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# JOYCE

## **JOYCE BOUTIQUE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

Stock Code: 647

### **CONTINUING CONNECTED TRANSACTIONS**

On 30 December 2011, the Company, Wisdom Gateway and LCHK (which is a wholly-owned subsidiary of Wisdom Gateway) entered into a tripartite agreement supplemental to the Master Agreement dated 1 April 2011 previously entered into by the Company and LCHK for the purpose of regulating certain continuing connected transactions, namely, certain concession arrangements for the retail businesses of the Group operated inside various retail stores run by LCHK. The Master Agreement has a fixed term of three years commencing on 1 April 2011 and provides, *inter alia*, for an aggregate annual cap amount in respect of the rent payable by the Group during the three-year term. The purpose of the Supplemental Agreement is, among others, to (a) broaden the scope of the Master Agreement to also include tenancy arrangements for commercial spaces, including office and retail spaces, in addition to those stipulated in the Master Agreement, namely, concession arrangements for retail spaces in Lane Crawford department stores; (b) broaden the scope of the Master Agreement to include any such tenancy arrangements entered or to be entered into by the Group with any such subsidiary(ies) of Wisdom Gateway which are not subsidiary(ies) but fellow subsidiary(ies) of LCHK; (c) revise the aggregate annual cap amount in respect of the rents payable by the Group for the second and third years during the three-year term under the Master Agreement; and (d) provide that LCHK acknowledges and agrees that any and all existing and future concession agreements between the Group and LCHK will be subject to the aggregate annual cap amount as revised for those two years.

Also on 30 December 2011, the Company as the tenant and OIS Realty (which is a wholly-owned subsidiary of Wisdom Gateway) as the landlord entered into the Tenancy Agreement for leasing of certain office spaces in One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong, for use by the Group.

As Wisdom Gateway is a substantial shareholder of the Company, and each of LCHK and OIS Realty is a wholly-owned subsidiary of Wisdom Gateway, the Supplemental Agreement and the tenancy or concession arrangements covered thereunder as well as the Tenancy Agreement constitute continuing connected transactions for the Company under the Listing Rules. The relevant transactions, given the size or value thereof, are exempt from independent shareholders' approval requirement, but are subject to requirements regarding announcement and reporting etc. under Rules 14A.37 to 14A.40 and Rules 14A.45 to 14A.47 of the Listing Rules.

## **INTRODUCTION**

Reference is made to the continuing connected transactions disclosed in an announcement dated 1 April 2011 made by the Company relating to the Master Agreement entered into between the Company and LCHK for the purpose of regulating certain continuing connected transactions, namely, certain concession arrangements relating to retail businesses operated by the Group inside three Lane Crawford department stores in Hong Kong, and for the governance of any further similar concession arrangements relating to retail businesses under any Individual Agreements separately entered into between members of the Group and LCHK.

As at 30 December 2011, there were covered under the Master Agreement four Individual Agreements in relation to various retail spaces in three different Lane Crawford department stores in Hong Kong at Times Square, International Finance Centre and Pacific Place respectively. The aggregate annual rent and/or concession commission payable by the Group under the Master Agreement for the financial year ending 31 March 2012 is estimated to be HK\$13 million. The rental and/or concession commission under the four Individual Agreements are calculated on the basis of certain prescribed percentages on the net sales of, and/or certain prescribed minimum guarantee commission per square foot in, the relevant retail spaces covered by those agreements and are payable by the Group to LCHK in cash on monthly basis.

Following recent negotiations between the Company, Wisdom Gateway and LCHK, and taking into consideration the Tenancy Agreement entered into between the Company and OIS Realty on 30 December 2011 as mentioned below, a Supplemental Agreement was entered into on 30 December 2011 to include Wisdom Gateway as a party to the Master Agreement, and to revise certain provisions of the Master Agreement. The Supplemental Agreement provides for, *inter alia*, the revision of the aggregate annual cap amount applicable to the two financial years ending 31 March 2013 and 31 March 2014 (in lieu of the Original Annual Cap) so as to enable Wisdom Gateway and/or any of its subsidiaries to receive from the Group the full amount of the aggregate rents which would be payable by the Group under various existing and future Individual Agreements and the Tenancy Agreement and which for each of those two years are expected to exceed the Original Annual Cap.

Also on 30 December 2011, the Company as the tenant and OIS Realty (which is a wholly-owned subsidiary of Wisdom Gateway) as the landlord entered into the Tenancy Agreement for the leasing of certain office spaces in One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong, for use by the Group.

## **SUPPLEMENTAL AGREEMENT**

On 30 December 2011, the Supplemental Agreement was entered into between the Company, Wisdom Gateway and LCHK which provides certain revisions to the terms and conditions of the Master Agreement dated 1 April 2011. For the avoidance of doubts, there is no change to the fixed term of three years under the Master Agreement which commenced on 1 April 2011 and will expire at the end of March 2014. The revisions to the Master Agreement as stipulated in the Supplemental Agreement are summarized as follows:

- (a) the Individual Agreement(s) include and will include individual tenancy agreement(s) and/or concession agreement(s) entered or to be entered into by any member of the Group with Wisdom Gateway and/or any of its subsidiaries in respect of the renting by member(s) of the Group of various commercial spaces, including office and retail spaces;
- (b) during the term of the Master Agreement as Revised, all three parties agree that Wisdom Gateway may itself, or may procure any of its subsidiaries including LCHK to, enter into further Individual Agreement(s) with any members of the Group from time to time upon and subject to such terms and conditions as may be agreed between the relevant parties thereto, in each case to be negotiated on a case-by-case and an arm's length basis as well as on normal commercial terms;
- (c) the aggregate annual cap amount as stipulated under the Master Agreement in respect of each of the two financial years ending 31 March 2013 and 31 March 2014 is revised to HK\$40.0 million (in lieu of the Original Annual Cap of HK\$20.0 million). For avoidance of doubts, the Original Annual Cap in respect of the financial year ending 31 March 2012 remains unchanged at HK\$20.0 million; and
- (d) LCHK acknowledges and agrees that all existing concession agreements, and/or any future similar agreement(s) to be entered into, between LCHK and members of the Group will be subject to the Aggregate Annual Cap Amount as revised for the two years ending 31 March 2013 and 2014.

Apart from the above, the Supplemental Agreement does not in any way revise or amend any original provisions in the Master Agreement, and in particular, the following provisions or conditions originally stipulated in the Master Agreement remain and will remain effective and binding:

- (i) the length of each Individual Agreement must be for a fixed term of not more than three years;
- (ii) the terms and conditions of each Individual Agreement must be no less favourable to the relevant Group member when compared with the terms and conditions of similar concession arrangements for comparable premises available from other independent third parties; and
- (iii) the annual aggregate amount of the rental and/or turnover commission for any one financial year during the three-year term payable by the Group under any and all Individual Agreements subsisting at any time shall not exceed the Aggregate Annual Cap Amount (or the Aggregate Annual Cap Amount as revised).

The Master Agreement as Revised will automatically be terminated and cease to have any effect in the event of and upon Wisdom Gateway ceasing to be a substantial shareholder (as defined in the Listing Rules) of the Company at any time during the term of the Master Agreement as Revised.

## TENANCY AGREEMENT

The Tenancy Agreement, being an individual tenancy agreement, was entered into by the Company and OIS Realty also on 30 December 2011. Particulars of the Tenancy Agreement are summarised as follows:

Agreement Date: 30 December 2011

Parties: The Company as tenant and OIS Realty as landlord

Premises: The whole of 26th Floor, One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong, with a lettable floor area of approximately 25,300 sq. ft.

Duration: Three years from 1 April 2012 to 31 March 2015

Rent: A fixed amount of HK\$458,745 per month (exclusive of service fee, rates, utility charges and other charges) throughout the three-year term (except such period(s) as agreed to be rent-free), payable by the Company in cash monthly in advance. There will be a two-month rent-free period during each of the three years under the term of the Tenancy Agreement. Such rent payable under the Tenancy Agreement is no less favourable to the Company than those available from independent third parties.

The abovementioned rent is agreed and arrived at after due negotiations between the parties on arm's length basis with reference to the prevailing market conditions. The annual rental payable by the Company to OIS Realty under the Tenancy Agreement will be approximately HK\$4.6 million for each of the three financial years ending 31 March 2015.

## AGGREGATE ANNUAL CAP AMOUNT

Pursuant to the Master Agreement as Revised, it is agreed, *inter alia*, that the annual aggregate amount of rental and/or turnover commission payable by the Group to Wisdom Gateway and/or any of its subsidiaries under all Individual Agreements, which include the four Individual Agreements mentioned above and any future Individual Agreement(s) to be entered into from time to time, will be subject to an Aggregate Annual Cap Amount of HK\$40.0 million in respect of each of the two financial years ending 31 March 2013 and 2014, with the Original Annual Cap for the financial year ending 31 March 2012 remaining unchanged at HK\$20.0 million. For reference, the Original Annual Cap amount of rental and/or turnover commission under the Master Agreement dated 1 April 2011 for each of the three years ending 31 March 2014 was fixed at HK\$20.0 million.

The Aggregate Annual Cap Amount as revised is determined with reference to (i) the historic trading records of the relevant concession businesses operated by the Group inside Lane Crawford department stores; (ii) the performance projections of the relevant concession businesses taking into consideration of the possible buoyant retail sentiment and environment in the next several years as estimated by the management of the Group; and (iii) the projections of rental amounts for the relevant tenancy arrangements (including the Tenancy Agreement) in relation to the operation of the Group's businesses as estimated by the management of the Group; plus a suitable and adequate cushion.

In the event that for any financial year during the term of the Master Agreement as Revised, the aggregate amount of rental and/or turnover commission payable by the Group under all Individual Agreements would exceed the Original Annual Cap or the Aggregate Annual Cap Amount, as the case may be, Wisdom Gateway agrees to, or endeavor to procure any of its relevant subsidiaries to agree to, unconditionally waive any such rental and/or turnover commission to the extent and so that such aggregate amount shall remain within the Original Annual Cap or the Aggregate Annual Cap Amount, as the case may be. For the avoidance of doubts, in any such event, if so considered appropriate, the Company may take appropriate action to comply with the relevant requirements under the Listing Rules for the payment of the relevant excess amount in full or any part thereof by the Group to Wisdom Gateway or any of its relevant subsidiaries including LCHK.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

### **(1) Regarding the Supplemental Agreement**

As a result of the leasing of the new office in One Island South by the Company from OIS Realty and in view of the escalating market rent (being in line with the general trend in Hong Kong) relating to various existing Individual Agreements and/or any future Individual Agreement(s), the Group expects that the aggregate annual rent and/or concession commission payable by the Group to subsidiaries of Wisdom Gateway in the coming years will significantly increase. Such an increase warrants the revision of the Original Annual Cap, which is the primary purpose and objective of the Supplemental Agreement, so as to allow adequate flexibility for meeting the possible business need of the Group during the second and third years of the term under the Master Agreement as Revised and is therefore considered to be commercially beneficial to the Group.

### **(2) Regarding the Tenancy Agreement**

The current lease of the Company's existing head office at 38 Wong Chuk Hang Road, Hong Kong will expire in September 2012 and there is an uncertainty regarding whether or not the landlord would agree to renew the existing lease. Furthermore, due to ageing of the property, building facilities of that building do not meet the high standard required by the Group for running its head office. As a result, the Group considers it appropriate to relocate its head office to another suitable building that meets the Group's requirements. After a review of office space available in the rental market, the Group concludes that One Island South, being a newly completed, modern Grade A office with high standard of building facilities, would provide a suitable office environment that could enhance the efficiency of the Company's head office. Consequently, the entering into of the Tenancy Agreement is considered to be commercially beneficial to the Group.

## REGULATORY ASPECTS

As Wisdom Gateway is a substantial shareholder of the Company, and each of LCHK and OIS Realty is a wholly-owned subsidiary of Wisdom Gateway, the Transactions constitute continuing connected transactions for the Company under the Listing Rules.

On the basis that the Aggregate Annual Cap Amount as revised in respect of the two financial years ending 31 March 2013 and 2014 respectively and also the annual rent payable under the Tenancy Agreement would each exceed the applicable *de minimis* level, being HK\$1.0 million, under Rule 14A.33(3)(c) of the Listing Rules, while all applicable percentage ratios as set out in Rule 14.07 of the Listing Rules are below the 5% threshold under Rule 14A.34 of the Listing Rules, the Transactions are exempt from independent shareholders' approval requirement, but are subject to requirements regarding announcement and reporting etc. under Rules 14A.37 to 14A.40 and Rules 14A.45 to 14A.47 of the Listing Rules. Going forward, no further announcement will be issued by the Company on each occasion any member of the Group enters into Individual Agreement(s) with any subsidiary of Wisdom Gateway in future, subject to the fulfillment of the conditions stipulated in the Master Agreement as Revised, particularly the Aggregate Annual Cap Amount as revised not being exceeded.

## GENERAL

The directors, including independent non-executive directors, of the Company are of the view that the Transactions are on normal commercial terms with reference to the prevailing market conditions, and believe that the terms of the Supplemental Agreement (including the Aggregate Annual Cap Amount as revised) and of the Tenancy Agreement (including the annual rent payable thereunder) are fair and reasonable, and are in the interests of the Company and its shareholders as a whole. Furthermore, the Supplemental Agreement and the Tenancy Agreement were entered into in the ordinary and usual course of business of the Group after due negotiations on an arm's length basis with reference to the prevailing market conditions. None of the directors of the Company has any material interest in the Transactions.

The principal business activities of the Group, and also of LCHK, are retail distribution of designer fashion garments, accessories, cosmetics products, etc. The principal business activity of Wisdom Gateway is investment holding and the principal business activities of OIS Realty are ownership of properties for letting and investment holding.

As at the date of this announcement, the board of directors of the Company comprises Mr. Stephen T. H. Ng, Ms. Doreen Y. F. Lee and Mr. Paul Y. C. Tsui, together with three independent non-executive directors, namely, Mr. Antonio Chan, Mr. Eric F. C. Li and Mr. Eric K. K. Lo.

## DEFINITIONS

**“Aggregate Annual Cap Amount”** has the meaning as defined in the paragraph “Aggregate Annual Cap Amount” of this announcement

<b>“Company”</b>	Joyce Boutique Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
<b>“Group”</b>	the Company and its subsidiaries
<b>“Individual Agreement(s)”</b>	the individual tenancy agreement(s) and/or concession agreement(s) governed by the Master Agreement as Revised, entered or to be entered into between any member of the Group and Wisdom Gateway and/or any of its subsidiaries in respect of the renting by member(s) of the Group of various commercial spaces, including office and retail spaces
<b>“LCHK”</b>	Lane Crawford (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Wisdom Gateway
<b>“Master Agreement”</b>	the master agreement dated 1 April 2011 entered into between the Company and LCHK for the purpose of regulating certain continuing connected transactions, namely, certain concession arrangements for the retail businesses of the Group operated inside various retail stores run by LCHK
<b>“Master Agreement as Revised”</b>	the Master Agreement as revised by the Supplemental Agreement dated 30 December 2011
<b>“OIS Realty”</b>	OIS Realty Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Wisdom Gateway
<b>“Original Annual Cap”</b>	means the aggregate annual cap amount of HK\$20.0 million as originally provided in the Master Agreement
<b>“Supplemental Agreement”</b>	the supplemental agreement dated 30 December 2011 between the Company, Wisdom Gateway and LCHK which provides certain revisions to the terms and conditions of the Master Agreement

**“Tenancy Agreement”**

the tenancy agreement dated 30 December 2011 entered into between the Company as the tenant and OIS Realty as the landlord in respect of the leasing of certain office spaces in One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong

**“Transactions”**

the transactions regarding the Master Agreement as Revised and various Individual Agreements and also the Tenancy Agreement

**“Wisdom Gateway”**

Wisdom Gateway Limited, a company incorporated in British Virgin Islands with limited liability

By Order of the Directors  
**Wilson W. S. Chan**  
Company Secretary

Hong Kong, 30 December 2011