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APPLICATION PROOF OF
Joyce Boutique Group Limited

(a company incorporated in Hong Kong with limited liability)

(the “Company”)

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If you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Joyce Boutique Holdings Limited, you should at once hand this document and the accompanying forms of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This document does not constitute an offer or invitation to, nor is it intended to invite offers by, the public to subscribe for or to purchase shares or other securities of Joyce Boutique Holdings Limited and/or Joyce Boutique Group Limited and it must not be used for the purposes of offering or inviting offers for any securities.

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JOYCE

JOYCE BOUTIQUE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 0647

**REORGANISATION PROPOSAL –
CHANGE OF THE HOLDING COMPANY OF THE GROUP
FROM JOYCE BOUTIQUE HOLDINGS LIMITED (DOMICILED IN BERMUDA)
TO JOYCE BOUTIQUE GROUP LIMITED (DOMICILED IN HONG KONG)**

*(a company incorporated in Hong Kong with limited liability,
the shares of which are proposed to be listed on
the Main Board of the Stock Exchange by way of introduction)*

BY WAY OF A SCHEME OF ARRANGEMENT

(under section 99 of the Companies Act 1981 of Bermuda (as amended))

A letter from the Board is set out on pages 11 to 14 of this document. An Explanatory Statement is set out on pages 15 to 33 of this document. The actions to be taken by the Shareholders are set out on pages 31 to 33 of this document. Notices convening the Special General Meeting and the Court Meeting to be held on [REDACTED], [REDACTED] at [REDACTED] [REDACTED] and [REDACTED] (or as soon thereafter as the Special General Meeting shall have been concluded or adjourned), respectively at [REDACTED] are set out on pages NSM-1 to NCM-2 of this document.

Whether or not you are able to attend the Special General Meeting and/or the Court Meeting, you are strongly urged to complete and sign the enclosed forms of proxy in accordance with the respective instructions printed on them, and to lodge them with the Company's branch share registrar in Hong Kong, [REDACTED], at [REDACTED] as soon as possible, but in any event not later than the times and dates specified in them respectively. The form of proxy in respect of the Court Meeting may also be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged who shall have absolute discretion as to whether or not to accept it.

Completion of the form of proxy and its return to the Company will not preclude you from attending, and voting at, the Special General Meeting and the Court Meeting or any adjournment thereof if you so wish.

Subject to the granting of listing of, and permission to deal in, the shares of Joyce Boutique Group Limited on the Main Board and compliance with the stock admission requirements of HKSCC, those shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in such shares or such other date as determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The shares of Joyce Boutique Group Limited to be issued in connection with the Scheme will not be, and are not required to be, registered with the SEC under the Securities Act, in reliance on the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) of the Securities Act. **Neither the SEC nor any other US federal or state securities commission or regulatory authority has approved or disapproved of the shares of Joyce Boutique Group Limited or passed an opinion on the adequacy of this document. Any representation to the contrary is a criminal offense in the United States.** Persons who are affiliates (within the meaning of the Securities Act) of Joyce Boutique Holdings Limited or Joyce Boutique Group Limited prior to, or of Joyce Boutique Group Limited after, the Effective Date will be subject to certain US transfer restrictions relating to the shares of Joyce Boutique Group Limited received pursuant to the Scheme. Overseas Shareholders, including but not limited to US Shareholders, are advised to read the important notices in paragraph 15 of the Explanatory Statement.

[REDACTED]

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EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

DEFINITIONS

In this document, the following words and expressions shall have the following meanings, unless the context otherwise requires.

“Announcement”	the announcement dated 6 June 2019 issued by the Company in relation to, among other things, the Reorganisation Proposal
“Announcement Date”	6 June 2019, the date on which the Announcement was published
“Articles”	the articles of association of Newco (as amended from time to time)
“Authorisations”	all authorisations, registrations, filings, rulings, consents, permissions and approvals (including approvals in-principle)
“Beneficial Owner”	any beneficial owner of the Shares whose Shares are registered in the name of a Registered Owner
“Board”	the board of Directors of the Company
“Business Day”	a day on which the Stock Exchange is open for the business of dealings in securities
“Buyback Mandate”	the unconditional general mandate given to the Newco Board to buy back Newco Shares on the Stock Exchange (or any other stock exchange(s) on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“close associate”	has the meaning ascribed to it in the Listing Rules
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong
“Companies Registrar”	the Registrar of Companies in Hong Kong

DEFINITIONS

“Company”	Joyce Boutique Holdings Limited (stock code: 0647), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board
“Court”	the Supreme Court of Bermuda
“Court Meeting”	the meeting of the Scheme Shareholders to be convened at the direction of the Court at which the Scheme (with or without modification(s) or addition(s)) will be voted upon, or any adjournment thereof
“Directors”	the directors of the Company
“Effective Date”	the date upon which the Scheme, if approved and sanctioned by the Court, becomes effective in accordance with its terms and the Companies Act, being the date on which a copy of the order of the Court sanctioning the Scheme is delivered to the Registrar of Companies in Bermuda for registration which is expected to be [REDACTED]
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Explanatory Statement”	the explanatory statement set out in pages 15 to 33 of this document and issued in compliance with section 100 of the Companies Act
“Group”	the Company and its subsidiaries before the Scheme becomes effective, or (where the context so requires) Newco and its subsidiaries upon the Scheme becoming effective
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Investor Participants”	Persons admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

DEFINITIONS

“Latest Practicable Date”	17 June 2019, being the latest practicable date prior to the issue of this document for ascertaining certain information contained in this document
“Listing Committee”	the listing sub-committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Main Board”	the Main Board of the Stock Exchange
“Mainland China”	the People’s Republic of China excluding, for the purpose of this document, Hong Kong, the Macao Special Administrative Region and Taiwan
“New Share”	the one new Share to be issued to Newco pursuant to the Scheme
“Newco”	Joyce Boutique Group Limited, a company incorporated in Hong Kong with limited liability which is a wholly-owned subsidiary of the Company and, upon the Scheme becoming effective, will become the new holding company of the Group, and an application will be made for listing its shares on the Main Board by way of introduction
“Newco Board”	the board of Newco Directors
“Newco Directors”	the directors of Newco
“Newco Group”	Newco and its subsidiaries from time to time (which will include the Group immediately upon the implementation of the Reorganisation Proposal)
“Newco Shares”	ordinary shares in the share capital of Newco
“Newco Shareholders”	the holders of the Newco Shares

DEFINITIONS

“Non-Qualifying Overseas Shareholders”	those Overseas Shareholders who will not receive Newco Shares pursuant to the Scheme but will receive cash in full satisfaction of their rights to receive the Newco Shares where the law of any relevant jurisdiction precludes the issuance of the Newco Shares or precludes it except after compliance by Newco with conditions with which Newco is unable to comply or which Newco regards as unduly onerous, as further described in the section headed “Non-Qualifying Overseas Shareholders” in the “Explanatory Statement” in this document
“Other CCASS Participant”	a person admitted to participate in CCASS other than an Investor Participant
“Overseas Shareholders”	Shareholders whose addresses, as shown on the register of members of the Company at the Record Time, are in any jurisdiction other than Hong Kong
“PRC”	the People’s Republic of China
“Record Time”	[REDACTED] (Hong Kong time) on [REDACTED] or such other date as may be announced to the Shareholders, being the record time for determining entitlements of the Scheme Shareholders under the Scheme
“Registered Owner”	in respect of a Beneficial Owner, any nominee, trustee, depository or any other authorised custodian or third party whose name is entered in the register of members of the Company as the holder of the Shares in which the Beneficial Owner is beneficially interested
“Registrar”	[REDACTED]
“Reorganisation Proposal”	the proposed change of the holding company of the Group from the Company to Newco, a company incorporated in Hong Kong with limited liability, by way of the Scheme
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme”	a scheme of arrangement pursuant to section 99 of the Companies Act involving, <i>inter alia</i> , the cancellation of all Scheme Shares

DEFINITIONS

“Scheme Shareholders”	holders of the Scheme Shares as at the Record Time
“Scheme Shares”	all the Shares in issue at the Record Time
“SEC”	the US Securities and Exchange Commission
“Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“SFC”	Securities and Futures Commission of Hong Kong
“SFC Waiver”	a waiver from compliance with all requirements of the Takeover Code in connection with the Reorganisation Proposal
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Shareholders”	holders of the Shares
“Shares”	ordinary shares in the share capital of the Company
“Special General Meeting”	the special general meeting of the Company to be held at [REDACTED] on [REDACTED] for the purpose of considering and if thought fit, approving the resolutions in relation to the Reorganisation Proposal, notice of which is set out in page NSM-1 to NSM-2 of this document, or any adjournment thereof
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC (as amended, supplemented or otherwise modified from time to time)
“US\$”	United States dollar, the lawful currency of the US
“US” or “United States” or “United States of America”	the United States of America, its territories and possessions, any State of the United States and the District of Columbia

DEFINITIONS

“US GAAP”	generally accepted accounting principles in the United States
“%”	per cent. All percentages stated in this announcement are approximations.
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

SUMMARY

INTRODUCTION

The Board proposes to change the holding company of the Group from the Company to Newco by way of the Scheme, pursuant to which the structure of the Group will be reorganised such that upon the implementation of the Reorganisation Proposal, Newco, a company incorporated in Hong Kong with limited liability, will become the new holding company of the Group, and the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders, if any, who will receive cash instead) will hold one Newco Share for every Scheme Share held at the Record Time. The Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders, if any) will become Newco Shareholders and all Scheme Shares will be cancelled. Accordingly, the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders, if any) will have the same proportionate interests in Newco as they hold in the Company at the Record Time.

REASONS FOR THE REORGANISATION PROPOSAL

In recommending the Reorganisation Proposal, the Directors have given due consideration to the commercial and legal factors of having the holding company of the Group incorporated in Hong Kong. The Directors consider Hong Kong as the appropriate place of incorporation of Newco for the following reasons:

For the Group’s current scale (reduced over the years) and with its management and principal operations based in Hong Kong, maintaining the company registration of the listed holding company in Bermuda has become an unattractive arrangement. Besides the time-zone difference which leads to administrative inconvenience whenever the Group needs to seek support and services in Bermuda, the Group’s substantial trading losses in recent years and the outlook for the foreseeable future also make it cost-inappropriate to maintain a Bermuda registration, particularly when maintenance costs are expected to increase upon the implementation of the economic substance requirements in Bermuda. The Directors are of view that the benefits of maintaining a Bermuda registration have been outweighed by the increasing inefficiency in costs and administration after taking into account the size and profitability of the Group. The Directors therefore propose the Reorganisation Proposal as a measure to address such inefficiency and to reduce the continuing burden of corporate overheads.

EFFECTS OF THE REORGANISATION PROPOSAL

As a result of the Scheme, the Company and all existing subsidiaries of the Company will become subsidiaries of Newco and Newco will become the ultimate holding company of the Group. Upon completion of the Reorganisation Proposal, Newco will control and operate the same assets and businesses as the Company, and the listing status of the Company on the Stock Exchange will be withdrawn, while Newco will become listed on the Main Board in the Company’s stead.

SUMMARY

Implementation of the Scheme will not, save for changing the place of incorporation of the holding company of the Group from Bermuda to Hong Kong, affect the (i) financial position (save that professional costs and expenses in relation to the implementation of the Reorganisation Proposal will be incurred, which are estimated to be approximately HK\$[REDACTED] and will be payable by Newco); (ii) business; (iii) ownership, voting control and management; (iv) directors and employees; and (v) payment of dividends of the Group. The amount of professional costs and expenses mentioned above is an estimate as at the Latest Practicable Date and is provided for reference only, and the actual amount may differ from this estimate.

CONDITIONS PRECEDENT OF THE REORGANISATION PROPOSAL

Completion of the Reorganisation Proposal is subject to the fulfilment (or, where relevant, waiver) of the following conditions precedent:

- (a) the Scheme being approved by a majority in number representing not less than three-fourths in value of the Scheme Shareholders present and voting in person or by proxy at the Court Meeting;
- (b) the passing of a special resolution by the Shareholders at the Special General Meeting to approve and give effect to any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares;
- (c) the passing of ordinary resolution(s) by the Shareholders at the Special General Meeting to approve, among others, the issue of one New Share to Newco and to apply part of the credit arising in the books of account of the Company as a result of the cancellation of the Scheme Shares in paying up in full at par the one New Share simultaneously with the cancellation of the Scheme Shares;
- (d) to the extent necessary, compliance by the Company with section 46(2) of the Companies Act in relation to any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares;
- (e) the Scheme, with or without modification, being sanctioned by the Court, and a copy of the Court order being delivered to the Registrar of Companies in Bermuda for registration;
- (f) the Listing Committee granting approval for the listing on the Main Board by way of introduction of, and permission to deal in, the Newco Shares to be issued pursuant to the Scheme and such approval not having been revoked prior to the Scheme becoming effective; and
- (g) all Authorisations which may be required in connection with the Reorganisation Proposal under any existing contractual arrangements or regulatory requirements having been obtained and all regulatory filing obligations having been complied with.

SUMMARY

Newco reserves the right to waive condition precedent (g) above, in whole or in part, and either generally or in respect of any particular matter. Conditions precedent (a) to (f) above cannot be waived in any event.

The action necessary to make the Scheme effective will not be taken unless the Directors are satisfied that the Scheme has been duly approved and the Reorganisation Proposal will become unconditional subject only to compliance with the relevant registration requirements and the Listing Committee granting approval for the listing of, and permission to deal in, Newco Shares in issue and to be issued pursuant to the Scheme and such approval not having been revoked prior to the Scheme becoming effective.

It is currently expected that, if the required approvals from the Shareholders are obtained at the Special General Meeting and the Court Meeting, the Scheme will become effective on [REDACTED], [REDACTED]. If the Scheme has not become effective by [REDACTED], or such later date as the Court may allow, the Scheme will lapse. The Shareholders will be advised by an announcement whether the Scheme has become effective, and of the Effective Date.

REGISTRATION PROCEDURES AND INSTRUCTIONS TO THE COMPANY

Subject to the provisions of the Companies Ordinance, the register of members of Newco will be maintained in Hong Kong by [REDACTED] at [REDACTED].

A valid instrument of transfer relating to a transfer of Shares executed before the Effective Date but not registered in the register of members of the Company before that date shall, on or after the listing of Newco Shares on the Main Board, be deemed by the Newco Directors to be a valid instrument of transfer in respect of the same number of Newco Shares.

RECOMMENDATIONS

Having taken into account the detailed reasons for the implementation and the effects of the Reorganisation Proposal as set out in the Explanatory Statement, the Directors consider that the Reorganisation Proposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders vote in favour of the relevant resolutions to be proposed at the Special General Meeting and the Court Meeting respectively, to approve the Scheme and its implementation.

Subject to the Scheme becoming effective, new certificates for Newco Shares will be issued to the Shareholders (other than the Non-Qualifying Overseas Shareholders, if any) who are registered in the register of members of the Company at the Record Time.

SUMMARY

THE GROUP AND NEWCO

Immediately following completion of the Reorganisation Proposal, Newco will become the holding company of the Group, which will continue to carry on the present business activities of the Group. The Group is principally engaged in the retail and wholesale distribution, primarily under exclusive franchise agreements, of leading international fashion, accessory and beauty product brands in Hong Kong and Mainland China.

As at the Latest Practicable Date, the issued shares of the Company were held as to approximately [REDACTED] by the controlling shareholder of the Company (i.e. JoyBo International Limited) and the remaining approximately [REDACTED] by public Shareholders.

Please refer to Appendices I to III to this document for further information on the Group and Newco.

RISK FACTORS

The Group’s businesses, financial condition, results of operations or growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group’s businesses. Details of these risks and uncertainties are set out in the section headed “Risk Factors” in this document.

RECENT DEVELOPMENTS

On 6 June 2019, the Company announced the Reorganisation Proposal.

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2019, the date to which the latest published audited consolidated financial statement of the Group were made up, and up to the Latest Practicable Date.

LETTER FROM THE BOARD

JOYCE

JOYCE BOUTIQUE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 0647

Directors:

Mr. Stephen T. H. Ng *(Chairman)*

Ms. Doreen Y. F. Lee

Mr. Paul Y. C. Tsui

Registered office:

Canon’s Court,
22 Victoria Street,
Hamilton HM12,
Bermuda

Independent Non-executive Directors:

Mr. Antonio Chan

Mr. Eric K. K. Lo

Mr. T. Y. Ng

Principal office in Hong Kong:

26/F, One Island South,
2 Heung Yip Road,
Wong Chuk Hang,
Hong Kong

[REDACTED]

To the Shareholders:

Dear Sir or Madam,

**REORGANISATION PROPOSAL –
CHANGE OF THE HOLDING COMPANY OF THE GROUP
FROM JOYCE BOUTIQUE HOLDINGS LIMITED
(DOMICILED IN BERMUDA)
TO JOYCE BOUTIQUE GROUP LIMITED
(DOMICILED IN HONG KONG),
THE SHARES OF WHICH ARE PROPOSED TO BE LISTED ON THE
MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED
BY WAY OF INTRODUCTION PURSUANT
TO A SCHEME OF ARRANGEMENT
(UNDER SECTION 99 OF THE COMPANIES ACT 1981 OF BERMUDA
(AS AMENDED))**

LETTER FROM THE BOARD

1. INTRODUCTION

On 6 June 2019, the Board announced that the Company intends to put forward to Shareholders a reorganisation proposal for changing of the holding company of the Group from the Company to Joyce Boutique Group Limited by way of the Scheme. Upon the Scheme becoming effective, (i) Newco, a company incorporated in Hong Kong with limited liability, will become the new holding company of the Group. Accordingly, the Company and its existing subsidiaries will become subsidiaries of Newco; and (ii) the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders, if any, who will receive cash instead) will hold one Newco Share for every one Scheme Share held at the Record Time. The Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders, if any) will become Newco Shareholders and all Scheme Shares (being all the Shares in issue at the Record Time) will be cancelled. Accordingly, the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders, if any) will hold the same proportionate interests in Newco as they hold in the Company at the Record Time. Newco has made an application to the Stock Exchange for the listing of and permission to deal in the Newco Shares on the Main Board by way of introduction. Upon completion of the Reorganisation Proposal, Newco will control and operate the same assets and businesses as the Company, and the listing status of the Company on the Stock Exchange will be withdrawn, while Newco will become listed on the Main Board in the Company’s stead.

The purpose of this document is to provide the Shareholders with details of the Reorganisation Proposal and to seek the Shareholders’ approval thereof. If the the Scheme shall not have become effective on or before [REDACTED] or such later date as the Court may direct, the Scheme will lapse.

Further details and effects of the Reorganisation Proposal are set out in the Explanatory Statement.

2. OVERVIEW OF THE REORGANISATION PROPOSAL

Reference is made to the announcement of the Company dated 6 June 2019 in relation to the Reorganisation Proposal. The Board proposes to change the holding company of the Group from the Company to Joyce Boutique Group Limited by way of the Scheme, pursuant to which the structure of the Group will be reorganised such that upon the implementation of the Reorganisation Proposal, Newco, a company incorporated in Hong Kong with limited liability, will become the new holding company of the Group, and the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders, if any, who will receive cash instead) will hold one Newco Share for every Scheme Share held at the Record Time. The Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders, if any) will become Newco Shareholders and all Scheme Shares will be cancelled. Accordingly, the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders, if any) will have the same proportionate interests in Newco as they hold in the Company at the Record Time.

LETTER FROM THE BOARD

3. REASONS FOR THE REORGANISATION PROPOSAL

In recommending the Reorganisation Proposal, the Directors have given due consideration to the commercial and legal factors of having the holding company of the Group incorporated in Hong Kong. The Directors consider Hong Kong as the appropriate place of incorporation of Newco for the following reasons:

For the Group’s current scale (reduced over the years) and with its management and principal operations based in Hong Kong, maintaining the company registration of the listed holding company in Bermuda has become an unattractive arrangement. Besides the time-zone difference which leads to administrative inconvenience whenever the Group needs to seek support and services in Bermuda, the Group’s substantial trading losses in recent years and the outlook for the foreseeable future also make it cost-inappropriate to maintain a Bermuda registration, particularly when maintenance costs are expected to increase upon the implementation of the economic substance requirements in Bermuda. The Directors are of view that the benefits of maintaining a Bermuda registration have been outweighed by the increasing inefficiency in costs and administration after taking into account the size and profitability of the Group. The Directors therefore propose the Reorganisation Proposal as a measure to address such inefficiency and to reduce the continuing burden of corporate overheads.

4. RECOMMENDATIONS

Having taken into account the detailed reasons for the implementation and the effects of the Reorganisation Proposal as set out above and in the Explanatory Statement, the Directors consider that the Reorganisation Proposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the Special General Meeting and the Court Meeting, respectively, to approve, among other things, the Scheme and its implementation.

5. ACTIONS TO BE TAKEN

Your attention is drawn to the section headed “Actions to be taken” in the Explanatory Statement for the recommended actions to be taken by you as Shareholders.

LETTER FROM THE BOARD

6. ADDITIONAL INFORMATION

Your attention is also drawn to the further details of the Reorganisation Proposal provided in the Explanatory Statement and other information set out in the appendices to this document.

Yours faithfully,

For and by order of the Board of
JOYCE BOUTIQUE HOLDINGS LIMITED

Mr. Stephen T. H. Ng

Chairman

Hong Kong, [REDACTED]

EXPLANATORY STATEMENT

This Explanatory Statement constitutes the statement required under section 100 of the Companies Act.

1. INTRODUCTION

On 6 June 2019, the Board announced that the Company intends to put forward to Shareholders the Reorganisation Proposal whereby the holding company of the Group will be changed from the Company to Joyce Boutique Group Limited, a company incorporated in Hong Kong with limited liability, by way of the Scheme.

The purpose of this Explanatory Statement is to explain to Shareholders, among other things, the reasons for and the effect of the Reorganisation Proposal and the Scheme and the steps required to implement it. Your attention is drawn, in particular, to the “Letter from the Board” in this document and paragraph 17 in this Explanatory Statement in which the Board recommends that you, as a Shareholder, vote in favour of the resolutions to be proposed at the Special General Meeting and the Court Meeting, respectively, to approve, among other things, the Scheme and its implementation.

2. REASONS FOR THE REORGANISATION PROPOSAL

Please refer to the reasons set out in the “Letter from the Board – Reasons for the Reorganisation Proposal” in this document.

3. SUMMARY OF THE REORGANISATION PROPOSAL

The Reorganisation Proposal will be implemented by way of the Scheme, pursuant to which the structure of the Group will be reorganised such that upon the implementation of the Reorganisation Proposal, Newco, a company newly incorporated in Hong Kong with limited liability, will become the new holding company of the Group and the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders, if any, who will receive cash instead) will hold one Newco Share for every Scheme Share held at the Record Time. The Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders, if any) will become Newco Shareholders and all Scheme Shares will be cancelled. Accordingly, the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders, if any) will have the same proportionate interest in Newco as they hold in the Company at the Record Time.

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Under the Reorganisation Proposal, simultaneously on the Effective Date:

- (a) Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders, if any) will hold the same number of Newco Shares (ranking *pari passu* with each other) as the number of Scheme Shares held by each of them at the Record Time, respectively, and credited as fully paid;
- (b) all Scheme Shares will be cancelled; and
- (c) the Company will issue one New Share to Newco and will apply part of the credit arising in its books of account as a result of the cancellation of the Scheme Shares referred to paragraph (b) above in paying up in full at par the one New Share.

As a result of the Scheme, the Company and all existing subsidiaries of the Company will become subsidiaries of Newco and Newco will become the ultimate holding company of the Group. Upon completion of the Reorganisation Proposal, Newco will control and operate the same assets and businesses as the Company, and the listing status of the Company on the Stock Exchange will be withdrawn, while Newco will become listed on the Main Board in the Company's stead.

4. CONDITIONS PRECEDENT OF THE REORGANISATION PROPOSAL

Completion of the Reorganisation Proposal is subject to the fulfilment (or, where relevant, waiver) of the following conditions precedent:

- (a) the Scheme being approved by a majority in number representing not less than three-fourths in value of the Scheme Shareholders present and voting in person or by proxy at the Court Meeting;
- (b) the passing of a special resolution by the Shareholders at the Special General Meeting to approve and give effect to any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares;
- (c) the passing of ordinary resolution(s) by the Shareholders at the Special General Meeting to approve, among others, the issue of one New Share to Newco and to apply part of the credit arising in the books of account of the Company as a result of the cancellation of the Scheme Shares in paying up in full at par the one New Share simultaneously with the cancellation of the Scheme Shares;
- (d) to the extent necessary, compliance by the Company with section 46(2) of the Companies Act in relation to any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares;

EXPLANATORY STATEMENT

- (e) the Scheme, with or without modification, being sanctioned by the Court, and a copy of the Court order being delivered to the Registrar of Companies in Bermuda for registration;
- (f) the Listing Committee granting approval for the listing on the Main Board by way of introduction of, and permission to deal in, the Newco Shares to be issued pursuant to the Scheme and such approval not having been revoked prior to the Scheme becoming effective; and
- (g) all Authorisations which may be required in connection with the Reorganisation Proposal under any existing contractual arrangements or regulatory requirements having been obtained and all regulatory filing obligations having been complied with.

Newco reserves the right to waive condition precedent (g) above, in whole or in part, and either generally or in respect of any particular matter. Conditions precedent (a) to (f) above cannot be waived in any event.

The action necessary to make the Scheme effective will not be taken unless the Directors are satisfied that the Scheme has been duly approved and the Reorganisation Proposal will become unconditional subject only to compliance with the relevant registration requirements and the Listing Committee granting approval for the listing of, and permission to deal in, Newco Shares in issue and to be issued pursuant to the Scheme and such approval not having been revoked prior to the Scheme becoming effective.

It is currently expected that, if the required approvals from the Shareholders are obtained at the Special General Meeting and the Court Meeting, the Scheme will become effective on [REDACTED], [REDACTED]. If the Scheme has not become effective by [REDACTED], or such later date as the Court may allow, the Scheme will lapse. The Shareholders will be advised by an announcement whether the Scheme has become effective, and of the Effective Date.

5. EFFECTS OF THE REORGANISATION PROPOSAL

5.1 Financial position

The implementation of the Reorganisation Proposal will not affect the business, net assets/liabilities or financial position of the Group, save that professional costs and expenses relating to the implementation of the Reorganisation Proposal will be incurred, which are estimated to be approximately HK\$[REDACTED]. Save for such costs and expenses, the consolidated assets and liabilities of the Group upon completion of the Reorganisation Proposal are expected to be the same as those of the Group immediately prior to completion of the Reorganisation Proposal. The financial year of the Newco will, as for the Company, end on 31 March.

EXPLANATORY STATEMENT

5.2 Business

The business and management of the Group will not be changed as a result of the implementation of the Reorganisation Proposal. Immediately following completion of the Reorganisation Proposal, Newco will become the holding company of the Group, which will continue to carry on the present business activities of the Group and no change in the nature of the business of the Group is in contemplation. The Group is principally engaged in sales of designer fashion garments, cosmetics and accessories in Hong Kong and Mainland China.

5.3 Ownership, voting control and management

Upon completion of the Reorganisation Proposal:

- (a) the ownership, voting control and management of the Group will, through Newco, remain as present;
- (b) the interests of the Company in its subsidiaries will remain unaffected;
- (c) all Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders, if any) will hold Newco Shares on the basis of one Newco Share for every one Share held at the Record Time. All Newco Shares will be credited as fully paid and will rank *pari passu* with each other; and
- (d) Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders, if any) will hold the same proportionate interests in Newco as they hold in the Company at the Record Time.

5.4 Directors and employees

All the current Directors are expected to act as Newco Directors. There are no agreements or arrangements under which the emoluments or terms of service of any Newco Director who is a Director will be changed as a result of the implementation of the Reorganisation Proposal nor will the emoluments or terms of service of any employee of the Group be varied as a result of implementation of the Reorganisation Proposal. No substantial change to the senior management personnel of the Group is expected upon implementation of the Reorganisation Proposal.

5.5 No convertibles securities and share options outstanding

As at the date of this document, the Company has no convertible securities or share options outstanding.

EXPLANATORY STATEMENT

5.6 Dividend

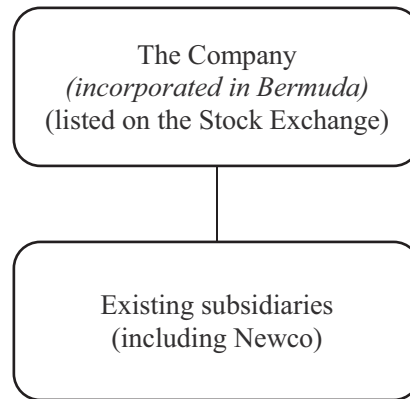
It is intended that dividends on Newco Shares will, as for the Shares, be paid in Hong Kong dollars. Similar to the case at present in relation to the Shares, following the completion of the Reorganisation Proposal, payments of dividends on Newco Shares will not be subject to taxation in Hong Kong and no withholding will be required on the payment of dividends to Newco Shareholders under Hong Kong laws. Shareholders and other potential investors should, however, obtain their own professional advice in relation to their tax position in their particular circumstances.

EXPLANATORY STATEMENT

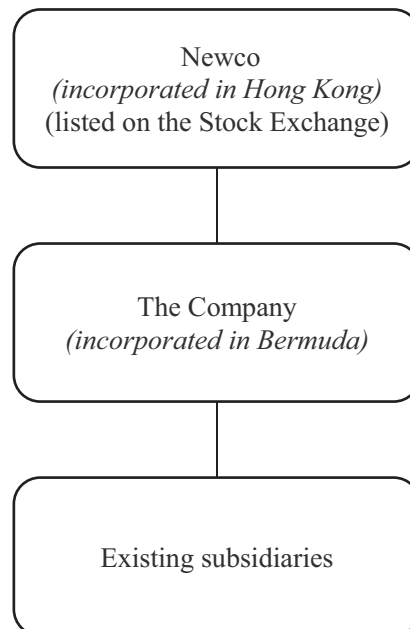
6. SIMPLIFIED STRUCTURE OF THE GROUP BEFORE AND IMMEDIATELY FOLLOWING COMPLETION OF THE REORGANISATION PROPOSAL

Set out below are the simplified structures of the Group (a) as at the date of this document and as expected to be immediately before completion of the Reorganisation Proposal, and (b) as expected to be immediately following completion of the Reorganisation Proposal, respectively.

As at the date of this document and as expected to be immediately before completion of the Reorganisation Proposal



As expected to be immediately following completion of the Reorganisation Proposal



Note: The listing status of the Company on the Main Board will be withdrawn upon the Scheme becoming effective. Subsequent to the completion of the Reorganisation Proposal, it is currently expected that the Company will be liquidated.

EXPLANATORY STATEMENT

7. WAIVERS FROM THE SFC AND THE STOCK EXCHANGE

The Company and Newco have applied to the SFC and the Stock Exchange for waivers from compliance with relevant provisions of the Takeovers Code and certain provisions of the Listing Rules applicable to the Reorganisation Proposal and/or this document, as detailed in the section headed “Waivers from Compliance with the Listing Rules and the Takeovers Code”.

8. GENERAL MANDATES

The Company, in its capacity as the sole shareholder of Newco, [has] granted to the Newco Directors the following general and unconditional mandates, subject to and conditional upon the Scheme becoming effective:

- (a) to buy back Newco Shares, on the Stock Exchange (or any other stock exchange(s) on which the securities of Newco may be listed and which is recognised by the SFC and the Stock Exchange for that purpose) representing up to 10% of the total number of shares in issue of Newco immediately following completion of the allotment and issue to the Scheme Shareholders of Newco Shares as contemplated by and pursuant to the Scheme (the “**Buyback Mandate**”);
- (b) to allot, issue or deal with Newco Shares not exceeding 20% of the total number of issued Newco Shares immediately following completion of the allotment and issue to the Scheme Shareholders of Newco Shares as contemplated by and pursuant to the Scheme (the “**General Mandate**”); and
- (c) to extend the General Mandate by adding the number of Newco Shares bought back by Newco pursuant to and in accordance with the Buyback Mandate, until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of Newco (which is expected to be held between [REDACTED] and [REDACTED] if the Scheme becomes effective according to the current expected timetable);
 - (ii) the expiration of the period within which the next annual general meeting of the Newco is required by the Articles or any applicable laws to be held; and
 - (iii) the revocation or variation of the authority given under the relevant shareholder’s resolutions granting the above general mandates passed by the Newco’s shareholders in general meetings.

An explanatory statement about the Buyback Mandate, as required by the relevant provisions of the Listing Rules to regulate the buy-back by companies with primary listings on the Stock Exchange of their own securities on the Stock Exchange, is set out in Appendix VI to this document.

EXPLANATORY STATEMENT

9. ARTICLES OF NEWCO

A summary of certain parts of the Articles conditionally adopted by Newco, which will take effect from the Effective Date, is set out in Appendix IV to this document. A copy of the Articles is available for inspection as mentioned in the section headed “Documents available for inspection” in Appendix VII to this document.

10. LEGAL CONSIDERATIONS

The Company was incorporated in Bermuda, whereas Newco was incorporated in Hong Kong with its shares to be listed on the Main Board. Certain laws of Hong Kong, particularly the Companies Ordinance, as well as the Listing Rules and the Takeovers Code will be applicable to Newco.

A summary of the differences between certain provisions of the Companies Ordinance and the Companies Act is set out in Appendix V.

Shareholders are advised to consult their own legal advisers if they are in any doubt as to the effect of Hong Kong corporate law on their rights in light of circumstances peculiar to them.

11. STOCK EXCHANGE LISTING AND DEALINGS

An application has been made by Newco to the Listing Committee for approval for the listing by way of introduction of, and permission to deal in, Newco Shares in issue and to be issued pursuant to the Scheme. An application will also be made by the Company to the Stock Exchange for the simultaneous withdrawal of the listing of the Shares subject to completion of the Reorganisation Proposal.

Subject to such applications being approved, upon completion of the Reorganisation Proposal, the listing of the Shares on the Main Board will be withdrawn in accordance with Rule 6.15(2) of the Listing Rules, and the Newco Shares in issue and to be issued pursuant to the Scheme will be listed on the Main Board and will be traded on the Main Board under the Company’s existing stock code (being stock code 0647). The stock short name of Newco will remain the same as the Company’s existing stock short name.

The board lot size for trading in Newco Shares on the Stock Exchange will be [REDACTED] Newco Shares. Upon the Scheme becomes effective, new certificates for Newco Shares will be issued to Shareholders (other than the Non-Qualifying Overseas Shareholders, if any, who will receive cash instead) who are registered in the register of members of the Company at the Record Time.

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The Directors currently expect that dealings in the Shares on the Main Board will cease at [REDACTED] on [REDACTED], [REDACTED] and the listing of the Shares on the Main Board will be withdrawn at [REDACTED] on [REDACTED], [REDACTED]. Dealings in Newco Shares on the Main Board are expected to commence from [REDACTED] on [REDACTED], [REDACTED].

Subject to the Stock Exchange granting the approval for the listing of, and permission to deal in, the Newco Shares on the Main Board, as well as compliance with the stock admission requirements of HKSCC, Newco Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in Newco Shares on the Main Board or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Newco Shares to be admitted into CCASS.

12. SHARE CERTIFICATES

Under the Scheme, each share certificate for the Scheme Shares subsisting as at the Record Time will, upon the Scheme becoming effective in accordance with its terms, cease to be valid for all purposes as a share certificate for the Scheme Shares.

Share certificates representing the appropriate number of Newco Shares will be issued at the expense of Newco to the holders of the Scheme Shares whose names appear on the register of members of the Company at the Record Time as are entitled to them. One share certificate for Newco Shares will be issued to each such holder for their entitlement to Newco Shares, save for share certificates to be issued to HKSCC Nominees Limited which may be in such denominations as requested by it.

Share certificates for Newco Shares will be posted to the persons entitled to them at their respective registered addresses (or in the case of joint holders, at the address of that joint holder whose name stands first in the register of members of the Company in respect of that joint holding) by ordinary post at their own risk. Share certificates for Newco Shares will only become valid if the Scheme becomes effective.

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The existing share certificates for the Shares are [light pink] in colour. In order to distinguish between the existing and new share certificates, share certificates for Newco Shares will be [light blue] in colour.

Shareholders should note that the last day of dealings in the Shares is expected to be on [REDACTED], [REDACTED] and the latest time for lodging forms of transfer of Shares in order to be entitled to Newco Shares is expected to be at [REDACTED] on [REDACTED], [REDACTED].

If the Scheme does not become effective, dealings in the Newco Shares on the Stock Exchange will not commence, and the listing of the Shares on the Stock Exchange will not be withdrawn, on [REDACTED], [REDACTED]. In such event, an announcement will be made by the Company.

Shareholders are recommended to consult their professional advisers if they are in any doubt as to the above procedures.

13. REGISTRATION PROCEDURES AND INSTRUCTIONS TO THE COMPANY

Subject to the provisions of the Companies Ordinance, the register of members of Newco will be maintained in Hong Kong by [REDACTED] at [REDACTED].

A valid instrument of transfer relating to a transfer of Shares executed before the Effective Date but not registered in the register of members of the Company before that date shall, on or after the listing of Newco Shares on the Main Board, be deemed by the Newco Directors to be a valid instrument of transfer in respect of the same number of Newco Shares.

Shareholders are recommended to consult their professional advisers if they are in any doubt as to the above procedures.

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14. TAXATION, STAMP DUTY AND EXCHANGE CONTROL

14.1 Taxation

Implementation of the Reorganisation Proposal is not expected to result in any material change to the tax position of the Group. Certain shareholders may be subject to capital gains tax.

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends with regard to the Newco Shares, either by withholding or otherwise. No tax is imposed in Hong Kong in respect of capital gains from the sale of the Newco Shares. Trading gains from the sale of the Newco Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are sourced in Hong Kong and arise from such trade, profession or business, will be chargeable to Hong Kong profits tax. Currently, profits tax is imposed on corporations at the rate of 16.5% and on individuals at the rate of 15.0%. Gains from sale of the Newco Shares effected on the Stock Exchange will be considered to be sourced in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sale of the Newco Shares effected on the Stock Exchange realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

Under current legislation, implementation of the Reorganisation Proposal is not expected, of itself, to have any adverse Bermuda tax consequences.

Please also refer to the section headed “9. Certain Material US Federal Income Tax Consequences” in Appendix VII to this document for information relevant to US Holders (as defined therein).

14.2 Stamp Duty

Dealings in the Newco Shares will be subject to Hong Kong stamp duty. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Newco Shares transferred on each sale and purchase. In other words, a total of 0.2% of stamp duty is currently payable on a typical sale and purchase transaction of the Newco Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5.

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14.3 Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong. No Hong Kong estate duty is payable by holders of Newco Shares whose deaths occur on or after 11 February 2006. The Newco Directors have been advised that no material liability for estate duty is likely to fall on the Newco or any of its subsidiaries.

14.4 Exchange Control

There are no exchange control regulations or currency restrictions in effect in Hong Kong.

14.5 General

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation or other implications of the Reorganisation Proposal. It is emphasised that none of the Company, Newco, any of their respective directors, officers, employees, agents, affiliates or advisers or any other persons involved in the Reorganisation Proposal accepts responsibility for any tax or other effects on, or liabilities of, any person or persons in connection with the Reorganisation Proposal in Hong Kong or any other jurisdictions.

15. NON-QUALIFYING OVERSEAS SHAREHOLDERS

The making of the Reorganisation Proposal to certain Shareholders may be subject to the laws of jurisdictions other than Hong Kong. Overseas Shareholders and Beneficial Owners residing in jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of the Shareholders and the Beneficial Owners to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Scheme, including obtaining any governmental, exchange control or other consents which may be required, and compliance with other necessary formalities and payment of any issue, transfer or other taxes due in such jurisdictions.

Non-Qualifying Overseas Shareholders are those Shareholders with registered addresses in, or Shareholders or Beneficial Owners who are otherwise known by the Company to be residents of, jurisdictions outside Hong Kong at the Record Time and whom the Newco and the Company, based on enquiries made on their behalf, consider it necessary or expedient to exclude from receiving Newco Shares pursuant to the Scheme on account of the legal restrictions under the laws of the relevant jurisdictions where the Overseas Shareholders or Beneficial Owners are located or are resident in or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions.

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The Scheme provides that if the law of any relevant jurisdiction precludes the issuance of the Newco Shares, or precludes it except after compliance by Newco with conditions with which Newco is unable to comply or which Newco regards as unduly onerous, no Newco Shares will be issued to the relevant Non-Qualifying Overseas Shareholders.

In such case, the Newco Shares which would otherwise have been allotted to the relevant Non-Qualifying Overseas Shareholders under the Scheme will be allotted to a person selected by the Board, who will sell such Newco Shares on the market as soon as reasonably practicable after dealings in the Newco Shares commence on the Stock Exchange, and Newco will cause the aggregate proceeds of such sale (net of expenses and taxes) to be paid to the relevant Non-Qualifying Overseas Shareholders in Hong Kong dollars in full satisfaction of their rights to receive the relevant Newco Shares.

As at the Latest Practicable Date, no Overseas Shareholders whose addresses as registered in the register of members of the Company were outside Hong Kong.

Shareholders and Beneficial Owners are recommended to consult their own professional advisers if they are in any doubt as to their respective positions.

Notice to Shareholders Residing or Located in the PRC

Neither any advertisement nor any offering material may be circulated, distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations.

The Newco Shares may not be issued directly or indirectly to any resident of the PRC except pursuant to applicable laws and regulations of the PRC.

Notice to US Investors

This document is not an offer of securities for sale in the United States. The Newco Shares to be issued in connection with the Scheme will not be, and are not required to be, registered under the Securities Act or the securities laws of any state of the United States and will be issued in reliance upon the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) of the Securities Act and available exemptions from such state law registration requirements.

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The Reorganisation Proposal relates to the securities of Newco, which is incorporated in Hong Kong, and the Company, which is incorporated in Bermuda. The Reorganisation Proposal will be effected under a scheme of arrangement under Bermuda laws. Accordingly, the Scheme is subject to the disclosure requirements, rules and practices applicable to Bermuda schemes of arrangement, and the information disclosed in this document may not be the same as that which would have been disclosed if this document had been prepared for the purpose of complying with the requirements of US federal securities laws or in accordance with the laws and regulations of any other jurisdiction. The financial information included in this document has not been, and will not be, prepared in accordance with US GAAP and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with US GAAP. US GAAP differs in certain significant respects from HKFRS. None of the financial information in this document has been audited in accordance with auditing standards generally accepted in the United States or the auditing standards of the Public Company Accounting Oversight Board of the United States.

US holders of Shares may encounter difficulty enforcing their rights and any claims arising out of US securities laws, as Newco and the Company are incorporated outside of the United States, some or all of their respective officers and directors are resident outside of the United States and a substantial portion of their respective assets are located outside of the United States. US holders of Shares may not be able to sue a foreign company or its officers or directors in a foreign court for violations of US securities laws, or enforce against them a judgement rendered by a US court. Further, US holders of shares may encounter difficulty compelling a foreign company and its affiliates to subject themselves to a US court’s jurisdiction.

Newco Shares issued to a Shareholder that is neither an “affiliate” (within the meaning of the Securities Act), for the purposes of the Securities Act, of the Company or Newco prior to the Effective Date, nor an affiliate of Newco after the Effective Date, should not be “restricted securities” under the Securities Act, and such Newco Shares may be sold by such person in ordinary secondary market transactions without restriction under the Securities Act. Newco Shares issued pursuant to the Scheme will not be registered under any US state securities laws and may only be issued to persons resident in a state pursuant to an exemption from the registration requirements of the securities laws of such state.

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Persons who are affiliates of the Company or Newco prior to the Effective Date, or an affiliate of Newco after the Effective Date, may not resell Newco Shares received pursuant to the Scheme in the United States without registration under the Securities Act, except pursuant to an applicable exemption from the registration requirements of the Securities Act or in a transaction not subject to such requirements. Persons who may be deemed to be affiliates of the Company or Newco, as the case may be, include individuals who, or entities that, control, directly or indirectly, or are controlled by or are under common control with, the Company or Newco, as the case may be, and may include certain officers and directors of such company and such company's principal shareholders (such as a holder of more than 10% of the outstanding capital stock of such company). Persons who believe they may be affiliates for the purposes of the Securities Act should consult their own legal advisers prior to any sale of Newco Shares received pursuant to the Scheme.

The Newco Shares have not been and will not be listed on a US securities exchange or quoted on any inter-dealer quotation system in the United States. Newco does not intend to facilitate a market in Newco shares in the United States. Consequently, Newco believes that it is unlikely that an active trading market in the United States will develop for the Newco Shares.

Neither the SEC nor any other US federal or state securities commission or regulatory authority has approved or disapproved of the Newco Shares or passed an opinion on the adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

For the purposes of qualifying for the exemption from the registration requirements of the Securities Act afforded by section 3(a)(10) thereof, the Company will advise the Court before the Court hearing that its sanctioning of the Scheme will be relied upon by the Company and Newco for such purpose as an approval of the Scheme following a hearing on the fairness of the terms and conditions of the Scheme to Shareholders, at which hearing all such holders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all such holders.

Shareholders and Beneficial Owners should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequence under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdictions, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the acquisition, retention, disposal or otherwise with respect to the Shares or the Newco Shares, as the case may be. It is emphasised that none of the Company, Newco, any of their respective directors or officers, employees, agents, affiliates or advisers and any other person involved in the Scheme accept any responsibility in relation to the above.

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16. MEETING

The Special General Meeting will be held for the purpose of considering and, if thought fit, passing, among other things, assuming the resolution to approve the Scheme has been duly passed at the Court Meeting, a special resolution to approve and give effect to any reduction of issued share capital of the Company associated with the cancellation of the Scheme Shares and an ordinary resolution to approve the issue of one New Share to Newco and to apply part of the credit arising in the books of account of the Company as a result of the cancellation of the Scheme Shares in paying up in full at par the one New Share simultaneously with the cancellation of the Scheme Shares.

In accordance with the direction of the Court, the Court Meeting will be convened for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modifications).

The notice of the Special General Meeting is set out on pages NSM-1 to NSM-2 of this document. The Special General Meeting will be held on [REDACTED], [REDACTED] at [REDACTED] or [REDACTED].

The notice of the Court Meeting is set out on pages NCM-1 to NCM-2 of this document. The Court Meeting will be held at the same place and on the same date as the Special General Meeting and at [REDACTED] or as soon thereafter as the Special General Meeting shall have been concluded or adjourned.

As far as the Company is aware, having made all reasonable enquires, no Shareholders are materially interested in the transactions contemplated under the resolutions to be considered at the Special General Meeting and therefore, no Shareholders are required to abstain from voting at the Special General Meeting under the relevant laws, rules and regulations.

As far as the Company is aware, having made all reasonable enquiries, no Shareholders are materially interested in the transactions contemplated under the Scheme and therefore, no Shareholders are required to abstain from voting at the Court Meeting under the relevant laws, rules and regulations.

17. RECOMMENDATIONS

Having taken into account the detailed reasons for the implementation and the effects of the Reorganisation Proposal as set out in the Explanatory Statement, the Directors consider that the Reorganisation Proposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders vote in favour of the relevant resolutions to be proposed at the Special General Meeting and the Court Meeting respectively, to approve the Scheme and its implementation.

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18. ACTIONS TO BE TAKEN

A [white] form of proxy for use at the Special General Meeting and a [pink] form of proxy for use at the Court Meeting are enclosed with this document.

Whether or not you are able to attend the Special General Meeting and/or the Court Meeting, you are strongly urged to complete and sign the enclosed [white] form of proxy in respect of the Special General Meeting and also sign the enclosed [pink] form of proxy in respect of the Court Meeting, in accordance with the respective instructions printed on them, and to lodge them at the Registrar, [REDACTED], at [REDACTED]. In order to be valid, the [white] form of proxy for use at the Special General Meeting must be lodged not later than [REDACTED] on [REDACTED], [REDACTED] in order to be valid. The [pink] form of proxy for use at the Court Meeting should be lodged not later than [REDACTED] on [REDACTED], [REDACTED]. If the [pink] form of proxy is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting who shall have absolute discretion as to whether or not to accept it. The completion and return of the relevant forms of proxy will not preclude you from attending and voting in person at the relevant meeting should you so wish. In such event, the returned form of proxy for that meeting will be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Special General Meeting and/or the Court Meeting, you will still be bound by the outcome of the Special General Meeting and/or the Court Meeting. You are therefore strongly urged to attend and vote at the Special General Meeting and/or the Court Meeting in person or by proxy.

Voting at the Special General Meeting and the Court Meeting will be taken by poll.

If any Shareholder in Hong Kong has questions concerning administrative matters, such as dates, documentation and procedures relating to the Reorganisation Proposal, please call the Registrar, [REDACTED], at [REDACTED] between 9:00 a.m. and 5:00 p.m. Monday to Friday, excluding public holidays. This helpline cannot and will not provide advice on the merits of the Reorganisation Proposal or the Scheme or give financial or legal advice.

For the purpose of determining the entitlement of the Shareholders to attend and vote at the Special General Meeting and the Scheme Shareholders to attend and vote at the Court Meeting, the register of members of the Company will be closed from [REDACTED], [REDACTED] to [REDACTED], [REDACTED] (both days inclusive) and, during such period, no transfer of Shares will be effected.

In order to qualify to vote at the Special General Meeting and the Court Meeting (other than by way of holding a proxy from a transferor), all transfers accompanied by the relevant share certificates must be lodged with the Registrar, [REDACTED], at [REDACTED] before [REDACTED] on [REDACTED], [REDACTED].

EXPLANATORY STATEMENT

An announcement will be made by the Company in relation to, among other things, the results of the Special General Meeting and the Court Meeting, and if all the resolutions are passed at those meetings, further announcement(s) will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the Court, the Effective Date, the date of withdrawal of the listing of the Shares from the Stock Exchange and the date of listing of, and commencement of dealings, in the Newco Shares.

Actions to be taken by Beneficial Owners whose Shares are held by a Registered Owner or deposited in CCASS

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depository or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Special General Meeting and/or the Court Meeting.

If you are a Beneficial Owner who wishes to attend the Special General Meeting and/or the Court Meeting personally, you should contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Special General Meeting and/or the Court Meeting and for such purpose the Registered Owner may appoint you as its proxy.

Alternatively, if you are a Beneficial Owner who wishes to attend the Special General Meeting and/or the Court Meeting personally, you may arrange for some or all of your Shares to be transferred into your own name.

The appointment of a proxy by the Registered Owner at the relevant Special General Meeting and/or the Court Meeting shall be in accordance with all relevant provisions in the by-laws of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and before the latest time for lodging the relevant forms of proxy as described in this document.

The completion and return of a form of proxy for the Special General Meeting and/or the Court Meeting will not preclude the Registered Owner from attending and voting in person at the Special General Meeting or the Court Meeting. In such event, the returned form of proxy will be deemed to have been revoked.

EXPLANATORY STATEMENT

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Special General Meeting and the Court Meeting in order to provide the Registered Owner with sufficient time to complete his/her/its forms of proxy accurately and to submit them by the deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Special General Meeting and the Court Meeting, then any such Beneficial Owner should comply with the requirements of such Registered Owner.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you must, unless you are a person admitted to participate in CCASS as an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS participant regarding voting instructions to be given to such persons, or alternatively arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote such Shares in respect of the Scheme. The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees Limited shall be in accordance with “An Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

In accordance with the direction from the Court, for the purposes of calculating the “majority in number” at the Court Meeting, HKSCC Nominees Limited will be counted as one vote which should be exercised for or against the Scheme according to the majority of voting instructions received. The number of votes cast in favour of the Scheme and the number of CCASS participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS participants on whose instructions they are cast will be disclosed to the Court and may be taken into account in deciding whether or not the Court should exercise its discretion to sanction the Scheme.

19. ADDITIONAL INFORMATION

Further information is set out in the appendices to, and elsewhere in, this document, all of which forms part of this Explanatory Statement.

Shareholders should rely only on the information mentioned in this document. None of the Company or Newco or any of their respective directors, officers employees, agents, affiliates or advisers has authorised anyone to provide you with information that is different from what is mentioned in this document.

This document will be despatched to Shareholders at no cost to them. In addition, Shareholders may obtain free copies of this document at the website maintained by the Stock Exchange at www.hkexnews.hk.

20. LANGUAGE

In case of any inconsistency, the English language text of this document and the accompanying forms of proxy shall prevail over the Chinese language text.

RISK FACTORS

The Group’s business, financial condition, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group’s business. In addition, the shareholders of the Company may have different shareholder rights after they become shareholders of Newco as a result of the Reorganisation Proposal being implemented. The risk factors set out below are those that relate to the difference between the places of incorporation of Newco and the Company as well as those that may cause the Group’s business, financial condition, results of operations or growth prospects to be materially different from expected or historical results. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

1. RISKS DUE TO THE DIFFERENCE BETWEEN THE PLACES OF INCORPORATION OF NEWCO AND THE COMPANY

There are differences between the laws of Bermuda and those of Hong Kong, and certain remedies available to the minority shareholders of the Company under the laws of Bermuda may not be available to the minority shareholders of Newco in Hong Kong.

Newco is a company incorporated in Hong Kong with limited liability, and the laws of Hong Kong differ in some respects from those of Bermuda.

Matters relating to the corporate affairs of Newco are governed by, among other things, the Articles, the Companies Ordinance and the common law of Hong Kong. Such matters include the rights of the Newco Shareholders to take action against Newco and the Newco Directors, protection of the interests of minority Newco Shareholders and the fiduciary duties of the Newco Directors to Newco.

RISK FACTORS

Due to the differences between the laws of Bermuda and the laws of Hong Kong, certain remedies available to minority shareholders of the Company under Bermuda law may not be available in the same manner to minority shareholders of Newco under Hong Kong law, and a shareholder (or member) of Newco may bring certain actions which may not be available in the same manner to shareholders of the Company but, if brought by a shareholder of Newco, may expose Newco to potential costs or liabilities. For example, on a petition by a member of a Hong Kong company, the court may, if it considers that the company’s affairs are being or have been conducted in a manner unfairly prejudicial to the interests of the members generally or one or more members, or that an actual or proposed act or omission of the company is or would be so prejudicial, make an order for giving relief in respect of such matter, including an order appointing a receiver or manager of the company’s property and/or business or any other order (i) for regulating the conduct of the company’s affairs in the future; (ii) for the purchase of the shares of any member of the company by another member of the company; (iii) for the purchase of the shares of any member of the company by the company and the reduction accordingly of the company’s capital; or (iv) for any other purpose, and may order the company or any other person to pay damages to a member of the company whose interests have been unfairly prejudiced. For further details, please refer to Appendix V “Summary of the Differences Between Certain Provisions of the Companies Ordinance and the Bermuda Companies Act”.

It is possible to register a transfer of shares in the Company (being a Bermuda company) on the share register maintained in Bermuda without attracting Hong Kong stamp duty. Such option is not available to a transfer of shares in Newco because such transfer, being a transfer of shares in a company incorporated in Hong Kong, must be registered in Hong Kong.

The court in Hong Kong has power to wind up a Hong Kong company in various circumstances, including where the court is of opinion that it is just and equitable that the company should be wound up, or on application of the Registrar of Companies of Hong Kong on various grounds. The manner in which such power may be exercised and the procedures involved may be different from those applicable to a Bermuda company.

2. MARKET RISKS

Fashion trends

The designer fashion and specialty retailing industries are sensitive to fast changing consumer preferences. The Group’s ability to identify emerging fashion-forward brands with strong growth potential and to spot influential cultural and lifestyle trends is key to the sustained growth of the Group’s core business. The Group employs an experienced merchandising team with the requisite professional knowledge, insights and corporate resources to anticipate and capitalize on customer demand.

RISK FACTORS

3. OPERATING RISKS

Brand image and reputation

Brand image and reputation are vital to the luxury retail industry, especially with respect to the Group’s multi-brand fashion and beauty store business model. The Group places great emphasis on due diligence in selecting brand partners, with selection criteria including product style and design, quality of materials used and each prospective brand’s credentials and history.

Intensified competition from online sellers

The popularity of online shopping is disruptive and poses a growing threat to the Group’s existing core business of traditional bricks-and-mortar specialty retailing. To mitigate these risks, the Group actively develops new strategies for strengthening customer loyalty, adding unique offline value to the shopping experience and enhancing marketing communications with VIP customers.

Store locations and lease renewals

The Group’s retail store operations are necessarily situated at prime urban locations and districts. A typical store lease runs for a duration of 3 to 5 years with no option for renewal on expiry. As suitable locations are limited in supply, their availability and respective commercial leasing terms are external factors over which the Group has minimal control.

Legal and compliance risks

The Group has policies and procedures in place to ensure full compliance with relevant laws and regulations that have a significant impact on the Group’s business and operations. Management regularly reviews and assesses the impact of any recent changes and developments in applicable laws, rules and regulations, and seeks external advice when deemed necessary.

4. FINANCIAL RISKS

Foreign exchange risk

The Group operates mainly in Hong Kong and the People’s Republic of China (“PRC”), and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and United States dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

RISK FACTORS

At 31 March 2019, if Euro had weakened/strengthened by 5% against Hong Kong dollars with all other variables held constant, post-tax loss for the year would have been approximately [REDACTED] lower/higher (2018: HK\$10,666,000 lower/higher) mainly as a result of foreign exchange gains/losses on settlement of purchases.

The Group considers the risk of movements in exchange rates between Hong Kong dollars and United States dollars to be insignificant as Hong Kong dollars and United States dollars are pegged and hence, foreign currency risk is considered insignificant.

Credit risk

The credit risk of the Group mainly arises from bank balances, trade and other receivables and deposits. The carrying amounts of these balances in the consolidated statement of financial position represents the Group’s maximum exposure to credit risk in relation to financial assets.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer’s ability to meet its obligations;
- actual or expected significant changes in the operating results of debtor/customer;
- significant increases in credit risk on other financial instruments of the same customer; and
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group and changes in the operating results of the customer.

RISK FACTORS

Credit risk of bank balances

To manage this risk arising from bank deposits, the Group only transacts with reputable commercial banks which are all high-credit-quality financial institutions. There has been no recent history of default in relation to these financial institutions. The expected credit loss of bank balances is close to zero.

Credit risk of trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group considers the credit risk characteristics and the days past due to measure the expected credit losses. Given there is no history of significant defaults from these trade receivables and insignificant impact from forward-looking estimates, the expected loss rate for trade receivables is close to zero and no loss allowance was made as at 1 April 2018 and 31 March 2019.

The Group’s trade receivables comprise receivables from credit card companies for retail sales settled by credit cards and receivable from a fellow subsidiary for consignment sales.

The Group monitors the trade receivables individually due to the concentration of credit risk. Based on historical repayment trend, there is no correlation between the risk of default occurring and the collection past-due status as long as there is no significant change in the credit rating of the customers. Historically, the Group’s loss arising from risk of default and time value of money is negligible.

Credit risk of other receivables and deposits

For other financial assets at amortised cost, including other receivables and deposits, management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

Impairment losses on other financial assets at amortised cost are presented as net impairment losses within operating loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

RISK FACTORS

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as and when they fall due, and it results from amount and maturity mismatches of assets and liabilities. Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Group employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the working capital of the Group to ensure that all liabilities due and known funding requirements could be met. In addition, banking facilities have been put in place for contingency purposes.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s income and operating cash flows are substantially independent of changes in market interest rates, except for the interest income derived from bank deposits. As at 31 March 2019, if interest rates on the bank deposits had been [REDACTED] basis points (2018: 10 basis points) higher/lower with all other variables held constant, pre-tax loss for the year would have been [REDACTED] lower/higher (2018: HK\$341,000 lower/higher), mainly as a result of higher/lower interest income on bank deposits. Apart from the bank deposits, the Group has no significant interest bearing assets or liabilities.

DIRECTORS OF THE COMPANY AND NEWCO

Set out below are the directors of both the Company and Newco:

Name	Address	Nationality
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Directors

Mr. Stephen T. H. Ng (<i>Chairman</i>)	2A, Trafalgar Court 70 Tai Hang Road Hong Kong	Chinese
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Ms. Doreen Y. F. Lee	Flat B1, 1/F., Block 1 Mount Trio Court No. 1 Hok Yu Lane, Homantin Kowloon Hong Kong	Chinese
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Mr. Paul Y. C. Tsui	7C Conduit Tower 20 Conduit Road Hong Kong	Canadian
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Independent Non-executive Directors

Mr. Antonio Chan	E10 Golden Fair Mansion 4E Shiu Fai Terrace Hong Kong	Australian
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Mr. Eric K. K. Lo	Flat A, 28/F. Tower 6 The Leighton Hill Happy Valley Hong Kong	British
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Mr. T. Y. Ng	Flat A, 12/F. Park Garden 6 Tai Hang Drive Jardine's Lookout Hong Kong	British
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CORPORATE INFORMATION OF THE COMPANY AND NEWCO

Company secretary Mr. Kevin C. Y. Hui
16th Floor, Ocean Centre
Harbour City
Canton Road
Kowloon
Hong Kong

Authorised representatives of the Company Mr. Stephen T. H. Ng
2A, Trafalgar Court
70 Tai Hang Road
Hong Kong

Mr. Kevin C. Y. Hui
16th Floor, Ocean Centre
Harbour City
Canton Road
Kowloon
Hong Kong

Registered office of Newco and principal office of Company in Hong Kong 26/F, One Island South
2 Heung Yip Road
Wong Chuk Hang
Hong Kong

Registered office of the Company Canon’s Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal share registrar of the Company in Bermuda [REDACTED]

Share registrar of Newco and branch share registrar of the Company in Hong Kong [REDACTED]

CORPORATE INFORMATION OF THE COMPANY AND NEWCO

Auditors

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince’s Building
Central, Hong Kong

Principal bankers

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen’s Road Central
Hong Kong

Website

www.irasia.com/listco/hk/joyce/index.htm

PARTIES INVOLVED IN THE REORGANISATION PROPOSAL

**Legal adviser to the Company and
Newco as to Hong Kong law**

Deacons
5th Floor, Alexandra House
18 Chater Road Central
Hong Kong

**Legal adviser to the Company
as to Bermuda laws**

Conyers Dill & Pearman
29th Floor
One Exchange Square
8 Connaught Place
Central
Hong Kong

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND THE TAKEOVERS CODE

1. WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

1.1 Waiver from the requirement to appoint a sponsor and related requirements

Rule 3A.02 of the Listing Rules requires a new listing applicant to appoint a sponsor under a written engagement agreement to assist it with its initial application for listing.

Newco has applied for, and the Stock Exchange [has granted], a waiver to Newco from compliance with the requirements under Rule 3A.02 such that Newco will not be required to appoint a sponsor or comply with any related requirements for the purposes of its listing, on the grounds that: (i) there is no policy reason for requiring the proposed new listing, which is merely technical in nature, to be subject to the sponsorship requirement, as a new listing application will be made by Newco only because the Company will be replaced by Newco as the listing vehicle due to the Reorganisation Proposal; (ii) a sponsor’s due diligence exercise on the existing business, assets and management of the listed group would be unduly burdensome and would not serve any real purpose given the shareholding structure (including shareholdings of the ultimate shareholders), business, assets and management of the listed group will not be affected by the Reorganisation Proposal; (iii) since the shareholding structure (including the shareholdings of the ultimate shareholders), business, assets and management of the listed group will not change due to the Reorganisation Proposal, the listing document will not contain any material information which is not already published by the Company, the accuracy of which is already subject to the requirements under the SFO and other applicable laws and regulations, such that verification by a sponsor is redundant; (iv) with respect to the confirmation of working capital sufficiency statement, the confirmation will be provided by the auditors of Newco; and (v) accordingly, the appointment of a sponsor by Newco and its compliance of the related requirements would be unduly burdensome and would not be necessary for achieving the intended regulatory purpose in respect of a new listing.

Rules 3A.13, 9.03(1), 9.11(17b), 9.11(28), 9.11(32) and 9.11(36) of the Listing Rules require the submission of certain documents by a sponsor or require signing of such documents by a sponsor (as the case may be).

Newco has applied for, and the Stock Exchange [has granted], waivers to Newco from compliance with such filing requirements on the grounds that (i) the relevant requirements would no longer be relevant given that no sponsor is required to be appointed pursuant to the waiver from the requirement to appoint a sponsor [granted] as mentioned above; and (ii) with respect to the confirmation of working capital sufficiency statement, the confirmation will be provided by the auditors of Newco.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND THE TAKEOVERS CODE

1.2 Waiver from the requirement to appoint a compliance adviser and related requirements

Rule 3A.19 of the Listing Rules requires an issuer to appoint a compliance adviser for the period commencing on the date of initial listing of its equity securities and ending on the date on which it complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the date of its initial listing.

Newco has applied for, and the Stock Exchange [has granted], a waiver to Newco from compliance with the requirements under Rule 3A.19 such that Newco will not be required to appoint a compliance adviser or comply with any related requirements for the purposes of its listing, on the grounds that: (i) the Reorganisation Proposal will not require or result in any change to any of the Directors and the company secretary of the Company (“**Company Secretary**”); (ii) the majority of the Directors and the Company Secretary have held their positions with the Company for some time and, as such, they are already subject to, and familiar with, the continuing obligations of a listed company under the Listing Rules and applicable laws, rule, codes and guidelines; (iii) it would be unnecessary to seek assistance from a compliance adviser and to incur the costs of appointing a compliance adviser, given that the interests of the shareholders of Newco would not be prejudiced by the non-appointment of a compliance adviser and (iv) accordingly, the appointment of a compliance adviser by Newco and its compliance of the related requirements would be unduly burdensome and would not be necessary for achieving the intended regulatory purpose in respect of a new listing.

Rules 3A.21 to 29 of the Listing Rules requires the submission of a compliance adviser’s undertaking and sets out, among other things, the responsibilities and duties of a compliance adviser and the issuer’s obligation to consult with the compliance adviser and to publish an announcement in respect of the termination, resignation, appointment or replacement of compliance advisers.

Newco has applied for, and the Stock Exchange [has granted], a waiver to Newco from compliance with such requirements on the ground that the requirements would no longer be relevant given that no compliance adviser is required to be appointed pursuant to the waiver from the requirement to appoint a compliance adviser [granted] as mentioned above.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND THE TAKEOVERS CODE

1.3 Waiver from the requirements under Rule 10.07 of the Listing Rules

Under Rule 10.07 of the Listing Rules restricts controlling shareholders of an issuer from disposing, directly or indirectly, of securities in respect of which they are shown by the listing document to be the beneficial owners.

Newco has applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver to Newco from compliance with on the grounds that Rule 10.07 of the Listing Rules is intended to provide stability to the shareholder base of an issuer for a period following its initial listing, which is not relevant to a transaction such as the Reorganisation Proposal where the controlling shareholder of the Company, i.e. JoyBo International Limited, who holds approximately [REDACTED] of the Company’s issued Shares as at Latest Practicable Date, has held its controlling stake for a long time, and will be identical in composition immediately before and after the Reorganisation Proposal.

1.4 Waiver from the requirements under Rule 10.08 of the Listing Rules

Under Rule 10.08 of the Listing Rules, no further shares or securities convertible into equity securities may be issued or form the subject of any agreement to such an issue within six months from the date dealings in the securities of the new issuer commence on the Stock Exchange.

Newco has applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver to Newco from compliance with Rule 10.08 of the Listing Rules, on the grounds that: (i) the Company has been listed on the Exchange for over 28 years. The Reorganisation Proposal in effect only results in a technical “share swap” of the shares of each shareholder in the Company to shares of the same amount in Newco and there is no change to the economic interest of each shareholder in, or the business and assets of, the listed group; and (ii) the application of the restriction in Rule 10.08 of the Listing Rules to Newco will lead to the unnecessary result of restricting a group which has long been listed on the Stock Exchange from issuing shares or securities for six months.

1.5 Waiver from the requirement to file profit forecast memorandum and cash flow forecast memorandum

Rule 9.11(10)(b) of the Listing Rules requires the submission of a final or an advanced draft of the board of director’s profit forecast memorandum covering the period up to the forthcoming financial year end date after the date of listing and a cash flow forecast memorandum covering at least 12 months from the expected date of publication of the listing document with principal assumptions, accounting policies and calculation for the forecasts (together the “**Forecast Memoranda**”) where the draft listing document submitted to the Stock Exchange together with the listing application does not contain a profit forecast.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND THE TAKEOVERS CODE

Newco has applied for, and the Stock Exchange [has granted], a waiver to Newco from compliance with the requirements under Rule 9.11(10)(b) of the Listing Rules such that Newco will not be required to submit any Forecast Memoranda for the purposes of its listing, on the grounds that: (i) the requirement to submit the Forecast Memoranda is intended to demonstrate the listing applicant’s sustainability and, accordingly, suitability for listing; (ii) the sustainability and suitability for listing of the listed group should not be affected simply because of the Reorganisation Proposal, considering that the businesses of Newco and its subsidiaries immediately after the Reorganisation Proposal will be identical in all respects to the businesses of the Group; (iii) the Company has been subject to ongoing disclosure requirements under Rule 13.09 of the Listing Rules and Part XIVA of the Securities and Futures Ordinance such that it would be required to disclose any inside information as regards its profitability and working capital as appropriate; (iv) the shareholders of the Company will not be prejudiced by a waiver of the requirement under Rule 9.11(10)(b) of the Listing Rules given the Forecast Memoranda are only provided to the Stock Exchange and are not required to be included in the listing document; and (v) accordingly, the compliance by Newco of the requirement to file the Forecast Memoranda for the purpose of the Reorganisation Proposal would be unduly burdensome and would not achieve the intended regulatory purpose in respect of a new listing.

1.6 Waiver from the requirements to disclose particulars of the listing group under paragraphs 26 and 29 of Appendix 1A of the Listing Rules

Paragraph 26 of Appendix 1A to the Listing Rules requires the disclosure of particulars of alterations in the capital of any member of the listed group within two years immediately preceding the issue of the listing document. Paragraph 29 of Appendix 1A of the Listing Rules requires the disclosure of the name, date, country of incorporation, the general nature of business and issued capital of an issuer’s subsidiaries, and of the location of the group’s principal establishments.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND THE TAKEOVERS CODE

Newco has applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirement to disclose particulars of the listing group under paragraphs 26 and 29 of Appendix 1A of the Listing Rules on the grounds that: (i) the requirement to disclose the particulars of the listed group is to enable the investors to make an informed decision. However, Newco seeks a new listing application for the mere purpose of replacing the Company by a Hong Kong incorporated company as the listing vehicle under the Reorganisation Proposal. The current shareholding structure (including shareholdings of the ultimate shareholders), business, assets and management of the listed group will remain the same after the Reorganisation Proposal. The principal purpose of the listing document is to seek shareholders’ approval for the Reorganisation Proposal rather than assisting them in making an investment decision; (ii) since the shareholding structure (including the shareholdings of the ultimate shareholders), business, assets and management of the listed group will not change under the Reorganisation Proposal, the market and the shareholders have been kept informed of the relevant information concerning the listed group by virtue of the compliance with the ongoing disclosure requirements by the Company and as such the content of the requirements of the listing document should be no greater than those of a listing document published in the context of a rights issue; and (iii) Newco will include the required disclosure under paragraph 29 of Appendix 1A in respect of the principal subsidiaries of Newco.

1.7 Waiver from the satisfaction of the profit requirement under the profit test under Rule 8.05(1)(a) of the Listing Rules

Rule 8.05(1) of the Listing Rules requires that to meet the profit test, a new applicant must have an adequate trading record under substantially the same management and ownership. This means that the issuer, or its group (excluding any associated companies and other entities whose results are recorded in the issuer’s financial statements using the equity method of accounting), as the case may be, must satisfy each of the following:

- (a) a trading record of not less than three financial years (see rule 4.04) during which the profit attributable to shareholders must, in respect of the most recent year, be not less than HK\$20,000,000 and, in respect of the two preceding years, be in aggregate not less than HK\$30,000,000. The profit mentioned above should exclude any income or loss of the issuer, or its group, generated by activities outside the ordinary and usual course of its business (“**Profit Requirement**”);
- (b) management continuity for at least the three preceding financial years (the “**Management Continuity**”); and
- (c) ownership continuity and control for at least the most recent audited financial year (“**Ownership Continuity**”).

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND THE TAKEOVERS CODE

While Newco can meet the Management Continuity and Ownership Continuity under Rules 8.05(1)(b) and 8.05(1)(c), respectively, it is not able to meet the Profit Requirement under Rule 8.05(1)(a) as the Group recorded loss attributable to its shareholders of HK\$41,854,000, HK\$54,725,000 and HK\$22,292,000 for the three years ended 31 March 2019, respectively.

Newco has applied for, and the Stock Exchange [has granted], a waiver to Newco from compliance with the requirements with the Profit Requirement under Rule 8.05(1)(a) of the Listing Rules on the grounds that: (a) the Reorganisation Proposal in effect only results in a technical “share swap” of the shares of each shareholder in the Company to shares of the same amount in Newco, and there is no change as to the business model and operation of the Group. As a matter of fact, this is not an application for the listing of a new business on the Main Board, but rather, a listing document to seek the shareholders’ approval to its Reorganisation Proposal. The profit requirement of Rule 8.05(1)(a) of the Listing Rules shall not be applicable; (b) despite the fact that the Group had begun to record loss attributable to its shareholders since the financial year 2015/16, it has been the Group’s target to reduce its operating losses, even when it is facing with the uncertain business outlook in Hong Kong and Mainland China and stiff and growing competition from other Asian markets the past few years. The Group also remains focused on restoring growth in comparable store sales, driving store traffic and gaining new customers, through enhanced product offerings, and innovative in-store events and marketing. Customer loyalty and acquisition programmes and professional personal-stylist services are being enhanced to strengthen customer engagement and increase customer visits and spending levels; (c) assuming the Scheme becomes effective, the Newco Directors confirmed that the Newco Group has a sufficient level of operations and it has tangible assets of sufficient value which can be demonstrated the suitability of the listing of Newco, which replaced the Company as the holding company of the Group; (d) the Group also had a positive cashflow generated from operating activities in the ordinary and usual course of business in the two financial years; and (e) assuming the Scheme becomes effective, the Newco Directors confirmed that the Newco Group will have adequate working capital for 12 months operation from the date of this document.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND THE TAKEOVERS CODE

1.8 Waiver from the market capitalisation requirement under Rule 8.09 of the Listing Rules

Rule 8.09 of the Listing Rules require that:

- (a) The expected market capitalisation at the time of listing of the securities of a new applicant which are held by the public must be at least HK\$125,000,000;
- (b) The expected market capitalisation of a new applicant at the time of listing must be at least HK\$500,000,000;
- (c) The expected market capitalisation at the time of listing of each class of securities for which listing is sought, other than options, warrants or similar rights to subscribe or purchase securities, must, in the case of both new applicants and listed issuers, be at least HK\$50,000,000.

As at the Latest Practicable Date, the Company has 1,624,000,000 shares in issue. Taking the 5-day average closing price of HK\$0.2338 per share for the last 5 consecutive trading days up to and including the Latest Practicable Date, the Company has a market capitalisation of HK\$379,691,200. Thus, it is expected that upon the implementation of the Reorganisation Proposal and the Scheme becoming effective, Newco will not be able to meet the market capitalisation as well.

Newco has applied for, and the Stock Exchange [has granted], a waiver to Newco from compliance with the requirements with market capitalization requirement under Rule 8.09 of the Listing Rules on the grounds that: (a) the market capitalisation requirement targets to set the floor for the minimum market capitalisation that a new listing applicant must have if it wishes to list on the Main Board. As mentioned above, this is not an application for the listing of a new business on the Main Board, but rather, a listing document to seek the shareholders’ approval to its Reorganisation Proposal. The profit requirement of Rule 8.09 of the Listing Rules shall not be applicable; and (b) the market capitalisation for a minimum of HK\$500,000,000 is a new requirement which only comes into effect in February 2018. Prior to the amendment, the market capitalisation required for a listing applicant was HK\$200,000,000, which indeed can be met by the Company, and upon the completion of the Reorganisation Proposal and the Scheme becoming effective, Newco, at the time when its shares would be listed on the Main Board.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND THE TAKEOVERS CODE

2. WAIVER FROM THE REQUIREMENTS OF THE TAKEOVERS CODE

The Takeovers Code applies to, among other things, takeovers affecting companies with a primary listing of their securities in Hong Kong and is concerned with takeovers, of all relevant companies, however effected and these include, among other things, transactions where control (as defined in the Takeovers Code) of a company is to be obtained.

Rule 2.10 of the Takeovers Code requires that except with the consent of the Executive, where any person seeks to use a scheme of arrangement or capital reorganisation to acquire or privatise a company, the scheme or capital reorganisation may only be implemented if, in addition to satisfying any voting requirements imposed by law: (i) the scheme or the capital reorganisation is approved by at least 75% of the votes attaching to the disinterested shares that are cast either in person or by proxy at a duly convened meeting of the holders of the disinterested shares; and (ii) the number of votes cast against the resolution to approve the scheme or the capital reorganisation at such meeting is not more than 10% of the votes attaching to all disinterested shares. Rule 2.10 of the Takeovers Code further states that the Executive will normally only waive the requirements of the Takeovers Code and in particular Rule 2.10 thereof in the case of a scheme or capital reorganisation under which: (i) there is no substantial change in percentage shareholding of any shareholder; (ii) there is no acquisition or consolidation of control by any person or a group of persons; and (iii) except as a result of any debt restructuring to which the company is a party, shareholders' economic interests in the company are not affected by implementation of the proposal.

The Company has applied for, and the Executive has granted, a waiver from compliance with the requirements of Rule 2.10 and other related rules of the Takeovers Code, which otherwise imposes more onerous voting requirements than those imposed by the Companies Act for the approval of the Scheme, in light of the fact that, under the Reorganisation Proposal: (i) there will be no substantial change in percentage shareholding of any Shareholder; (ii) there will be no acquisition or consolidation of control of the Company by any person or a group of persons; and (iii) save for professional costs and expenses to be incurred in relation to the implementation of the Reorganisation Proposal, Shareholders' economic interests in the Company will not be affected by implementation of the Reorganisation Proposal.

RESPONSIBILITY STATEMENT

The information in this document relating to the Group and the Newco Group has been provided by the Directors and the Newco Directors.

This document, for which the Directors and the Newco Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group and the Newco Group. The Directors and the Newco Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

APPENDIX I

INFORMATION OF THE GROUP

1. PRINCIPAL ACTIVITIES

The Group is principally engaged in the retail and wholesale distribution, primarily under exclusive franchise agreements, of leading international fashion, accessory and beauty product brands in Hong Kong and Mainland China.

2. SHARE CAPITAL

2.1 Issued Share Capital

As at the close of business on the Latest Practicable Date, the share capital of the Company was as follows:

Number of Shares in issue:	1,624,000,000
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Amount of issued and paid up capital:	HK\$162,400,000
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All the Shares presently in issue are fully paid or credited as fully paid and rank *pari passu* in all respects with each other, including as to dividends, voting rights and return of capital or other distributions that may be declared, paid or made.

2.2 Changes in the share capital of the Company

No changes in the share capital of the Company took place within the two years preceding the date of this document.

2.3 Listing

All of the existing Shares in issue are listed on the Main Board. No other part of the securities of the Company is listed on or dealt in, nor is any listing of, or permission to deal in, the securities of the Company being or proposed to be sought on, any other recognised stock exchange.

3. MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

At the financial year-end, the Group operated a total of 34 shops (2018: 39). This portfolio comprised 21 shops in Hong Kong (including 3 multi-label JOYCE stores, one JOYCE concession corner in Lane Crawford at IFC, 6 mono-brand shops, 10 JOYCE Beauty shops and one JOYCE Warehouse outlet), and 6 shops in Mainland China (including 2 multi-label JOYCE stores, one mono-brand shop, 2 JOYCE Beauty shops and one JOYCE Warehouse outlet). In addition, the Group operated 7 Marni shops in Hong Kong under its 49%-held equity investment partnered with Marni Group S.r.l.

During the year under review, the Group focused on driving sales through enhanced product offerings and customer experience and managed to achieve an increase in comparable store sales. The decline in overall sales was partly due to the closure of shops. During the year, the Group closed 4 non-performing shops in Hong Kong and the Marni boutique in Taiwan, resulting in improved store productivity. Taking advantage of improved aged-stock liquidation in China, the Group closed one of its two JOYCE Warehouse outlets in China in order to further enhance operating cost efficiency.

The 49%-held equity investment partnered with Marni Group S.r.l. closed its remaining shop in Taiwan in August 2018 and going forward will dedicate its resources to the Hong Kong market.

Financial Review

Review of 2018/19 Results

The Group recorded a net loss attributable to owners of the Company of HK\$22.3 million for the year ended 31 March 2019, compared with a net loss of HK\$54.7 million for the previous year. Loss per share was 1.4 HK cents (2017/18: 3.4 HK cents).

Group revenue declined by 2.1% to HK\$842.4 million (2017/18: HK\$860.7 million). However, gross margin improved by 1.7 percentage points mainly due to the increased level of full price sell-through.

Hong Kong division revenue dropped by 2.5% against the previous year and accounted for 88.3% of Group revenue (2017/18: 88.7%). Gross margin improved by 1.4 percentage points. Coupled with savings in operating overheads, Hong Kong operating loss narrowed to HK\$14.6 million for the year (2017/18: HK\$50.7 million).

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INFORMATION OF THE GROUP

Mainland China division revenue increased by 7.3% against last year, mainly due to an increase in comparable-store sales. Gross margin also increased by 5.7 percentage points due to a combination of a higher level of full price sell-through of current season stocks and the relatively lower proportion of revenue contributed by liquidation of aged stocks. As a result, Mainland China division managed to achieve an operating profit breakeven, compared to an operating loss of HK\$2.4 million in the previous year (which had included a HK\$5.8 million reversal of provision after reaching an out-of-court settlement with the landlord over the early termination of a lease).

For the year under review, the 49%-held equity investment partnered with Marni Group S.r.l. recorded a loss contribution of HK\$1.9 million (2017/18: profit of HK\$3.1 million) resulting from declines in sales and margin.

Liquidity and Financial Resources

At 31 March 2019, the Group’s financial position remained liquid with total cash deposits and cash on hand amounting to HK\$349.4 million. No bank borrowings were outstanding at 31 March 2019.

Foreign Exchange Risk Management

Most of the Group’s imported purchases are denominated in foreign currencies, primarily in euros. To minimize exposure to foreign exchange fluctuations, the Group from time to time reviews its foreign exchange position and, if appropriate and necessary, hedges its exposure by means of forward contracts.

Finance

At 31 March 2019, the Group had banking facilities totalling HK\$254.8 million (2018: HK\$254.8 million).

Dividend Policy

Apart from compliance with the applicable legal requirements, the Company adopts a policy to set out key considerations for arriving at the dividend payment decision. Dividend payout will be decided or recommended by the Board after taking into account of the Group’s immediate as well as expected prevailing financial performance, cash flow, financial position, capital commitments and future requirements as well as the general business and economic environments.

The Board will review this policy from time to time with reference to its future prospect, capital requirements and other changing circumstances both internally and externally.

Employees

The Group employed 363 staff as at 31 March 2019. Employees are remunerated according to the nature of their positions and market trends, with merit components incorporated in annual salary increments to reward and motivate individual performance. The Group provides appropriate various job-related training programs to staff. Total staff costs for the year ended 31 March 2019 amounted to HK\$143.7 million.

Business Model

Founded in 1970 and headquartered in Hong Kong, the Group is principally engaged in the retail and wholesale distribution, primarily under exclusive franchise agreements, of leading international fashion, accessory and beauty product brands. Hong Kong distribution accounts for approximately 88% of the Group’s total annual revenue.

As at 31 March 2019, the Group’s retail operations comprised a total of 34 outlets in Hong Kong and mainland China, including multi-label stores under the name JOYCE and JOYCE Warehouse, mono-brand boutiques including Marni shops in a 49%-held equity investment partnered with Marni Group S.r.l. and shops under the name JOYCE Beauty and JOYCE Grooming.

The Group operates two mainland China offices, one in Shanghai and one in Beijing, to provide local logistics support to the mainland China operations. Two additional offices, one in Milan and another in Paris, provide procurement support to the Group’s merchandising department.

Business Strategy

With years of experience in store design, merchandising, marketing and customer relationship management, the Group continues to identify and promote less well-established designers and brands with strong growth potential while sustaining the growth of well-established labels.

The buying and editing of seasonal fashion collections are based on knowledge of customer preferences and customer data analysis. The Joyce Card was introduced in the 1990s and is an important component of the Group’s innovative marketing and customer-loyalty program.

The Group optimizes profitability and productivity through prudent inventory management and strict overhead controls, and through strategic site selection for mono-brand and multi-label retail outlets.

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INFORMATION OF THE GROUP

4. STATEMENT OF INDEBTEDNESS

As at 31 May 2019, being the latest practicable date for ascertaining information for inclusion in this indebtedness statement, the Group had no outstanding borrowings.

As at 31 May 2019, the Group did not have any outstanding debt securities, term-loan borrowings, indebtedness, acceptance credits, hire purchase commitments, mortgages, charges, contingent liabilities or any guarantees or other material contingent liabilities as at 31 May 2019.

The Directors have confirmed that there had been no material changes in the indebtedness and contingent liabilities of the Group since 31 May 2019 and up to the Latest Practicable Date.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2019, the date to which the latest published audited consolidated financial statements of the Group were made up.

6. RULES 13.13 TO 13.22 OF THE LISTING RULES

The Directors have confirmed that they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.22 (inclusive) of the Listing Rules as at the Latest Practicable Date.

7. MAJOR CUSTOMERS AND SUPPLIERS

For each of the financial year ended 31 March 2017, 2018 and 2019:

- (a) the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the five largest suppliers represented less than 30% of the Group’s total purchases;
- (b) the aggregate amount of revenue from sales of goods or rendering of services attributable to the five largest customers represented less than 30% of the Group’s total revenue;
- (c) as far as the Directors are aware, neither the Directors, their close associates, nor those Shareholders whom to the knowledge of the Directors own more than 5% of the number of issued shares of the Company, had any interest in the Group’s five largest suppliers or customers.

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INFORMATION OF THE GROUP

8. EMPLOYEES

As at the Latest Practicable Date, the Group had approximately 368 employees.

Employees by function	Number of employees
Sales and operation staff	249
Office staff	<u>119</u>
Total	<u><u>368</u></u>

Employees are remunerated according to the nature of their positions and market trends, with merit components incorporated in annual salary increments to reward and motivate individual performance. The Group provides appropriate various job-related training programs to staff.

9. INTELLECTUAL PROPERTY

(a) Registered trademarks

As at the Latest Practicable Date, the Group had registered the following trademarks which are material to our business:

No.	Trademark	Type and Class	Registered Owner	Place of registration	Registration number	Duration of validity
1.	™ JOYCE BEAUTY ™ JOYCE BEAUTY	35	JB Assets Limited	Hong Kong	302981700	30/04/2014 – 29/04/2024
2.	JOYCE BEAUTY	35	JB Assets Limited	China	14480575	14/06/2015 – 13/06/2025
3.	™ JOYCE ™ JOYCE	18, 25, 35	JB Assets Limited	Hong Kong	302939851	26/03/2014 – 25/03/2024
4.	JOYCE	35	JB Assets Limited	China	14480576	14/06/2015 – 13/06/2025
5.	™ JOYCE WAREHOUSE ™ JOYCE WAREHOUSE	35	JB Assets Limited	Hong Kong	302981728	30/04/2014 – 29/04/2024
6.	JOYCE WAREHOUSE	35	JB Assets Limited	China	14480573	14/06/2015 – 13/06/2025

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(b) domain names

As at the Latest Practicable Date, the Group had registered the following domain name which was material in relation to the business of the Group:

Domain Name	Date of Registration	Expiry Date
joyce-boutique.com	16 January 1996	16 January 2021
joyce.com	14 September 1995	12 September 2020
joycebeauty.com	16 June 2004	15 June 2020

Please see the section headed “Additional Information – 3. Major Intellectual Property Rights” in Appendix VII to this document for further details on the major intellectual rights of the Group.

As at the Latest Practicable Date, the Board was not aware of any material infringement of the Group’s intellectual property rights or any pending or threatened claims against the Group in relation to the infringement of any intellectual property rights of third parties.

APPENDIX II

INFORMATION OF NEWCO

1. INTRODUCTION

Newco was incorporated in Hong Kong on 6 May 2019 as a company with limited liability under the Companies Ordinance. As at the Latest Practicable Date, Newco was a wholly-owned subsidiary of the Company. Newco established a place of business in Hong Kong at 26/F, One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong.

As Newco is incorporated in Hong Kong, it operates subject to the laws of Hong Kong and to its constitution, which comprises the Articles. It has not carried on any business since the date of its incorporation. Upon the Scheme becoming effective, Newco will become the ultimate holding company of the Group, which will continue to carry on the Group’s present business activities, and the principal activity of Newco will be investment holding.

2. DIRECTORS

The Newco Board is the primary decision making body of Newco and consists of six Newco Directors, comprising three non-executive directors and three independent non-executive directors.

The table below shows certain information in respect of the members of the Newco Board, who are identical to the members of the Board:

Name	Age	Present position(s)/Title(s)	Date of appointment as a Director	Date of first joining the Group	Principal roles and responsibilities
Mr. Stephen T. H. NG	66	Chairman and Non-Executive Director	17 August 2000	August 2000	Overall strategic planning and major decision making for the Newco Group
Ms. Doreen Y. F. LEE	63	Non-Executive Director	1 November 2003	November 2003	Overall strategic planning and major decision making for the Newco Group
Mr. Paul Y. C. TSUI	72	Non-Executive Director	17 August 2000	August 2000	Overall strategic planning and major decision making for the Newco Group
Mr. CHAN, Antonio	71	Independent Non-executive Director	30 September 2004	September 2004	Overseeing the management of the Newco Group independently
Mr. LO Eric Kai Kin	70	Independent Non-executive Director	28 October 1997	October 1997	Overseeing the management of the Newco Group independently
Mr. NG Tze Yuen	71	Independent Non-executive Director	1 April 2016	October 2000	Overseeing the management of the Newco Group independently

Non-Executive Directors of the Newco Board

Ng Tin Hoi Stephen (“Mr. Stephen T. H. Ng”), Chairman (Age: 66)

Mr. Stephen T. H. Ng has been a non-executive Director of the Company since 2000 and became non-executive Chairman in November 2007. He also serves as the chairman of nomination committee of the Company. He has been appointed as a director of Newco on 6 May 2019, and redesignated as the chairman and a non-executive director of the Newco Board since 17 June 2019. Mr. Stephen T. H. Ng performs a leadership role in monitoring and evaluating our business, and is primarily responsible for the overall strategic planning and major decision making for the Newco Group.

Mr. Stephen T. H. Ng is currently deputy chairman and director of Wheelock and Company Limited (stock code: 0020) (“**Wheelock**”), chairman and managing director of The Wharf (Holdings) Limited (stock code: 0004) (“**Wharf**”), chairman and managing director of Wharf Real Estate Investment Company Limited (stock code: 1997) (“**Wharf REIC**”), chairman and executive director of Harbour Centre Development Limited (stock code: 0051) (“**HCDL**”), all being publicly listed companies in Hong Kong. He is also chairman and director of Wheelock Properties (Singapore) Limited (“**WPSL**”), formerly a publicly listed company in Singapore (stock code: M35) until October 2018. Furthermore, he formerly served as chairman, director and chief executive officer of i-CABLE Communications Limited (stock code: 1097) (publicly listed in Hong Kong) until his resignation in September 2017, as well as a non-executive director of Hotel Properties Limited (stock code: H15) (publicly listed in Singapore) until his resignation in December 2018.

Mr. Ng is the chairman of Project *WeCan* Committee (Business-in-Community school project), a vice chairman of the Employers’ Federation of Hong Kong (“**EFHK**”) and a council member of Hong Kong General Chamber of Commerce.

Mr. Stephen T. H. Ng attended Ripon College in Ripon, Wisconsin, U.S.A. and the University of Bonn, Germany, from 1971 to 1975, and graduated with a major in Mathematics.

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INFORMATION OF NEWCO

Lee Yuk Fong Doreen (“Ms. Doreen Y. F. Lee”), Director (Age: 63)

Ms. Doreen Y. F. Lee has been a non-executive Director of the Company since 2003. She has been appointed a non-executive director of the Newco Board since 17 June 2019. She is primarily responsible for the overall strategic planning and major decision making for the Newco Group.

Ms. Doreen Y. F. Lee has been a director of Wharf since March 2003 and has been its vice chairman since May 2015, a director of Wharf REIC since August 2017 and has been its vice chairman since October 2017. She is also the chairman and senior managing director of Wharf Estates Limited and Wharf China Estates Limited, both are wholly-owned subsidiaries of Wharf REIC and Wharf respectively. She was formerly a non-executive director of HCDL from July 2010 to July 2012.

Ms. Doreen Y. F. Lee obtained a bachelor’s degree in Arts (Hon) from The University of Hong Kong in November 1978.

Tsui Yiu Cheung (as known as Tsui Yiu Cheung Paul) (“Mr. Paul Y. C. Tsui”), Director (Age: 72)

Mr. Paul Y. C. Tsui, *FCCA, FCPA, FCMA, CGMA, CPA, CGA*, has been a non-executive Director of the Company since 2000. He also serves as a member of audit committee of the Company and remuneration committee of the Company as well as a director of certain subsidiaries of the Company. He has been appointed as a director of Newco on 6 May 2019, and redesignated as a non-executive director of the Newco Board since 17 June 2019. He is primarily responsible for the overall strategic planning and major decision making for the Newco Group.

He is an executive director and group chief financial officer of Wheelock, a vice chairman, executive director and group chief financial officer of Wharf and a vice chairman and executive director of Wharf REIC since June 2018. He joined the Wheelock/Wharf group in 1996 and became a director of Wheelock in 1998. Furthermore, Mr. Paul Y. C. Tsui is a vice chairman of Wheelock Properties Limited, a wholly-owned subsidiary of Wheelock. He formerly served as a non-executive director of i-CABLE Communications Limited (stock code: 1097) until his resignation in September 2017, and a director of HCDL and WPSL until his resignations in August 2015. Mr. Paul Y. C. Tsui is currently a general committee member of the EFHK and chairman of EFHK’s “Property & Construction” functional group.

Independent Non-executive Directors of the Newco Board

Antonio Chan, Director (Age: 71)

Mr. Antonio Chan, *DMin, FCA (AUST), FCPA, FGIA, FHKIoD*, has been an independent non-executive Director of the Company since 2004. He also serves as chairman of audit committee of the Company, and a member of remuneration committee of the Company and nomination committee of the Company. He has been an independent non-executive director of the Newco Board since [REDACTED]. He is primarily responsible for overseeing the management of the Newco Group independently.

Mr. Antonio Chan has spent more than 40 years in the accounting profession and practised as a certified public accountant in Hong Kong for over 20 years. He has had extensive experience in management, auditing and investigation, executive recruitment, business consulting, corporate finance and administration. He currently serves as a non-stipendiary executive Pastor in a church in Australia. Mr. Antonio Chan is a Chartered Accountant and Certified Practising Accountant in Australia and a Fellow of the Hong Kong Institute of Certified Public Accountants, the Governance Institute of Australia and The Hong Kong Institute of Directors.

Mr. Antonio Chan holds a Doctor of Ministry degree from the King’s University, United States.

Lo Kai Kin (“Mr. Eric K. K. Lo”), Director (Age: 70)

Mr. Eric K. K. Lo has been an independent non-executive Director of the Company since 1997. He also serves as chairman of remuneration committee of the Company and a member of audit committee of the Company. He has been an independent non-executive director of the Newco Board since [REDACTED]. He is primarily responsible for overseeing the management of the Newco Group independently.

Mr. Eric K. K. Lo is an independent non-executive director of The Sincere Company Limited (stock code: 244) as well as a director of several companies in Hong Kong.

Mr. Eric K. K. Lo obtained a bachelor’s degree in Engineering Mathematics from The University of California, Berkeley in 1971 and had Graduate Studies in Financial Analysis at The University of Michigan, Ann Arbor in 1981.

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Ng Tze Yuen (“Mr. T. Y. Ng”), Director (Age: 71)

Mr. T. Y. Ng, *ACPA, ACMA*, was a non-executive Director of the Company between October 2000 and August 2008 and has been an independent non-executive Director of the Company since April 2016. He also serves as a member of audit committee of the Company and nomination committee of the Company. He has been an independent non-executive director of the Newco Board since [REDACTED]. He is primarily responsible for overseeing the management of the Newco Group independently.

Mr. T. Y. Ng was formerly a director of Wharf until his retirement in January 2015 as well as a director of HCDL until his resignation in April 2013.

Save as disclosed in this document, none of the Newco Directors has any relationship with any other directors, senior management or substantial shareholders of the Company or Newco.

Save as disclosed in this document, none of the Newco Directors has been a director of any other listed entities in the three years immediately preceding the date of this document.

Save as disclosed in this document, there are no other matters concerning the Newco Directors that need to be brought to the attention of the Shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

None of the Newco Directors has any existing or proposed service contract with Newco or any of its subsidiaries other than contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

The Newco Board comprises six directors, of which three are non-executive Directors and three are independent non-executive Directors. The senior management of the Newco comprises the president of our multi-brand fashion retail groups in Hong Kong and Mainland China. Please see “4. Senior Management” for detailed information on Mr. Andrew D. F. Keith, the Company’s president of our multi-brand fashion retail groups in Hong Kong and Mainland China. All the Directors have been appointed as directors of Newco, taking the same positions as non-executive directors and independent non-executive directors accordingly. The individuals who are most relevant and responsible for the track record results of the Group and form the core management of the Group include Mr. Stephen T. H. Ng, Ms. Doreen Y. F. Lee and Mr. Paul Y. C. Tsui.

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INFORMATION OF NEWCO

The Newco Directors are of the view that Newco can meet the management continuity requirement under Listing Rules 8.05(1)(b) as all of the above individuals have remained in positions of responsibility with the Group entirely throughout the Relevant Period and will continue to be part of the core management of the Newco immediately upon implementation of the Reorganisation Proposal. Accordingly, there is management continuity throughout the period of three preceding financial years and immediately upon implementation of the Reorganisation Proposal.

3. DIRECTOR’S REMUNERATION

The annual salaries of our non-executive Directors and the basis annual director’s fees of independent non-executive Directors are as follows:

Name	Annual amount <i>HK\$</i>
Non-executive Directors	
Mr. Stephen T. H. Ng	–
Ms. Doreen Y. F. Lee	–
Mr. Paul Y. C. Tsui	–
Independent Non-executive Directors	
Mr. Antonio Chan	55,000
Mr. Eric K. K. Lo	45,000
Mr. T. Y. Ng	45,000

Since Newco was incorporated on 6 May 2019, no remuneration was paid and no benefits were granted to its directors for the year ended 31 March 2019. By way of reference, the aggregate amount of remuneration (comprising directors’ fees, basic salaries, housing allowances, other allowances and benefits in kind, share-based compensation expenses, discretionary bonuses and employer’s contribution to pension scheme) of the Directors for the year ended 31 March 2019 was approximately HK\$145,000.

As at the Latest Practicable Date, the estimated aggregate amount of remuneration of the Directors payable for the year ending 31 March 2020 will be approximately HK\$145,000.

APPENDIX II

INFORMATION OF NEWCO

4. SENIOR MANAGEMENT

Andrew D. F. Keith (Age: 49)

Mr. Andrew Keith is the President of our multi-brand fashion retail groups Lane Crawford and JOYCE Boutique in Hong Kong and Mainland China. Mr. Keith was appointed President of JOYCE Boutique in 2008, and since his appointment, has successfully redefined JOYCE’s position as the pinnacle of fashion and creativity, and revamped its stores and brand assortment. He also secured franchise agreements for management and distribution of some of JOYCE’s most popular brands including Rick Owens and Alexander McQueen. Mr. Keith brings more than 24 years experience in the fashion industry across product development and design, merchandising and brand management to The Lane Crawford JOYCE Group.

Mr. Andrew Keith obtained a bachelor’s degree in Arts (Hon) in from Kingston University in 1991.

5. BOARD COMMITTEES

5.1 Audit Committee

Upon completion of the Reorganisation Proposal, Newco will set up an audit committee comprising the same members and with the same terms of reference as the existing audit committee of the Company.

The Audit Committee of the Newco Board (the “**Audit Committee**”) will comprise four members, namely Mr. Antonio Chan, Mr. Eric K. K. Lo, Mr. T. Y. Ng, each of whom [is] the independent non-executive director of Newco, and Mr. Paul Y. C. Tsui, a non-executive director of Newco, with Mr. Antonio Chan acting as chairman of Audit Committee.

The main duties of the Audit Committee are, among others, making recommendations to the Newco Board on the appointment, reappointment and removal of the external auditors, monitoring integrity of financial statements of the Newco and the Newco’s annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them.

5.2 Remuneration Committee

Upon completion of the Reorganisation proposal, Newco will set up a remuneration committee comprising the same members and with the same terms of reference as the existing remuneration committee of the Company.

The Remuneration Committee of the Newco Board (the “**Remuneration Committee**”) will comprise three members, namely Mr. Antonio Chan and Mr. Eric K. K. Lo, each of them [is] the independent non-executive director of Newco, and Mr. Paul Y. C. Tsui, a non-executive director of Newco, with Mr. Eric K. K. Lo acting as chairman of Remuneration Committee.

The main duties of the Remuneration Committee are, among others, making recommendations to the Newco Board on the Newco’s policy and structure for remuneration of all Newco Directors and senior management, and on the establishment of a formal and transparent procedure for developing remuneration policy; reviewing and approving the management’s remuneration proposals by reference to the Newco’s corporate goals and objectives; and considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Newco Group.

5.3 Nomination Committee

Upon completion of the Reorganisation proposal, Newco will set up a nomination committee comprising the same members and with the same terms of reference as the existing nomination committee of the Company.

The Nomination Committee of the Newco Board (the “**Nomination Committee**”) will comprise three members, namely Mr. Stephen T. H. Ng, the non-executive director of Newco (as chairman of Nomination Committee) and two [independent non-executive directors] of Newco, namely Mr. Antonio Chan and Mr. T. Y. Ng.

The main duties of the Nomination Committee are, among others, reviewing the structure, size and composition (including the skills, knowledge and experience) of the Newco Board at least annually, making recommendations on any proposed changes to the Newco Board to complement the Newco’s corporate strategy, identifying individuals suitably qualified to become Newco Board members and selecting or making recommendations to the Newco Board on the selection of individuals nominated for directorships; and assessing the independence of independent non-executive Newco Directors.

6. COMPANY SECRETARY

The company secretary of the Newco is Mr. HUI, Chung Ying Kevin, who is also the company secretary of the Company. Mr. HUI, Chung Ying Kevin joined the Group in 2015.

As an accountant by profession since 1986, Mr. Hui has extensive experience in financial management and reporting control, auditing, taxation and corporate governance. Mr. Hui is presently a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. He is also a fellow member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. He is a council member of The Taxation Institute of Hong Kong. He is also a member of the ProjectWeCan Committee.

7. SHARE CAPITAL

Issued Share Capital

As at the close of business on the Latest Practicable Date, one Newco Share was in issue and were fully paid.

Upon the Scheme becoming effective, the share capital of Newco will be as follows:

Issued, fully paid or credited as fully paid

[REDACTED] Newco Shares

Expected paid-up amount of the issued share capital

HK\$[REDACTED]

All Newco Shares presently in issue and to be issued will be fully paid or credited as fully paid and rank *pari passu* in all respects with each other, including as to dividends, voting rights and return of capital or other distributions that may be declared, paid or made.

APPENDIX II

INFORMATION OF NEWCO

8. SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of Newco on the Effective Date, assuming that no new Shares are issued prior to the Record Time after the Latest Practicable Date:

Name	Nature of interest	No. of Ordinary Shares (approximate percentage based on number of Newco Shares in issue on the Effective Date)
JoyBo International Limited (“ JBIL ”)	Beneficial interest	[REDACTED]
Wisdom Gateway Limited (“ WGL ”)	Interest of a controlled corporation	[REDACTED]
HSBC Trustee (C.I.) Limited (“ HSBC CI ”)	Interest of a controlled corporation	[REDACTED]
Mr. Peter K. C. Woo	Founder of a discretionary trust	[REDACTED]

Notes:

- (1) For the avoidance of doubt and double counting, it should be noted that all of the shareholdings stated above represent the same block of shares.
- (2) HSBC CI’s deemed shareholding interests stated above were held by virtue of its 100% shareholding interests in WGL. HSBC CI held the interests in WGL as the trustee of a trust of which Mr. Peter K. C. Woo is the settlor.
- (3) WGL’s deemed shareholding interests stated above were held through its wholly-owned subsidiary, JBIL.

9. INDEPENDENCE FROM CONTROLLING SHAREHOLDER

The Directors are satisfied that the Group is capable of carrying on its businesses independently from the Controlling Shareholder taking into consideration of the factors mentioned below:

(a) Financial independence

The Group is financially independent of the Controlling Shareholder and its close associates (excluding the Group). The Group is capable of obtaining financing from third parties, if necessary, without reliance on the Controlling Shareholder.

(b) Operational independence

The Group does not rely on the Controlling Shareholder and its close associates (excluding the Group) for its business development, staffing or marketing and sales activities.

(c) Management independence

Save as disclosed in “2. Competing Interests” in Appendix VII of this document, none of the Newco Directors holds any board or other executive position in, or is employed by, the Controlling Shareholder and its close associates (excluding the Group) outside the Group. The Directors consider that the Newco Board can effectively exercise independent judgment in order to address any situations of conflict of interest and to protect the interests of the independent shareholders of Newco. Each of the Newco Directors is aware of his or her fiduciary duties as a Newco Director which require, among other things, that he or she acts for the benefit and in the best interest of Newco and does not allow any conflict between his or her duties as a Newco Director and his or her personal interests.

In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group and the Newco Directors or their respective close associates, the Newco Directors will be required to abstain from voting at the relevant board meetings of Newco in respect of such transactions and will not be counted in the quorum. Thus, the Group can operate independently of the Controlling Shareholder and its close associates (excluding the Group).

10. WORKING CAPITAL

Assuming the Scheme becomes effective, and after taking into account the financial resources available to our Group, including our internally generated funds and bank facilities, our Directors confirm that the working capital of the Group is sufficient for its present requirements, that is, for at least the next 12 months from the date of this document.

APPENDIX III FINANCIAL INFORMATION OF THE GROUP

1. SUMMARY OF FINANCIAL RESULTS FOR THE THREE YEARS ENDED 31 MARCH 2019

The following is a summary of the consolidated income statement and consolidated statement of financial position of the Group principally extracted from the Group’s 2017, 2018 and [2019 annual reports]:

Consolidated income statement

	Year ended 31 March		
	2017	2018	2019
	<i>HK’000</i>	<i>HK’000</i>	<i>HK’000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Revenue	<u>954,368</u>	<u>860,701</u>	<u>842,419</u>
Loss attributable to owners of the Company	<u>(41,854)</u>	<u>(54,725)</u>	<u>(22,292)</u>

Consolidated statement of financial position

	Year ended 31 March		
	2017	2018	2019
	<i>HK’000</i>	<i>HK’000</i>	<i>HK’000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Property, plant and equipment	61,305	45,737	31,156
Deposits, prepayments and other assets	64,922	58,802	39,823
Interest in an associate	7,290	10,472	8,529
Financial asset at fair value through profit or loss	4,846	1,231	1,154
Deferred income tax assets	7,161	6,603	6,650
Current assets	<u>561,345</u>	<u>563,859</u>	<u>564,622</u>
Total assets	706,869	686,704	651,934
Current liabilities	169,532	194,933	191,727
Non-current liabilities	<u>8,080</u>	<u>8,341</u>	<u>7,231</u>
Net assets	<u>529,257</u>	<u>483,430</u>	<u>452,976</u>
Representing:			
Share capital	162,400	162,400	162,400
Reserves	<u>366,857</u>	<u>321,030</u>	<u>290,576</u>
Total equity	<u>529,257</u>	<u>483,430</u>	<u>452,976</u>

APPENDIX III

FINANCIAL INFORMATION OF THE GROUP

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2017, 2018 AND 2019

The audited consolidated financial statements of the Group for the year ended 31 March 2017, 2018 and 2019 are disclosed in the annual report of the Company for the year ended 31 March 2017 (pages 31-128), 2018 (pages 32-132) and [2019 (pages [•]-[•])], which are published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.irasia.com/listco/hk/joyce/index.htm). Please refer to such annual report for the principal accounting policies and the key factors affecting the Group’s results of operations for the year ended 31 March 2017, 2018 and 2019.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF NEWCO

The Articles of Newco was conditionally adopted on [REDACTED] and will become effective on the Effective Date. The following is a summary of certain provisions of the Articles:

1. ALTERATION OF CAPITAL

Newco may from time to time by ordinary resolution alter its share capital in any one or more of the ways set out in Section 170 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Companies Ordinance**”).

Newco may by special resolution reduce its share capital in any manner authorised and subject to any conditions prescribed by the law.

2. VARIATION OF RIGHTS

If at any time the capital is divided into different classes of shares, all or any of the special rights attached to any class (unless otherwise provided for by the terms of issue of the shares of that class) may, subject to the provisions of the Companies Ordinance, be varied or abrogated either with the consent in writing of the holders representing at least seventy-five per cent. of the total voting rights of holders of shares in that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum shall be not less than two persons holding or representing by proxy one-third of the total voting rights of holders of shares in that class, and at an adjourned meeting one person holding shares of that class or his proxy, and that any holder of shares of the class present in person or by proxy may demand a poll.

3. VOTES OF MEMBERS

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member who is present in person shall have one vote, and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder which is fully paid up or credited as fully paid up (but so that no amount paid up or credited as paid up on a share in advance of calls or instalments shall be treated for the purposes of the Article as paid up on the share). On a poll a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF NEWCO

Where a member is a recognised clearing house within the meaning of the SFO or its nominee(s), it may authorise such person(s) as it thinks fit to act as its representative(s) or proxy(ies) at any general meeting of any class of members provided that, if more than one person is so authorised, the authorisation must specify the number and class of shares in respect of which each such person is so authorised. The person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house (or its nominees) could exercise if it were an individual member.

4. PROCEEDINGS AT GENERAL MEETINGS

Quorum

For all purposes the quorum for a general meeting shall be three members present in person or by proxy. No business shall be transacted at any general meeting unless the requisite quorum shall be present at the commencement of the business but the absence of a quorum shall not preclude the appointment, choice or election of a chairman of the meeting which shall not be treated as part of the business of the meeting.

Adjournment if quorum not present

If within fifteen minutes from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of members, shall be dissolved, but in any other case it shall stand adjourned to the same day in the next week and at such time and place as shall be decided by the chairman of the meeting, and if at such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for holding the meeting, the member or members present in person shall be a quorum and may transact the business for which the meeting was called.

Chairman of the meeting

The chairman (if any) of the board of directors of Newco (the “**Board**”) or, if he is absent or declines to take the chair at such meeting, a deputy chairman (if any) chosen in accordance with the provisions of the Articles shall take the chair at every general meeting, failing which, one of the directors of Newco (the “**Directors**”, each a “**Director**”) as chosen in accordance with the provisions of Articles shall preside at such meeting, or, if there shall be only one Director present at any general meeting then he shall take the chair at such meeting. If at any general meeting no Director be present within fifteen minutes after the time appointed for holding the meeting, or, if all the Directors present decline to take the chair, or, if the chairman of the meeting chosen in accordance with the provisions specified above shall (after the meeting has proceeded to business) retire from the chair and no Director is present or willing to take the chair in his place, then the members present shall choose one of their own number to be chairman of the meeting.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF NEWCO

Resolutions and amendments

The chairman of the meeting may refuse to accept any proposal to amend any resolution unless notice thereof (including the text of the proposed amendment) shall have been given to Newco at its registered office not less than seven clear days before the day appointed for the meeting. If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the meeting, such resolution or the voting thereon shall not be invalidated by any error in such ruling.

5. METHOD OF VOTING AND DEMAND FOR POLL

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:—

- (i) by the chairman of the meeting; or
- (ii) by at least five members present in person or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any member or members present in person or by proxy and representing not less than five per cent. of the total voting rights of all the members having the right to vote at the meeting.

Unless a poll be so demanded and not withdrawn, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of Newco shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

If at any general meeting or adjourned meeting on a resolution being put to the vote of the meeting by means of a show of hands or a poll:—

- (i) any objection shall be raised to the qualification of any voter; or
- (ii) any votes have been counted which ought not to have been counted or which might have been rejected; or
- (iii) any votes are not counted which ought to have been counted,

APPENDIX IV

SUMMARY OF THE CONSTITUTION OF NEWCO

the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless the same is raised or pointed out at the meeting or adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the chairman of the meeting whose decision shall be final and conclusive.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.

6. DIRECTORS

Composition of the Board

Unless otherwise determined by an ordinary resolution of the members of Newco and subject to applicable laws, the number of directors of Newco shall be not less than two.

Appointment of Directors

The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of Newco and shall then be eligible for re-election, but shall not be taken into account in determining the directors of Newco who are to retire by rotation at such meeting.

Newco may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board.

No Qualification shares for Directors

A Director shall not be required to hold any qualification shares but shall nevertheless be entitled to attend and speak at all general meetings of the Company and of any class of members of the Company.

Rotation and retirement of Directors

At each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third), who are not directors newly appointed by the Board in accordance with the Articles, shall retire from office provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors so to retire at any annual general meeting shall include so far as possible any Director who wishes to retire and not offer himself for re-election. In the event of the total number of Directors so to retire being less than one-third, the further Directors, to the extent of the total number being nearest to but not less than one-third, so to retire shall be those of the other Directors who have been longest in office since their last re-election or appointment, but as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless otherwise determined by the chairman (if any) of the Directors or, failing which, by agreement between such persons) be determined by lot. A retiring Director shall be eligible for re-election.

No Director shall be required to vacate office or be ineligible for re-election or re-appointment as a Director by reason only of his having attained any particular age.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting unless notice in writing signed by at least fifty members or member(s) holding not less than 2.5 per cent. of the total voting rights of all members entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election as a Director and a notice in writing signed by the person to be proposed of his willingness to be elected shall have been lodged at the Registered Office and provided that the minimum length of the period, during which such notices may be given, shall be at least seven days and that the period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

Removal of Directors

Newco may by ordinary resolution remove any Director before the expiration of his period of office notwithstanding anything in the Articles or in any agreement between Newco and such Director (but without prejudice to any claim which such Director may have for damages for any breach of any contract of service between him and Newco) and may elect another person in his stead. Any person so elected shall hold office for such time only as the Director in whose place he is elected would have held the same if he had not been removed.

Board meetings

The Board may meet together for the despatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit and may determine the quorum necessary for the transaction of business. Unless otherwise determined two Directors shall be a quorum. For the purpose of the Article 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 be counted as only one Director. The Board or any persons on a committee appointed pursuant to the Articles may participate in a meeting of the Board or such committee (as the case may be) by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other.

Remuneration of Directors

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by Newco in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may decide or, if no decision is so made, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in Newco except in the case of sums paid in respect of Directors' fees.

The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

Subject to the provisions of the Ordinance, the Listing Rules and these Articles, the Board may grant special remuneration to any Director who, being called upon, shall perform any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF NEWCO

7. DIRECTORS' INTERESTS

If a Director or an entity connected with the Director is in any way (directly or indirectly) materially interested in a contract, arrangement, transaction or proposed contract, arrangement or transaction with Newco that is significant in relation to the business of Newco, the Director must declare the nature and extent of the Director's or the entity's interest to the other Directors in accordance with section 536 of the Companies Ordinance and any applicable requirements under the Listing Rules.

Subject to the provisions of the Companies Ordinance:

- (a) a Director may hold any other office or place of profit with Newco (except that of the auditors of Newco) in conjunction with his office of Director for such period and upon such terms as the Board may determine and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to the Articles;
- (b) no Director or intended Director shall be disqualified by the office of such Director from contracting with Newco either with regard to the tenure of the other office or place of profit mentioned in (a) above, or as vendor, purchaser or otherwise;
- (c) nor shall any contract mentioned in paragraph (b) above or any contract or arrangement or transaction entered into by or on behalf of Newco in which any Director is in any way interested be liable to be avoided;
- (d) nor shall any Director so contracting or being so interested be liable to account to Newco for any profit realised by any such contract or arrangement or transaction by reason only of such Director holding that office or the fiduciary relationship thereby established,

PROVIDED THAT such Director has declared the nature and extent of his interest (and/or, where applicable, the interest of an entity connected with him) in such contract or arrangement or transaction to the other Directors in accordance with Section 536 of the Companies Ordinance and any applicable requirements under the Listing Rules.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF NEWCO

A Director shall not vote on any board resolution approving any contract or arrangement or transaction or proposed contract or arrangement or transaction in which he or any of his associates or connected entities is/are in any way (directly or indirectly) materially interested, and if he shall do so his vote shall not be counted, nor shall he be counted in the quorum for the resolution, but neither of these prohibitions shall apply to:

- (a) any contract or arrangement or transaction or proposed contract or arrangement or transaction for giving any Director or his associate(s) or his connected entity(ies) any security or indemnity in respect of money lent by him or any of them or obligations incurred or undertaken by him or any of them at the request of or for the benefit of Newco or any of its subsidiaries; and/or
- (b) any contract or arrangement or transaction or proposed contract or arrangement or transaction for the giving by Newco of any security or indemnity to a third party in respect of a debt or obligation of Newco or any of its subsidiaries for which the Director or his associate(s) or his connected entity(ies) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security; and/or
- (c) any contract or arrangement or transaction or proposed contract or arrangement or transaction concerning an offer of shares or debentures or other securities of or by Newco or any other company which Newco may promote or be interested in for subscription or purchase which the Director or his associate(s) or his connected entity(ies) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer; and/or
- (d) subject to the Listing Rules and applicable laws, any contract or arrangement or transaction or proposed contract or arrangement or transaction concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) or his connected entity(ies) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights; and/or
- (e) any contract or arrangement or proposed contract or arrangement concerning the benefit of employees of Newco or its subsidiaries including:
 - (aa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his associates may benefit; or

APPENDIX IV SUMMARY OF THE CONSTITUTION OF NEWCO

- (bb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his associates and employees of Newco or any of its subsidiaries and does not provide in respect of any Director, or his associate(s) or his connected entity(ies), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and/or

- (f) any contract or arrangement or transaction or proposed contract or arrangement or transaction in which the Director or his associate(s) or his connected entity(ies) is/are interested in the same manner as other holders of shares or debentures or other securities of Newco by virtue only of his/their interest in shares or debentures or other securities of Newco.

Subject to the Companies Ordinance, a Director may be or become a director of any company promoted by Newco or in which it may be interested as a vendor, shareholder or otherwise and no such Director shall be accountable for any benefits received as a director or member of such company.

Any Director may act by himself or by his firm in a professional capacity for Newco and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as the auditors to Newco.

8. BORROWING POWERS

The Board may from time to time at its discretion exercise all the powers of Newco to raise or borrow or to secure the payment of any sum or sums of money for the purposes of Newco and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

The Board may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit and, in particular by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

9. DIVIDENDS

Declaration of dividends

Newco in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF NEWCO

Calculation of dividends

Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amount paid or credited as paid up on the shares in respect whereof the dividend is paid, but no amount paid up or credited as paid up on a share in advance of calls shall be treated for the purposes of the Article as paid up on the share.

Interim dividends

The Board may from time to time pay to the members such interim dividends as it thinks fit and, in particular (but without prejudice to the generality of the foregoing), if at any time the share capital of Newco is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of Newco which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts *bona fide* the Board shall not incur any responsibility to the holders of shares conferring any reference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights.

The Board may also pay half-yearly or at other suitable intervals to be settled by it any dividend which may be payable at a fixed rate if the Board thinks fit.

Payment of dividends

Whenever the Board or Newco in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind and in particular of paid up shares, debentures or warrants to subscribe securities of any company, or in any one or more of such ways.

Calls or debts may be deducted from dividends

The Board may retain any dividends or other moneys payable on or in respect of a share upon which Newco has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

The Board may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to Newco on account of calls or otherwise.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF NEWCO

Unclaimed dividends

All dividends or bonuses unclaimed for six months after having been declared may be invested or otherwise made use of by the Board for the benefit of Newco until claimed and Newco shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to Newco.

10. TRANSFER OF SHARES

All transfers of shares may be effected by transfer in writing in the usual common form or in such other form as the Board may accept and may be under hand or by mechanically executed signature. All instruments of transfer must be left at the Registered Office of Newco or at such other place as the Board may appoint.

The instrument of transfer of any share shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof. Nothing in the Articles shall preclude the Board from recognising a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person.

The Board may, in its absolute discretion, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which Newco has a lien.

The Board may also decline to recognise any instrument of transfer unless:-

- (a) a fee as provided in the Articles is paid to Newco in respect thereof;
- (b) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- (c) the instrument of transfer is in respect of only one class of share;
- (d) the shares concerned are free of any lien in favour of Newco; and
- (e) the instrument of transfer is properly stamped.

No transfer shall be made to a minor or to a person of unsound mind or under other legal disability.

APPENDIX IV

SUMMARY OF THE CONSTITUTION OF NEWCO

If the Board shall refuse to register a transfer of any share, it shall, within two months after the date on which the transfer was lodged with Newco, send to each of the transferor and the transferee notice of such refusal as required by Sections 151 and 158 of the Companies Ordinance.

11. SHARE AND WARRANT BUY-BACK

Newco may exercise any powers conferred or permitted by the Companies Ordinance or any other ordinance from time to time to purchase or acquire its own shares (including any redeemable shares) or to give, directly or indirectly, by means of a loan, guarantee, the provision of security or otherwise, financial assistance for the purpose of or in connection with a purchase or acquisition made or to be made by any person of any shares in Newco and should Newco purchase or acquire its own shares neither Newco nor the Board shall be required to select the shares to be purchased or acquired rateably or in any other particular manner as between the holders of shares of the same class or as between them and the holders of shares of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares provided always that any such purchase or acquisition or financial assistance shall only be made or given in accordance with any relevant rules or regulations issued by The Stock Exchange of Hong Kong Limited or the Securities & Futures Commission from time to time in force.

APPENDIX V

SUMMARY OF THE DIFFERENCES BETWEEN CERTAIN PROVISIONS OF THE COMPANIES ORDINANCE AND THE BERMUDA COMPANIES ACT

	Hong Kong	Bermuda
	<p>A special resolution of the members (or of a class of members) of a company means a resolution that is passed (if on a poll taken at a general meeting) by a majority of at least 75% of the total voting rights of all shareholders who (being entitled to do so) vote in person or by proxy at a general meeting on the resolution.</p>	<p>While an increase in the authorised share capital constitutes an amendment to the memorandum of association, it is not necessary that the formal amendment procedure be followed. The share capital may be increased by resolution of the members in general meeting and will take effect as at that date. Following the increase, a memorandum of increase of share capital must be filed with the Registrar.</p> <p>The bye-laws of a company may be amended by the directors of the company subject to approval of the members in general meeting in accordance with the provisions of the bye-laws. No approvals from any regulatory body in Bermuda are required.</p> <p>The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.</p>
Issue of shares	<p>Unless the company gives approval in advance by resolution of the company, the directors of a company must not exercise any power to allot and issue shares in the company or grant rights to subscribe for, or to convert any security into, shares in the company, unless (i) such allotment of shares is under an offer made to the members of the company in proportion to their shareholdings; (ii) it is an allotment of shares, or a grant of rights, on a bonus issue of shares to the members of the company in proportion to their shareholdings; (iii) it is an allotment to a founder member of a company of shares that the member, by signing the company's articles of association, has agreed to take; or (iv) such allotment of shares is made in accordance with a grant of right to subscribe for, or to convert any security into, shares if the right was granted in accordance with an approval under the Companies Ordinance.</p>	<p>The procedure for the issue of shares of a company is regulated by the provisions of its byelaws. Subject to the bye-laws, the power to issue shares of a company rests with the directors unless they delegate that power to some other body.</p> <p>Where the company requires the ability to issue redeemable preference shares which are redeemable only at the option of the company or on specified terms, the power to do so may be provided for in the bye-laws alone. However, where the company proposes to issue redeemable preference shares which are redeemable at the option of the holder, a specific power to do so must be included in the memorandum of association.</p>

APPENDIX V

SUMMARY OF THE DIFFERENCES BETWEEN CERTAIN PROVISIONS OF THE COMPANIES ORDINANCE AND THE BERMUDA COMPANIES ACT

	Hong Kong	Bermuda
Financial assistance	<p>In general, a company and its subsidiaries cannot give financial assistance directly or indirectly for the purpose of an acquisition of shares in the company. A company, however, is not prohibited from giving financial assistance for the purpose of an acquisition of shares in its holding company if the holding company is incorporated outside Hong Kong. There are a few exceptions to the prohibition of providing financial assistance, which include, among other things: (i) the distribution of a company’s assets, by way of dividend lawfully made; or in the course of winding up the company; (ii) the allotment of bonus shares; (iii) the reduction of a company’s share capital in accordance with the Companies Ordinance; (iv) the redemption or buy-back of a company’s own shares in accordance with the Companies Ordinance; (v) anything done in accordance with a court order under Division 2 of Part 13 (arrangements and compromises) of the Companies Ordinance; (vi) anything done under an arrangement made between a company and its creditors that is binding on the creditors because of section 254 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (arrangement, when binding on creditors); (vii) the company’s principal purpose in giving the assistance is not to give it for the purpose of the acquisition of a share in the company or its holding company or for the purpose of reducing or discharging a liability incurred for such an acquisition, and the assistance is given in good faith in the interests of the company; or the giving of the assistance for the purpose of the acquisition of a share in the company or its holding company or for the purpose of reducing or discharging a liability incurred for such an acquisition is only an incidental part of some larger purpose of the company, and the assistance is given in good faith in the interests of the company; (viii) where the ordinary business of the company is lending money; (ix) the giving by a company, in good faith in the interests of the company, of financial assistance for the purposes of an employee share scheme; and (x) the making by a company of loans to its eligible employees for the purpose of enabling them to acquire fully paid shares in the company or its holding company to be held by them by way of beneficial ownership. In the case of a listed company giving financial assistance under (viii), (ix) or (x) above, it is necessary that the company has net assets that are not thereby reduced or, to the extent that those assets are reduced, the assistance is provided out of distributable profits.</p>	<p>There is no longer any statutory restriction in Bermuda on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in accordance with their fiduciary duties to the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.</p>

APPENDIX V

SUMMARY OF THE DIFFERENCES BETWEEN CERTAIN PROVISIONS OF THE COMPANIES ORDINANCE AND THE BERMUDA COMPANIES ACT

	Hong Kong	Bermuda
	<p>A company is also allowed to provide financial assistance for the purchase of its own shares subject to, among others, the solvency test and satisfying one of the following: (i) financial assistance (including previous financial assistance provided under this procedure that has not been repaid) not exceeding 5% of the shareholders’ fund as disclosed in the company’s most recent audited financial statements; (ii) financial assistance approved by all shareholders via written resolutions; and (iii) financial assistance with the approval of shareholders by ordinary resolution and sending by the company of the solvency statement and a notice containing prescribed information to each shareholder of the company.</p>	
Subsidiary’s membership of holding company	<p>A subsidiary is prohibited from holding the shares of its holding company, except in certain circumstances as set out in the Companies Ordinance.</p>	<p>Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. There is no statutory restriction preventing a subsidiary from voting the shares it holds in its holding company.</p>

APPENDIX V

SUMMARY OF THE DIFFERENCES BETWEEN CERTAIN PROVISIONS OF THE COMPANIES ORDINANCE AND THE BERMUDA COMPANIES ACT

	Hong Kong	Bermuda
Share repurchase	<p>Except: (i) that a company’s articles of association may prohibit or restrict the issue of redeemable shares; and/or (ii) when there are no issued shares in the company other than redeemable shares, a company may issue redeemable shares.</p> <p>The directors of a company may determine the terms, conditions and manner of redemption of shares if they are authorised to do so by the company’s articles of association or resolution of the company.</p> <p>Subject to the detailed provisions of the Companies Ordinance, a listed company may buy back its own shares under a general offer that is authorized in advance by resolution of the company, or on a recognized stock market or on an approved stock exchange if the buy-back is authorised in advance by resolution of the company, or in such other manner if the contract for buy-back of the shares is authorised in advance by special resolution.</p> <p>Subject to the detailed provisions of the Companies Ordinance, in general, a redemption or buy back may only be funded out of the company’s distributable profits or the proceeds of a fresh issue of shares made for the purpose of the redemption or buy-back, or out of capital in accordance with the Companies Ordinance but in the case of a listed company, it must not make a payment out of capital in respect of a buy-back of its own shares on a recognized stock market or on an approved stock exchange.</p>	<p>A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the 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 over the par value 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. Any amount due to a member on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or, if so authorised to do so by its memorandum or byelaws, held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company’s assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the company at the time they were allotted.</p>

APPENDIX V

SUMMARY OF THE DIFFERENCES BETWEEN CERTAIN PROVISIONS OF THE COMPANIES ORDINANCE AND THE BERMUDA COMPANIES ACT

	Hong Kong	Bermuda
		<p>A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company’s memorandum of association or its byelaws contain a specific provision enabling such purchases.</p> <p>Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.</p>
Reduction of share capital	<p>A company may, by special resolution (i) supported by a solvency statement; or (ii) confirmed by the Court, reduce its share capital.</p>	<p>A company may reduce its share capital if authorised by a general meeting of members. A publication of intention to reduce capital must be made in a newspaper in Bermuda and there must be no reasonable grounds for believing that the company is, or after the reduction would be, unable to pay its liabilities as they become due. A memorandum of reduction of share capital must be filed with the Registrar.</p>
Register of members	<p>A company must keep in register of members and must enter in the register of members the names and addresses of its members, the date on which each person is entered in the register as a member, the date on which any person ceases to be a member, the shares held by each member, distinguishing each share by its number so long as the share has a number and the amount paid or agreed to be considered as paid on the shares of each member.</p> <p>A Hong Kong public company must in respect of every financial year deliver to the Companies Registrar for registration an annual return, which includes particulars of member(s), within 42 days after the company’s return date.</p>	<p>A Bermuda company must have at least one member. A member may, however, hold its shares as nominee for another person. The names and addresses of the members must be entered on a register of members kept by the company. In addition, the register must set out the number of shares held by each member, and, in respect of any share that is not fully paid, the amount paid or agreed to be paid on the shares. The register of members must be kept at the registered office (or, upon filing an appropriate notice, at some other address in Bermuda) and must be available for inspection by the public. Bearer shares are not permitted under Bermuda law, but shares may be registered in the name of a nominee.</p> <p>A public company may maintain a branch register of members outside Bermuda on notice to the Registrar.</p>

APPENDIX V

SUMMARY OF THE DIFFERENCES BETWEEN CERTAIN PROVISIONS OF THE COMPANIES ORDINANCE AND THE BERMUDA COMPANIES ACT

	Hong Kong	Bermuda
Inspection of books and records	<p>A company must keep its records of resolutions and meetings of members, etc. available for inspection at the company’s registered office or a prescribed place. Similar requirements apply to other company records, for example, the company’s register of members, the register of directors and the register of company secretaries which are required to be kept pursuant to the Companies Ordinance. Subject to the detailed provisions of the Companies Ordinance and subsidiary legislation, a shareholder of a company is entitled to inspect company records without charge.</p>	<p>Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar which will include the company’s certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company’s memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company’s audited financial statements. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two (2) hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act require a copy of the register of members or any part thereof which must be provided within fourteen (14) days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.</p> <p>A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two (2) hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Companies Act, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.</p>

APPENDIX V

SUMMARY OF THE DIFFERENCES BETWEEN CERTAIN PROVISIONS OF THE COMPANIES ORDINANCE AND THE BERMUDA COMPANIES ACT

	Hong Kong	Bermuda
Dividends and distribution	<p>A company shall not make a distribution except out of profits available for the purpose. A listed company may only make a distribution (i) if the amount of its net assets is not less than the aggregate of its called up share capital and undistributable reserves; and (ii) if, and to the extent that, the distribution does not reduce the amount of those assets to an amount less than that aggregate.</p>	<p>A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company’s assets would thereby be less than its liabilities. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.</p>
Protection of minority shareholders	<p>On a petition by a member of a company, the court may, if it considers that the company’s affairs are being or have been conducted in a manner unfairly prejudicial to the interests of the members generally or one or more members; or an actual or proposed act or omission of the company is or would be so prejudicial, exercise the power to make any order that it thinks fit for giving relief in respect of the matter mentioned above, including, among other things, an order appointing a receiver or manager of the company’s property and/or business, or any other order: (i) for regulating the conduct of the company’s affairs in the future; (ii) for the purchase of the shares of any member of the company by another member of the company; (iii) for the purchase of the shares of any member of the company by the company and the reduction accordingly of the company’s capital; or (iv) for any other purpose; and may order the company or any other person to pay any damages that the Court thinks fit to a member of the company whose interests have been unfairly prejudiced. The court may also wind up a company if the court is of opinion that it is just and equitable that the company should be wound up.</p> <p>A member of a company or of an associated company may, with the leave of the court, bring a derivative action on behalf of the company in respect of misconduct committed against a company.</p>	<p>Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company’s memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company’s shareholders than actually approved it.</p> <p>Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company’s affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company’s capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.</p>

APPENDIX VI EXPLANATORY STATEMENT OF BUYBACK MANDATE

The following is the Explanatory Statement required to be sent to Newco Shareholders under the Listing Rules which provides requisite information in connection with the proposed general mandate for share buy-back. References in this Statement to “Share(s)” mean share(s) of HK\$0.10 each in the capital of the Newco:

- (i) It is proposed that the general buy-back mandate will authorise the buy-back by Newco of up to 10% of the number of Shares in issue at the date of passing the resolution to approve the general buy-back mandate (subject to adjustment in the case of any conversion of any or all of the Shares into a larger or smaller number of Shares after the passing of the resolution). As at the Latest Practicable Date, the number of Shares in issue was one Share. Assuming that no Shares are issued or bought back by Newco after the Latest Practicable Date, the total number of Shares in issue will be [REDACTED] upon the Scheme becoming effective, and Newco will be allowed under the Buyback Mandate to buy back up to [REDACTED] Shares fully paid-up Shares.
- (ii) The Newco Directors believe that the general authority from Newco Shareholders to enable buy-back of Shares is in the best interests of Newco and the Newco Shareholders. Share buy-backs may, depending on the circumstances and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share. The Newco Directors are seeking the grant of a general mandate to buy back Shares to give Newco the flexibility to do so if and when appropriate. The number(s) of Shares to be bought back on any occasion and the price and other terms upon which the same are bought back will be decided by the Newco Directors at the relevant time having regard to the circumstances then pertaining.
- (iii) The funds required for any buy-back must be made out of funds legally available for this purpose in accordance with the Articles and the laws of Hong Kong.
- (iv) There could be an adverse impact on the working capital or gearing position of Newco (as compared with the position disclosed in the most recent audited financial statements for the year ended 31 March 2019 of the Group as disclosed in the annual results announcement of the Company dated 6 June 2019) in the event that the general buy-back mandate was exercised in full at any time during the proposed buy-back period. However, the Newco Directors do not propose to exercise the general buy-back mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital of Newco or the gearing level which in the opinion of the Newco Directors is from time to time appropriate for Newco.
- (v) The Newco Directors have no material interests in the Reorganisation Proposal as directors, shareholders or creditors of the Company or otherwise. All Scheme Shareholders are being treated the same under the Scheme, regardless of the size of their holding.

APPENDIX VI EXPLANATORY STATEMENT OF BUYBACK MANDATE

- (vi) There are no Newco Directors or (to the best of the knowledge of the Newco Directors, having made all reasonable enquiries) any close associates (as defined in the Listing Rules) of the Newco Directors who have a present intention, in the event that the general buy-back mandate is granted by the Newco Shareholders, to sell Shares to Newco.
- (vii) The Newco Directors have undertaken to the Stock Exchange to exercise the power of Newco to make purchases pursuant to the general buy-back mandate in accordance with the Listing Rules and the applicable laws of Hong Kong.
- (viii) Assuming the Scheme becomes effective, JBIL will be interested in more than 50% of the number of Shares in issue, which will be the controlling shareholder of Newco. The Newco Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any purchases pursuant to the general buy-back mandate.
- (ix) No core connected persons (as defined in the Listing Rules) of the Company and/or Newco have notified the Company/or Newco of a present intention to sell Shares to Newco and no such persons have undertaken not to sell Shares to Newco in the event that the general buy-back mandate is granted by the Newco Shareholders.
- (x) The highest and lowest prices at which shares of the Company were traded on the Stock Exchange in each of the previous twelve months are as follows:

	Highest <i>(HK\$)</i>	Lowest <i>(HK\$)</i>
June 2018	0.320	0.280
July 2018	0.300	0.240
August 2018	0.255	0.240
September 2018	0.270	0.230
October 2018	0.249	0.207
November 2018	0.238	0.208
December 2018	0.235	0.209
January 2019	0.220	0.193
February 2019	0.255	0.213
March 2019	0.248	0.217
April 2019	0.245	0.220
May 2019	0.230	0.200
June 2019 up to the Latest Practicable Date	0.250	0.210

- (xi) No purchase of shares of the Company has been made by the Company in the six months prior to the Latest Practicable Date.

APPENDIX VII

ADDITIONAL INFORMATION

1. DISCLOSURE OF INTERESTS

1.1 Directors’ Interests in Securities

As recorded in the register kept by the Company under section 352 of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (the “SFO”) in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Issuers (or any other applicable code), there were no interests, whether long or short positions, held or deemed to be interested as at the Latest Practicable Date by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and its associated corporations held by or deemed to be interested by any of them as at the Latest Practicable Date.

1.2 Substantial Shareholders

Given below are the names of all parties who/which were, directly or indirectly, interested in 5% or more of any class of voting shares of the Company as at Latest Practicable Date, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the “Register”), or, who were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or in options in respect of such capital as at the Latest Practicable Date:

Name	Nature of interest	No. of Ordinary Shares (approximate percentage based on number of Newco Shares in issue on the Effective Date)
JoyBo International Limited (“JBIL”)	Beneficial interest	[REDACTED]
Wisdom Gateway Limited (“WGL”)	Interest of a controlled corporation	[REDACTED]
HSBC Trustee (C.I.) Limited (“HSBC CI”)	Interest of a controlled corporation	[REDACTED]
Mr. Peter K. C. Woo	Founder of a discretionary trust	[REDACTED]

APPENDIX VII

ADDITIONAL INFORMATION

Notes:

- (1) For the avoidance of doubt and double counting, it should be noted that all of the shareholdings stated above represent the same block of shares.
- (2) HSBC CI's deemed shareholding interests stated above were held by virtue of its 100% shareholding interests in WGL. HSBC CI held the interests in WGL as the trustee of a trust of which Mr. Peter K. C. Woo is the settlor.
- (3) WGL's deemed shareholding interests stated above were held through its wholly-owned subsidiary, JBIL.

All the interests stated above represented long positions. As at the Latest Practicable Date, there were no short position interests recorded in the Register.

2. COMPETING INTERESTS

Set out below is information disclosed pursuant to Rule 8.10 of the Listing Rules.

Mr. Paul Y. C. Tsui, being also a director of certain subsidiaries and associates of the Company's parent company, namely Wisdom Gateway Limited (“WGL”), is considered under Rule 8.10 of the Listing Rules as having an interest in certain subsidiary(ies) of WGL which is/ are engaged in retail businesses or an interest in certain sub-holding company(ies) of the relevant subsidiary(ies).

The Lane Crawford store and some other retail businesses carried on by the relevant subsidiary(ies) of WGL to a certain extent constitute competing businesses of the Group. Nevertheless, since the retail businesses of the Group are primarily targeted at different sectors of the market and would attract customers of different spending power or habit compared to those carried on by the relevant subsidiary(ies) of WGL, the Group considers that its interests in the relevant sector of retailing business is adequately safeguarded.

For safeguarding the interests of the Group, the independent non-executive directors of Newco and the Audit Committee of the Newco would on a regular basis review the business and operational results of the Newco Group to ensure, *inter alia*, that the Newco Group's retailing businesses are and continue to be run on the basis that they are independent of, and at arm's length from, that of WGL group.

APPENDIX VII

ADDITIONAL INFORMATION

3. MAJOR INTELLECTUAL PROPERTY RIGHTS

(a) Registered trademarks

As at the Latest Practicable Date, the Group had registered the following trademarks which are material to our business:

No.	Trademark	Type and Class	Registered Owner	Place of registration	Registration number	Duration of validity
1.	™ JOYCE BEAUTY ™ JOYCE BEAUTY	35	JB Assets Limited	Hong Kong	302981700	30/04/2014 – 29/04/2024
2.	JOYCE BEAUTY	35	JB Assets Limited	China	14480575	14/06/2015 – 13/06/2025
3.	™ JOYCE ™ JOYCE	18, 25, 35	JB Assets Limited	Hong Kong	302939851	26/03/2014 – 25/03/2024
4.	JOYCE	35	JB Assets Limited	China	14480576	14/06/2015 – 13/06/2025
5.	™ JOYCE WAREHOUSE ™ JOYCE WAREHOUSE	35	JB Assets Limited	Hong Kong	302981728	30/04/2014 – 29/04/2024
6.	JOYCE WAREHOUSE	35	JB Assets Limited	China	14480573	14/06/2015 – 13/06/2025

(b) Domain names

As at the Latest Practicable Date, the Group had registered the following domain name which was material in relation to the business of the Group:

Domain Name	Date of Registration	Expiry Date
joyce-boutique.com	16 January 1996	16 January 2021
joyce.com	14 September 1995	12 September 2020
joycebeauty.com	16 June 2004	15 June 2020

As at the Latest Practicable Date, the Board was not aware of any material infringement of the Group’s intellectual property rights or any pending or threatened claims against the Group in relation to the infringement of any intellectual property rights of third parties.

APPENDIX VII

ADDITIONAL INFORMATION

4. PRINCIPAL SUBSIDIARIES

As at the Latest Practicable Date, the companies the whole of, or a substantial proportion of, whose capital were held or intended to be held (either directly or indirectly) by the Company, or whose profits or assets make or will make a material contribution to the figures in the accountants’ report or the next published accounts of the Company were as follows:

Name	Place of incorporation and kind of legal entity	Place of operations	Proportion held		Nominal value of issued and fully paid-up share capital/ registered capita	Principal activities
			Direct	Indirect		
Joyce Boutique International Limited	British Virgin Islands, limited liability company	Asia	100%	–	US\$1,500 divided into 1,500 ordinary shares	Investment holding
Joyce Boutique Limited	Hong Kong, limited liability company	Hong Kong	–	100%	HK\$3,677,785 divided into 1,000 ordinary shares	Designer fashion retailing
JB Management Limited	Hong Kong, limited liability company	Hong Kong	–	100%	HK\$10,000 divided into 1,000 ordinary shares	Provision of management services
Joyce Beauty (Hong Kong) Limited	Hong Kong, limited liability company	Hong Kong	–	100%	HK\$10,000 divided into 10,000 ordinary shares	Cosmetics retailing
Joyce Boutique (Hong Kong) Limited	Hong Kong, limited liability company	Hong Kong	–	100%	HK\$2 divided into 2 ordinary shares	Investment holding
載思(上海)商貿有限公司	PRC, wholly foreign-owned enterprise	PRC	–	100%	RMB 20,000,000	Designer fashion retailing & distribution
JB Retail Limited	Hong Kong, limited liability company	Hong Kong	–	100%	HK\$1,000,000 divided into 1,000,000 ordinary shares	Designer fashion retailing
JLBS Limited	Hong Kong, limited liability company	Hong Kong	–	100%	HK\$10,000 divided into 1,000 ordinary shares	Provision of buying services
Joyce Boutique Secretaries Limited	Hong Kong, limited liability company	Hong Kong	–	100%	HK\$1 divided into 1 ordinary share	Provision of secretarial services
JB Assets Limited	Hong Kong, limited liability company	Hong Kong	–	100%	HK\$10,000 divided into 1,000 ordinary shares	Holder of trademarks and domain names

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

6. MATERIAL CONTRACTS

In the two years immediately preceding the date of this document, no material contracts (not being contracts entered into in the ordinary course of business) were entered into by any member of the Group.

APPENDIX VII

ADDITIONAL INFORMATION

Newco was incorporated in Hong Kong on 6 May 2019. Newco has not carried on any business and has not entered into any material contract since the date of its incorporation.

7. QUALIFICATION OF EXPERT

The following are the qualifications of the expert which has given opinions or advice which are contained in this document:

Name	Qualification
Conyers Dill & Pearman	Bermuda barristers and attorneys

8. CONSENT

Conyers Dill & Pearman has given and has not withdrawn its written consent to the issue of this document with the inclusion therein of its opinions or advice, as the case may be, and reference to its name, in the form and context in which it is included.

9. CERTAIN MATERIAL US FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a summary of certain US federal income tax considerations under present law of the exchange of Scheme Shares for Newco Shares pursuant to the Reorganisation Proposal by a US Holder (as defined below). This summary deals only with US Holders (as defined below) receiving Newco Shares in the Reorganisation Proposal that use the US dollar as their functional currency and that hold Scheme Shares as capital assets. This summary does not address tax considerations applicable to investors subject to special rules, such as persons that own 5% or more by vote or value of the Company’s equity interests, certain financial institutions, dealers or traders, insurance companies, tax exempt entities, or persons holding their Shares as part of a hedge, straddle, conversion, constructive sale or other integrated transaction. It also does not address US state and local or non-US tax considerations.

As used here, “US Holder” means, for purposes of the Reorganisation Proposal, a beneficial owner of Scheme Shares that is, for US federal income tax purposes, (i) a citizen or individual resident of the United States, (ii) a corporation or entity treated as such created or organised under the laws of the United States, any State thereof, or the District of Columbia, a trust subject to the control of a US person and the primary supervision of a US court or an estate the income of which is subject to US federal income tax without regard to its source.

The tax consequences to a partner in a partnership (or other entity treated as a partnership for US federal income tax purposes) acquiring, holding or disposing of Scheme Shares generally will depend on the status of the partner and the activities of the partnership. Partnerships holding Scheme Shares should consult their own tax advisers about the US federal income tax consequences to their partners from participating in the Reorganisation Proposal and acquiring, owning and disposing of Newco Shares.

APPENDIX VII

ADDITIONAL INFORMATION

In General

An exchange of shares is generally tax deferred under the United States Internal Revenue Code of 1986, as amended (the “**Code**”), when shareholders receiving shares own at least 80% of the acquiring corporation or the acquiring corporation acquires at least 80% of the shares of a single corporation. Therefore, except as described below, a US Holder receiving Newco Shares pursuant to the Reorganisation Proposal (i) should not recognise any income, gain or loss upon the receipt of the Newco Shares, (ii) should take an aggregate tax basis in the Newco Shares received equal to their aggregate tax basis in their Scheme Shares that were exchanged pursuant to the Reorganisation Proposal, and (iii) should have a holding period for the Newco Shares that includes the period during which the US Holder held the exchanged Scheme Shares.

However, the Company has neither requested nor received an opinion of US federal income tax counsel that the exchange pursuant to the Reorganisation Proposal qualifies for tax deferred status under the Code and no ruling has been sought or obtained from the United States Internal Revenue Service (“**IRS**”). There can be no assurance the IRS will not take a position that the Reorganisation Proposal does not qualify for tax deferred status under the Code, or that such position would not be sustained if asserted. If such a position were taken and sustained, then US Holders would be required to treat the exchange of Scheme Shares for Newco Shares pursuant to the Reorganisation Proposal as a taxable exchange where they would recognise gain or loss in an amount equal to the difference between their tax basis in the Scheme Shares and the fair market value of their Newco Shares, would take a tax basis in the Scheme Shares equal to their fair market value, and would have a holding period in their Newco Shares that begins with the effective date of completion of the Reorganisation Proposal. Any gain or loss generally would be capital gain or loss treated as from sources within United States for foreign tax credit purposes and will generally be long term capital gain or loss if such US Holders have owned their Scheme Shares for more than one year.

PFIC Considerations

In addition, if the Company has been a passive foreign investment company (“**PFIC**”) for any taxable year of the Company in which a US Holder has owned Scheme Shares, such US Holder may be required to recognise gain as ordinary income and certain additional taxes on the exchange of such US Holder’s Scheme Shares for Newco Shares even if the exchange would otherwise qualify for tax deferred status. The Company does not believe that it is a PFIC in its current taxable year, and although it has not undertaken to determine whether it had been a PFIC in any prior taxable year, it does not believe it has been a PFIC in the most recent prior taxable year. US Holders should consult their tax advisors concerning the PFIC rules and any potential considerations relevant to them arising from the Reorganisation Proposal.

APPENDIX VII

ADDITIONAL INFORMATION

10. MISCELLANEOUS

- (A) Within the two years immediately preceding the date of this document, no share capital of Newco or any of its subsidiaries has been issued or would be issued for cash;
- (B) The expert referred to under the section headed “Qualification of Experts” in this Appendix has no shareholding in any member of the Group or Newco or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group or Newco.
- (C) There is no arrangement under which future dividends of the Company or Newco are waived or agreed to be waived.
- (D) Within the two years immediately preceding the date of this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of the Group or Newco.
- (E) No temporary documents of title for new Newco Shares will be issued.
- (F) There are no founder or management or deferred shares in any member of the Group or Newco.
- (G) No capital of any member of the Group or Newco is under option, or agreed conditionally or unconditionally to be put under option.
- (H) As at the Latest Practicable Date, neither the Group nor Newco has no outstanding convertible debt securities.
- (I) Research and development has not been material to the Group or Newco in the past five financial years ended 31 March 2019.
- (J) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this document.
- (K) None of the Directors and the expert referred to under the section headed “Qualification of Expert” in this Appendix has any direct or indirect interest (in the case of the expert, other than payment of its fees and save that [REDACTED] is the principal share registrar of the Company) in the promotion of, or in any assets which has, within the two years immediately preceding the date of this document, been acquired or disposed of by or leased to, any member of the Group or Newco, or are proposed to be acquired or disposed of by or leased to any member of the Group.

APPENDIX VII

ADDITIONAL INFORMATION

- (L) None of the Directors is materially interested in any contract or arrangement subsisting as at the date of this document which is significant in relation to the business of the Group or Newco taken as a whole.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Deacons, 5th Floor, Alexandra House, 18 Chater Road Central, Hong Kong during normal business hours on any Business Day from the date of this document until the earlier of the Effective Date or the date on which the Scheme lapses:

- (A) the articles of association conditionally adopted by Newco on [REDACTED];
- (B) the memorandum of association and bye-laws of the Company;
- (C) the audited consolidated financial statements of the Group for each of the three financial years ended 31 March 2017, 31 March 2018 and 31 March 2019, respectively;
- (D) the letter of consent referred to in the section headed “Consents” of this Appendix; and
- (E) the letter of advice dated [REDACTED] from Conyers Dill & Pearman, together with a copy of the summary of the Companies Act, as referred to in Appendix V.

12. PRELIMINARY EXPENSES

The estimated preliminary expenses of Newco are approximately HK\$30,000 and are payable by the Company.

SCHEME OF ARRANGEMENT

**IN THE SUPREME COURT OF BERMUDA
CIVIL JURISDICTION
COMMERCIAL COURT
2019: NO. [•]
IN THE MATTER OF
JOYCE BOUTIQUE HOLDINGS LIMITED
AND
IN THE MATTER OF SECTION 99 OF THE COMPANIES ACT 1981
SCHEME OF ARRANGEMENT
Between
JOYCE BOUTIQUE HOLDINGS LIMITED
And
THE HOLDERS OF THE SCHEME SHARES**

PRELIMINARY

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set opposite them:

“Business Day”	a day on which the Stock Exchange is open for the business of dealings in securities
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Company”	Joyce Boutique Holdings Limited (stock code: 0647), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board
“Court”	the Supreme Court of Bermuda
“Court Meeting”	the meeting of the Scheme Shareholders to be convened at the direction of the Court at which the Scheme (with or without modification(s) or addition(s)) will be voted upon, or any adjournment thereof
“Effective Date”	the date upon which the Scheme, if approved and sanctioned by the Court, becomes effective in accordance with its terms and the Companies Act, being the date on which a copy of the order of the Court sanctioning the Scheme is delivered to the Registrar of Companies in Bermuda for registration

SCHEME OF ARRANGEMENT

“Group”	the Company and its subsidiaries before the Scheme becomes effective, or (where the context so requires) Newco and its subsidiaries upon the Scheme becoming effective
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	17 June 2019, being the latest practicable date prior to the issue of this document for ascertaining certain information contained in this document
“New Share”	the one new Share to be issued to Newco pursuant to the Scheme
“Newco”	Joyce Boutique Group Limited, a company incorporated in Hong Kong with limited liability which is a wholly-owned subsidiary of the Company and, upon the Scheme becoming effective, will become the new holding company of the Group, and an application will be made for listing its shares on the Main Board by way of introduction
“Newco Group”	Newco and its subsidiaries from time to time (which will include the Group immediately upon the implementation of the Reorganisation Proposal)
“Newco Shares”	ordinary shares in the share capital of Newco
“Newco Shareholders”	the holders of the Newco Shares
“Record Time”	the record time for determining entitlements of the Scheme Shareholder under the Scheme which is currently expected to be [REDACTED] (Hong Kong time) on the Business Day immediately preceding the Effective Date
“Reorganisation Proposal”	the proposed change of the holding company of the Group from the Company to Newco, a company incorporated in Hong Kong with limited liability, by way of the Scheme
“Scheme”	a scheme of arrangement pursuant to section 99 of the Companies Act involving, <i>inter alia</i> , the cancellation of all Scheme Shares

SCHEME OF ARRANGEMENT

“Scheme Document”	the composite scheme document issued by the Company to Shareholders in relation to the Scheme
“Scheme Shareholders”	holders of the Scheme Shares as at the Record Time
“Scheme Shares”	all the Shares in issue at the Record Time
“Shareholders”	holders of the Shares
“Shares”	ordinary shares in the share capital of the Company
“Special General Meeting”	the special general meeting of the Company to be held at [REDACTED] on [REDACTED] for the purposes of considering and if thought fit, approving the resolutions in relation to the Reorganisation Proposal, or any adjournment thereof
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

(B) The Company is a limited liability company incorporated in Bermuda on 24 April 1989 with an authorised share capital of HK\$300,000,000 divided into 3,000,000,000 Shares of HK\$0.10 each. As at the Latest Practicable Date, the Company had an authorised share capital of HK\$300,000,000 divided into 3,000,000,000 Shares of which 1,624,000,000 Shares had been issued and fully paid or credited as fully paid.

(C) In consideration of the cancellation of all Scheme Shares on the Effective Date:

- (i) all Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) shall be entitled to receive one Newco Share credited as fully paid for each Scheme Share held; and
- (ii) Non-Qualifying Overseas Shareholders will not receive Newco Shares pursuant to this Scheme but will receive cash in full satisfaction of their rights to receive the Newco Shares where the law of any relevant jurisdiction precludes the issuance of the Newco Shares or precludes it except after compliance by Newco with conditions with which Newco is unable to comply or which Newco regards as unduly onerous. In such case, the Newco Shares which would otherwise have been allotted to the relevant Non-Qualifying Overseas Shareholders under this Scheme will be allotted to a person selected by the Board, who will sell such Newco Shares on the market as soon as reasonably practicable after dealings in the Newco Shares commence on the Stock Exchange, and Newco will cause the aggregate proceeds of such sale (net of expenses and taxes) to be paid to the relevant Non-Qualifying Overseas Shareholders in Hong Kong dollars in full satisfaction of their rights to receive the relevant Newco Shares.

SCHEME OF ARRANGEMENT

- (D) Newco has agreed to appear by Conyers Dill & Pearman Limited at the hearing of the petition to sanction this Scheme and has undertaken to the Court to be bound by this Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable by Newco for the purpose of giving effect to this Scheme.

- (E) The primary purpose of this Scheme is to cancel all Scheme Shares on the Effective Date and simultaneously to issue the one New Share to Newco, so that the Company becomes wholly-owned by Newco.

SCHEME OF ARRANGEMENT

THE SCHEME

PART I

CANCELLATION OF THE SCHEME SHARES

1. Simultaneously on the Effective Date:
 - (a) Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) will hold the same number of Newco Shares (ranking *pari passu* with each other) as the number of Scheme Shares held by each of them at the Record Time, respectively, and credited as fully paid;
 - (b) all Scheme Shares will be cancelled; and
 - (c) the Company shall issue one New Share to Newco and the Company shall apply the credit arising in its books of account as a result of the cancellation of the Scheme Shares referred to in paragraph 1.(b) above in paying up in full at par the New Share(s).

PART II

CONSIDERATION FOR CANCELLATION OF THE SCHEME SHARES

2. In consideration of the cancellation of all Scheme Shares pursuant to 1.(a) of this Scheme:
 - (a) each Scheme Shareholder (other than the Non-Qualifying Overseas Shareholders) shall hold one Newco Share credited as fully paid for each Scheme Share cancelled; and
 - (b) Non-Qualifying Overseas Shareholders will not receive Newco Shares pursuant to this Scheme but will receive cash in full satisfaction of their rights to receive the Newco Shares where the law of any relevant jurisdiction precludes the issuance of the Newco Shares or precludes it except after compliance by Newco with conditions with which Newco is unable to comply or which Newco regards as unduly onerous. In such case, the Newco Shares which would otherwise have been allotted to the relevant Non-Qualifying Overseas Shareholders under this Scheme will be allotted to a person selected by the Board, who will sell such Newco Shares on the market as soon as reasonably practicable after dealings in the Newco Shares commence on the Stock Exchange, and Newco will cause the aggregate proceeds of such sale (net of expenses and taxes) to be paid to the relevant Non-Qualifying Overseas Shareholders in Hong Kong dollars in full satisfaction of their rights to receive the relevant Newco Shares.

SCHEME OF ARRANGEMENT

PART III

GENERAL

3. The new Newco Shares shall rank *pari passu* in all respects with the Newco Shares then in issue, including the right to receive all dividends and distributions which may be declared, made or paid thereafter.
4. Newco shall effect the allotment and issue of the new Newco Shares pursuant to paragraph 2. above on the Effective Date.
5. Each share certificate validly subsisting at the Record Time in respect of the Scheme Shares shall, on the Effective Date, cease to be valid for any purpose as share certificate for the Scheme Shares. Share certificates representing the appropriate number of Newco Shares will be issued at the expense of Newco to the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders). One share certificate for Newco Shares will be issued to each such Scheme Shareholder for their entitlement to Newco Shares, save for share certificates to be issued to HKSCC Nominees Limited which may be in such denominations as requested by it. Shares certificates for Newco Shares will be posted to the persons entitled to them at their respective registered addresses (or in the case of joint holders, at the address of that joint holder whose name stands first in the Register in respect of that joint holding) by ordinary post at their own risk. Share certificates for Newco Shares will only become valid if the Scheme becomes effective.
6. This Scheme shall become effective as soon as a copy of the Order of the Court sanctioning this Scheme under section 99 of the Companies Act shall have been delivered to the Registrar of Companies in Bermuda for registration.
7. The Company and Newco may jointly consent for and on behalf of all concerned to any modification(s) of or addition(s) to this Scheme or to any condition(s) which the Court may see fit to approve or impose.
8. Unless this Scheme shall have become effective on or before [REDACTED], (or such later date, if any, as the Company and Newco may agree and the Court may allow), this Scheme shall lapse.
9. The parties will bear their own costs, charges and expenses of and incidental to this Scheme.

NOTICE OF SPECIAL GENERAL MEETING

JOYCE

JOYCE BOUTIQUE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 0647

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Joyce Boutique Holdings Limited (the “**Company**”) will be held at [REDACTED] on [REDACTED], [REDACTED] at [REDACTED] (Hong Kong time) [REDACTED] for the purposes of considering and, if thought fit, assuming the resolution to approve the Scheme (set out in the composite scheme document of which this notice forms part) has been duly passed at the meeting of the Scheme Shareholders as defined in the Scheme, passing the following resolutions of which Resolution 1 will be proposed as a special resolution and Resolution 2 will be proposed as ordinary resolution:

SPECIAL RESOLUTION

1. “**THAT:**

- (a) for the purposes of giving effect to the scheme of arrangement dated [REDACTED] (the “**Scheme**”), in the form of the print contained in the composite scheme document of which this notice forms part between the Company and the Scheme Shareholders (as defined in the Scheme), with any modifications thereof or additions thereto or subject to any conditions approved or imposed by the Court (as defined in the Scheme), any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares (as defined in the Scheme) be and is hereby approved; and
- (b) any one of the directors of the Company (“**Director**”) be and is hereby authorised to do all acts and things as considered by him to be necessary or desirable in connection with the completion of the Scheme, including (without limitation) the giving or implementation of consent to any modifications of, or additions to, the Scheme, which the Court (as defined in the Scheme) may see fit to impose and to do all other acts and things as considered by him to be necessary or desirable in connection with the Reorganisation Proposal (as defined in the Scheme).”

NOTICE OF SPECIAL GENERAL MEETING

ORDINARY RESOLUTION

2. **“THAT SUBJECT TO RESOLUTION 1 BEING APPROVED:**

- (a) simultaneously with the cancellation of the Scheme Shares pursuant to paragraph (a) above, the Company will issue the one new share (the “**New Share**”) to Joyce Boutique Group Limited (“**Newco**”) and will apply part of the credit arising in its books of account as a result of the cancellation of the Scheme Shares referred to paragraph (a) above in paying up in full at par the one New Share;
- (b) any one of the Directors be and is hereby authorised to do all acts and things as considered by him to be necessary or desirable in order to give effect to the transactions referred to 2.(a) above”

For and by order of the Board of
JOYCE BOUTIQUE HOLDINGS LIMITED
Mr. Stephen T. H. Ng
Chairman

Notes:

- (a) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and, in the event of a poll, to vote in his stead. A proxy needs not be a member of the Company. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of that power of attorney or authority) must be deposited at the office of the Company’s branch share registrar in Hong Kong, [REDACTED], at [REDACTED] not later than [REDACTED], on [REDACTED], [REDACTED] or in any case of any adjournment thereof, not less than 48 hours before the time fixed for the holding of such adjourned meeting.
- (b) Pursuant to Rule 13.39(4) of the Listing Rules, the Chairman of the Special General Meeting will put each of the above resolutions to be voted by way of a poll under Bye-law 67(i) of the Company’s Bye-laws.
- (c) The Registers of Members of the Company will be closed from [REDACTED], [REDACTED] to [REDACTED], [REDACTED], both days inclusive, during which period no transfer of shares of the Company can be registered. In order to ascertain shareholders’ right to attend and to vote at the Special General Meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong, [REDACTED], at [REDACTED], not later than [REDACTED] on [REDACTED], [REDACTED].
- (d) If a tropical cyclone warning signal No. 8 or above is in force at or after 9:30 a.m. on the date of the Special General Meeting, the meeting will be postponed or adjourned. The Company will post an announcement on the HKEXnews website (www.hkexnews.hk) and the Company’s website (www.irasia.com/listco/hk/joyce/index.htm) to notify Shareholders of the date, time and venue of the rescheduled meeting.
- (e) The translation into Chinese language of this document is for reference only. In case of any inconsistency, the English version shall prevail.

NOTICE OF COURT MEETING

**NOTICE OF COURT HEARING
IN THE SUPREME COURT OF BERMUDA
CIVIL JURISDICTION
COMMERCIAL COURT
2019: NO. [•]
IN THE MATTER OF
JOYCE BOUTIQUE HOLDINGS LIMITED
AND
IN THE MATTER OF SECTION 99 OF THE COMPANIES ACT 1981
SCHEME OF ARRANGEMENT
Between
JOYCE BOUTIQUE HOLDINGS LIMITED
And
THE HOLDERS OF THE SCHEME SHARES**

NOTICE OF COURT HEARING

NOTICE IS HEREBY GIVEN that, by an order (the “**Order**”) dated [REDACTED] made in the above matters, the Court has directed a meeting (the “**Court Meeting**”) of the Scheme Shareholders (as defined in the Scheme mentioned below) to be convened and held for the purpose of considering and, if thought fit, approving (with or without modifications) a scheme of arrangement (the “**Scheme**”) proposed to be made between Joyce Boutique Holdings Limited (the “**Company**”) and the Scheme Shareholders (as defined in the Scheme mentioned above) and that the Court Meeting will be held at [REDACTED] on [REDACTED], [REDACTED] at [REDACTED] (Hong Kong time) at which all Scheme Shareholders are invited to attend.

A copy of the Scheme and a copy of the explanatory statement explaining the Scheme pursuant to section 100 of the Companies Act 1981 are incorporated in the composite scheme document of which this notice forms part. A copy of the composite scheme document can also be obtained by the Scheme Shareholders from the Company’s branch share registrar in Hong Kong, [REDACTED] at [REDACTED].

Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A [pink] form of proxy for use at the Court Meeting is enclosed with the composite scheme document.

NOTICE OF COURT MEETING

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding. In case of a Scheme Shareholder who is a corporation, it may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Court Meeting and exercise the same powers on its behalf as if it were an individual Scheme Shareholder of the Company.

It is requested that [pink] forms appointing proxies be lodged with the Company's branch share registrar in Hong Kong, [REDACTED], at [REDACTED], by [REDACTED] on [REDACTED], [REDACTED], but if the forms are not so lodged they may be handed to the Chairman of the Court Meeting at the Court Meeting.

By the Order, the Court has appointed [Mr. Stephen T.H. Ng], or failing him, any other director of the Company, to act as Chairman of the Court Meeting and has directed the Chairman to report the results of the Court Meeting to the Court.

The Scheme will be subject to the subsequent approval of the Court.

Dated: [REDACTED]

By order of the Court
Conyers Dill & Pearman
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda
Attorneys for the Company