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# JOYCE

## **JOYCE BOUTIQUE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

Stock Code: 647

### **CONTINUING CONNECTED TRANSACTIONS**

The Existing Master Concession Agreement dated 4 September 2009 entered into between Joyce Boutique Holdings Limited and Wisdom Gateway Limited for the purpose of regulating certain continuing connected transactions, namely, various concession agreements entered into between JBHL Group members as the head tenants and WGL Group's Concessionaires as the concessionaires in respect of various retail spaces inside various JOYCE shops, will expire on 31 March 2012. On 27 March 2012, Joyce Boutique Holdings Limited entered into the Renewal Master Concession Agreement with Wisdom Gateway Limited for a new term of three years commencing on 1 April 2012. The Renewal Master Concession Agreement stipulates, *inter alia*, that the aggregate annual rental and/or turnover commission payable by WGL Group's Concessionaires to JBHL Group members under all Concession Agreements will be subject to the Aggregate Annual Cap Amount during the three-year term.

Also on 27 March 2012, Joyce Boutique Holdings Limited and Wisdom Gateway Limited entered into the Supplemental Agreement, which provides, *inter alia*, for the revision of the annual cap amount applicable to the financial year ending 31 March 2012 to HK\$15 million (instead of the Original Annual Cap of HK\$9.9 million), so as to enable JBHL Group to receive from WGL Group's Concessionaires the full amount of the aggregate annual rental and/or turnover commission which would be payable by the latter under various Existing Concession Agreements and which are expected to exceed the Original Annual Cap.

Wisdom Gateway Limited is a substantial shareholder of Joyce Boutique Holdings Limited. Consequently, the Renewal Master Concession Agreement, the Supplemental Agreement and various Concession Agreements regulated and/or contemplated thereunder constitute continuing connected transactions for Joyce Boutique Holdings Limited under the Listing Rules. The relevant transactions, given the size or value thereof, are exempt from the independent shareholders' approval requirements, but are subject to requirements regarding reporting and announcement 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 previously disclosed in an announcement dated 4 September 2009 made by the Company relating to, *inter alia*, the Existing Master Concession Agreement entered into between the Company and WGL for the purpose of regulating various concession agreements between WGL Group's Concessionaires, as concessionaires, and JBHL Group members, as Eligible Head Tenants, in respect of various retail spaces inside various JOYCE shops.

There are four Existing Concession Agreements under the Existing Master Concession Agreement in respect of JOYCE shops in four different locations, namely, (1) JOYCE at New World Tower, Hong Kong; (2) JOYCE at Canton Road, Kowloon, Hong Kong; (3) JOYCE at Plaza 66, Shanghai, PRC; and (4) JOYCE at China World Mall, Beijing, PRC.

For the two financial years ended 31 March 2010 and 31 March 2011, the aggregate annual rentals received by JBHL Group in respect of the Existing Master Concession Agreement amounted to HK\$1.4 million and HK\$8.6 million respectively. The aggregate annual amount of rentals receivable by JBHL Group under the Existing Master Concession Agreement for the financial year ending 31 March 2012 is estimated to be HK\$13 million.

The Existing Master Concession Agreement will expire on 31 March 2012. Following recent negotiations between the Company and WGL, the Renewal Master Concession Agreement was entered into on 27 March 2012 for the purpose of regulating various concession agreements between WGL Group's Concessionaires, as concessionaires, and JBHL Group members, as Eligible Head Tenants, in respect of various retail spaces inside various JOYCE shops.

Also on 27 March 2012, the Company and WGL entered into the Supplemental Agreement, which provides, *inter alia*, for the revision of the annual cap amount applicable to the financial year ending 31 March 2012 to HK\$15 million (instead of the Original Annual Cap), so as to enable JBHL Group to receive from WGL Group's Concessionaires the full amount of the aggregate annual rental and/or turnover commission which would be payable by the latter under various Existing Concession Agreements and which is expected to exceed the Original Annual Cap.

Details of the Renewal Master Concession Agreement and the Supplemental Agreement are set out below:-

### **DETAILS OF THE RENEWAL MASTER CONCESSION AGREEMENT**

#### *Major terms of the Renewal Master Concession Agreement*

Signing Date	:	27 March 2012
Parties	:	The Company and WGL
Term	:	The Renewal Master Concession Agreement will be for a fixed term of three years commencing on 1 April 2012 and expiring on 31 March 2015.

Leasing of Eligible Premises : The Company and WGL will procure the Eligible Head Tenant(s) and WGL Group's Concessionaire(s) respectively to enter into Individual Concession Agreement(s) during the Term on terms acceptable to the relevant parties and in line with the terms of the Renewal Master Concession Agreement, subject in particular to the Aggregate Annual Cap Amount not being exceeded.

Aggregate Annual Cap Amount : For each of the three financial years of the Company ending 31 March 2013, 2014 and 2015, the aggregate annual amount payable by the WGL Group's Concessionaires to the Eligible Head Tenants in relation to concession arrangements in Eligible Premises will be capped at HK\$45 million (the "**Aggregate Annual Cap Amount**").

The Aggregate Annual Cap Amount represents the estimated maximum possible aggregate annual rental and/or turnover commission amounts payable by the WGL Group's Concessionaires to the Eligible Head Tenants, with reference to (i) the historic rental records in respect of the concession arrangements under the Existing Master Concession Agreements; (ii) the possible buoyant retail sentiment and environment in the next several years as projected by the management of the Company; (iii) increase in concession arrangements in Eligible Premises during the abovementioned term; plus a suitable and adequate cushion.

Payment Term : Under the relevant terms of the Existing Concession Agreements, the rents are payable in advance in cash on a monthly basis (except, where applicable, for the excess turnover rents calculated based on certain percentage of gross sales ranging from nil to 20% which are payable in arrears on monthly or yearly basis) while for future concession arrangement(s), payment terms will be subject to terms and conditions of the Individual Concession Agreement(s) to be agreed between the Eligible Head Tenant(s) and WGL Group's Concessionaire(s).

*Other terms of the Renewal Master Concession Agreement*

Individual Tenancy Agreement : At any time during the Term of the Renewal Master Concession Agreement, the Eligible Head Tenant(s) and the WGL Group's Concessionaire(s) may from time to time enter into Individual Concession Agreement(s) on agreed terms for concession arrangements at the relevant Eligible Premises provided that the following conditions are met:

- (1) the length of each Individual Concession Agreement must be for a fixed term of not more than three years;

- (2) the terms and conditions of the Individual Concession Agreement(s) must be no less favourable to the JBHL Group Member(s) when they are compared with the terms and conditions of similar concession agreements available from independent third parties for comparable premises; and
- (3) the annual aggregate amount of the rental and/or turnover commission for any one year during the Term payable under all of the Concession Agreements subsisting at any time must not, unless otherwise agreed to by the Company, exceed the Aggregate Annual Cap Amount.

Termination : The Renewal Master Concession Agreement will automatically be terminated and cease to have any effect in the event of and upon WGL ceasing to be a connected person (as defined under the Listing Rules) of the Company at any time during the Term.

#### **DETAILS OF SUPPLEMENTAL AGREEMENT**

On 27 March 2012, the Company and WGL entered into the Supplemental Agreement, whereby the parties agreed as follows:

- (a) the annual cap amount as stipulated under the Existing Master Concession Agreement in respect of the financial year ending 31 March 2012 be revised to HK\$15 million (in lieu of the Original Annual Cap of HK\$9.9 million), and, for avoidance of doubts, the annual cap amount in respect of each of the two financial years ended 31 March 2010 and 2011 would remain unchanged; and
- (b) all other terms and conditions of the Existing Master Concession Agreement remain and will remain valid, binding and effective on the parties throughout the term thereof.

The revised annual cap amount as mentioned above is arrived at basically by reference to the estimated amount of the relevant rental and/or turnover commission for the financial year ending 31 March 2012 in respect of those concession agreements regulated by the Existing Master Concession Agreement plus a suitable buffer.

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

- (a) As regards the Renewal Master Concession Agreement:

The concession counters inside JOYCE shops leased to WGL Group's Concessionaires are for the retailing of their upmarket shoes, bags and accessories products which have complemented JBHL Group's own fashion products well, and the arrangements have created synergetic value benefiting both JBHL Group and WGL Group. The Company believes that such concession arrangements with WGL Group's Concessionaire(s) will continue to benefit JOYCE in further strengthening those existing vendor relationships,

providing an extension of the product offer to better serve the customers. The directors of the Company believe that the entering into of the Renewal Master Concession Agreement is necessary for the continuous growth and operation of, will generate recurrent retail income for, and is therefore beneficial to, the JBHL Group. In addition, for the purpose of administrative convenience, the Renewal Master Concession Agreement offers flexibility for further expansion of the synergistic partnership with the WGL Group.

(b) As regards the Supplemental Agreement:

The amendments provided in the Supplemental Agreement are necessary for enabling JBHL Group to receive from WGL Group's Concessionaires the full amount of the aggregate annual amount of rental and/or turnover commission which would be payable by the latter under various Existing Concession Agreements and which are expected to exceed the Original Annual Cap. The revision of the final-year cap amount is for the sake of fairness and reasonableness commercially. The ability to receive the full amount of the aggregate annual rental and/or turnover commission exceeding the Original Annual Cap for the financial year ending 31 March 2012 as permitted under the Supplemental Agreement (which would otherwise not be receivable by JBHL Group) will enhance the profit, cash flow and financial position of JBHL Group and is therefore beneficial to the Company.

## **GENERAL**

The directors, including independent non-executive directors, of the Company are of the view that the Renewal Master Concession Agreement and the Supplemental Agreement as well as the relevant transactions contemplated thereunder are on normal commercial terms with reference to the prevailing market conditions, and believe that the terms of the Renewal Master Concession Agreement (including the Aggregate Annual Cap Amount) and of the Supplemental Agreement (including the revised final-year cap amount) are fair and reasonable, and are in the interests of the Company and its shareholders as a whole. Furthermore, the Renewal Master Concession Agreement and the Supplemental Agreement are entered into in the ordinary and usual course of business of JBHL Group after due negotiations with WGL on arm's length basis with reference to the prevailing market conditions. None of the directors of the Company has any material interest in any of the abovementioned transactions.

The principal business activities of JBHL Group are retail distribution of designer fashion garments, accessories and cosmetics products, those of WGL Group are retailing, property and investment.

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.

## REGULATORY ASPECTS

As WGL is indirectly interested in 72.9% of the issued share capital of the Company and is therefore a substantial shareholder of the Company, the Renewal Master Concession Agreement and the Supplemental Agreement and various Concession Agreements regulated and/or contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

On the basis that each of the Aggregate Annual Cap Amount under the Renewal Master Concession Agreement and the revised final-year cap under the Supplemental Agreement exceeds the applicable *de minimis* level, being HK\$1.0 million, under Rule 14A.33(3)(c) of the Listing Rules, while each of the applicable percentage ratios for the purpose of Rule 14.07 of the Listing Rules is below the 5% threshold under Rule 14A.34 of the Listing Rules, the transactions are exempt from the independent shareholders' approval requirements, but are subject to requirements regarding reporting and announcement 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 during the Term on each occasion any Eligible Head Tenant(s) and any WGL Group's Concessionaire(s) enter into any Individual Concession Agreement(s), subject to fulfillment of the terms and/or conditions stipulated in the Renewal Master Concession Agreement and as mentioned above, particularly the Aggregate Annual Cap Amount not being exceeded.

## TERMS USED IN THIS ANNOUNCEMENT

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings: -

<b>“Aggregate Annual Cap Amount”</b>	has the meaning as defined in the paragraph “Details of the Renewal Master Concession Agreement” of this announcement
<b>“Company”</b>	Joyce Boutique Holdings Limited, a company incorporated in Bermuda with limited liability and whose securities are listed on the Stock Exchange
<b>“Concession Agreements”</b>	the Individual Concession Agreement(s), inclusive of the Existing Concession Agreements
<b>“Eligible Head Tenant(s)”</b>	the head tenant(s) which is/are subsidiary(ies) of JBHL and which is/are or will become party(ies) to any Concession Agreement(s)
<b>“Eligible Premises”</b>	all JOYCE shops operated and to be operated by the Eligible Head Tenants or any one of them

<b>“Existing Concession Agreements”</b>	the existing concession agreements entered into prior to the commencement of the Renewal Master Concession Agreement between any Eligible Head Tenants, as head tenant(s) and any WGL Group’s Concessionaire(s), as concessionaire(s), in respect of any Eligible Premises
<b>“Existing Master Concession Agreement”</b>	the master concession agreement signed between the Company and WGL on 4 September 2009, as amended and supplemented by the Supplemental Agreement dated 27 March 2012 entered into between the parties
<b>“Individual Concession Agreement(s)”</b>	individual concession agreement(s) between WGL Group’s Concessionaire(s), as concessionaire(s), and Eligible Head Tenant(s), as head tenant(s), from time to time in respect of concession arrangements for various retail spaces inside the Eligible Premises during the Term
<b>“JBHL Group”</b>	the Company and its subsidiaries from time to time
<b>“JOYCE”</b>	the trade name of the retailing businesses operated by the JBHL Group
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“Original Annual Cap”</b>	the aggregate annual cap amount of rentals (i.e. HK\$9.9 million for the financial year ending 31 March 2012) as provided in the Existing Master Concession Agreement
<b>“PRC”</b>	the People’s Republic of China
<b>“Renewal Master Concession Agreement”</b>	the master concession agreement signed between the Company and WGL on 27 March 2012 to regulate the maximum annual aggregate rents that would be payable by any WGL Group’s Concessionaire(s) to any Eligible Head Tenants for all Concession Agreements in respect of the leasing of the retail spaces inside any Eligible Premises
<b>“Supplemental Agreement”</b>	the supplemental agreement entered into between the Company and WGL on 27 March 2012, as supplement to the Existing Master Concession Agreement

<b>“Term”</b>	has the meaning as mentioned in the section headed “Details of the Renewal Master Concession Agreement” in this announcement
<b>“WGL”</b>	Wisdom Gateway Limited, a company incorporated in British Virgin Islands with limited liability and a connected person (as defined under the Listing Rules) of the Company
<b>“WGL Group”</b>	WGL and its subsidiaries from time to time
<b>“WGL Group’s Concessionaire(s)”</b>	the concessionaires (being concessionaires under any Concession Agreement(s)) which are members of the WGL Group or those associated companies of WGL regarded as connected persons (as defined under the Listing Rules) of the Company, or any one of such concessionaires

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

Hong Kong, 27 March 2012