATIONS

Rank Profit is a limited company incorporated in Hong Kong which is engaged in property investment and owned as to 66.7% and 33.3% by Dr. Charles Yeung and Mr. Yeung Chun Fan respectively, both of whom are the Directors and Substantial Shareholders. Accordingly, Rank Profit is an associate of those Directors and Substantial Shareholders and therefore a connected person of the Company under the Listing Rules.

Upon entering into of the Surrender Agreement, the terms of the Tenancy Agreement have been revised and accordingly, it is subject to the announcement requirement under Rule 14A.35 of the Listing Rules.

After the entering into of the Surrender Agreement, the aggregate annual caps for the years ending 31 December 2019 and 2020 are lowered. Since the aggregate annual cap for the year ending 31 December 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 Surrender Agreement and the existing tenancy agreement are exempt from the circular and independent shareholders' approval requirements but are subject to the reporting, announcement and annual review requirements under the Listing Rules. For the year ending 31 December 2020, the aggregate annual cap falls within the de minimis transaction prescribed in Rule 14A.76 of the Listing Rules, accordingly, the transactions will be exempt from the reporting, announcement, annual review, circular and independent shareholders' approval requirements under the Listing Rules.

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

Hong Kong, 6 June 2019

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 and Dr. Lam Lee G.