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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)

Executive Directors:

Dr. Charles Yeung, GBS, JP (*Chairman*)
Mr. Yeung Chun Fan (*Vice-chairman*)
Mr. Hui Chung Shing, Herman, SBS, MH, JP
Ms. Cheung Wai Yee
Ms. Yeung Yin Chi, Jennifer

Independent Non-executive Directors:

Mr. Lau Hon Chuen, Ambrose, GBS, JP
Dr. Chung Shui Ming, Timpson, GBS, JP
Dr. Chan Chung Bun, Bunny, GBS, JP
Mr. Ng Wing Ka, Jimmy, BBS, JP

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business:

38/F., One Kowloon
1 Wang Yuen Street
Kowloon Bay
Hong Kong

15 April 2021

To the shareholders of Glorious Sun Enterprises Limited

Dear Sir or Madam,

**EXPLANATORY STATEMENT IN RELATION TO
THE REPURCHASE MANDATE (AS HEREINAFTER DEFINED)
AND
PROPOSED AMENDMENT TO EXISTING BYE-LAWS OF THE COMPANY**

This is an explanatory statement given to all the shareholders of Glorious Sun Enterprises Limited (the “Shareholders”) (the “Company”) relating to an ordinary resolution to approve the general mandate to repurchase the Company’s securities (the “Repurchase Mandate”) and a special resolution to approve the proposed amendment to the Company’s Bye-laws (the “Bye-laws”) to be proposed at the annual general meeting of the Company to be held on Wednesday, 2 June 2021.

(A) REPURCHASE MANDATE

(i) Share Capital

As at 8 April 2021, being the latest practicable date (the “Latest Practicable Date”) prior to the printing of this document, the number of issued shares of the Company was 1,543,336,000 shares of HK\$0.10 each, all of which are fully paid (the “Shares”).

Subject to the passing of the ordinary resolution approving the Repurchase Mandate and on the basis that no further Shares are issued or repurchased prior to the annual general meeting, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 154,333,600 Shares during the course of the period prior to the next annual general meeting.

(ii) Reasons for Repurchases

The Directors believe that it is in the best interests of the Company and its shareholders to seek a general authority from shareholders to enable the Directors to repurchase Shares on the market. Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and its shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the value of the net assets and/or earnings and/or dividend per Share.

(iii) Funding of Repurchases

Repurchases must be funded out of funds which are legally available for the purpose in accordance with the Company’s constitutive documents and Bermuda law, being capital paid up on the purchased Shares or out of the funds of the Company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase of the Shares to be purchased must be provided for out of funds of the Company otherwise available for dividend or distribution or out of the Company’s share premium account. It is envisaged that the funds required for any repurchase would be derived from such sources.

The Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company. No material adverse impact on the working capital requirements or gearing levels of the Company (as compared with the position disclosed in the audited financial statements for the year ended 31 December 2020 contained in the Company’s 2020 annual report) is anticipated in the event that the Repurchase Mandate is exercised in full.

(iv) Share Prices

During each of the twelve months preceding the Latest Practicable Date and the period from 1 April 2021 to the Latest Practicable Date, the highest and lowest prices at which the Shares were traded on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) were as follows:

	Shares	
	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
2020		
April	0.91	0.80
May	0.90	0.83
June	0.88	0.84
July	0.85	0.82
August	0.85	0.80
September	0.84	0.79
October	0.83	0.77
November	0.80	0.78
December	0.89	0.78
2021		
January	0.89	0.78
February	0.84	0.80
March	0.84	0.81
1 April to the Latest Practicable Date	0.83	0.82

(v) General

None of the Directors or, to the best of their knowledge having made all reasonable enquires, their close associates, have any present intention to sell any Shares to the Company under the Repurchase Mandate if it is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange that they will exercise the power of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), the memorandum of association and bye-laws of the Company and the laws of Bermuda.

If as a result of a repurchase of Shares a shareholder’s proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Codes on Takeovers and Mergers and Share Buy-backs (the “Takeover Code”). As a result, a shareholder or a group of shareholders acting in concert depending on the level of increase of shareholders’ interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeover Code. The Directors are not aware of any shareholder or a group of shareholders acting in concert, who may become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeover Code as a result of the Directors exercising the power to repurchase Shares pursuant to the Repurchase Mandate.

As at the Latest Practicable Date, Mr. Charles Yeung and Mr. Yeung Chun Fan, both are the Directors, together with parties acting in concert with them were beneficially interested in 1,125,224,499 Shares representing 72.91 per cent. of the issued shares of the Company. On the basis that no further Shares are to be issued, a full exercise of the Repurchase Mandate by the Directors would result in Mr. Charles Yeung and Mr. Yeung Chun Fan together with parties acting in concert with them in aggregate holding approximately 81.01 per cent. of the issued shares of the Company. Accordingly, the Directors are not aware of any consequences which would arise under the Takeover Code as a consequence of any repurchases made pursuant to the Repurchase Mandate. So far as the Directors are aware, the Company does not have any present intention to repurchase Shares pursuant to the Repurchase Mandate to such an extent that the Company is not able to maintain the minimum public float for the Shares.

No core connected persons (as defined in the Listing Rules) of the Company have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so, in the event that the Company is authorised to make repurchases of Shares.

There have been no repurchases of any Shares of the Company made in the six months preceding the Latest Practicable Date (whether on the Stock Exchange or otherwise).

(B) PROPOSED AMENDMENT TO EXISTING BYE-LAWS OF THE COMPANY

In line with the Company's objective to promote active participation in the board of Directors (the "Board") discussions, the Board proposes to amend the existing Bye-laws to increase the minimum number of Directors required to commence a Board meeting from two to three.

The proposed amendment to the existing Bye-laws is set out as follows by way of mark-ups:

"132. The Board may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit and may determine the quorum necessary for the transaction of business. Unless otherwise determined three ~~two~~ Directors shall be a quorum. For the purpose of this Bye-law an alternate Director shall be counted in a quorum but, notwithstanding that an alternate Director is also a Director or is an alternate for more than one Director, he shall for quorum purposes count as only one Director. A meeting of the Board or any committee of the Board may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously or instantaneously, and participation in such a meeting shall constitute presence at such a meeting."

(C) RECOMMENDATION

The Directors consider that the approval of Repurchase Mandate and the proposed amendment to the Bye-laws are in the best interests of the Company and the Shareholders. Accordingly, the Directors recommend that the Shareholders should vote in favour of the ordinary resolution relating to the Repurchase Mandate and the special resolution relating to the proposed amendment to the Bye-laws to be proposed at the annual general meeting of the Company.

Yours faithfully,
Dr. Charles Yeung, GBS, JP
Chairman