
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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This Scheme Document appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Joyce Boutique Group Limited.

JOYCE

JOYBO INTERNATIONAL LIMITED

*(Incorporated in the British Virgin Islands
with limited liability)*

JOYCE BOUTIQUE GROUP LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 647)

**(1) PROPOSAL FOR THE PRIVATISATION OF
JOYCE BOUTIQUE GROUP LIMITED
BY JOYBO INTERNATIONAL LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
JOYCE BOUTIQUE GROUP LIMITED**

Financial Adviser to the Offeror



SOMERLEY CAPITAL LIMITED

Independent Financial Adviser to the Independent Board Committee



Unless the context otherwise requires, capitalised terms used in this Scheme Document (including this cover page) are defined in the section headed "Definitions" of this Scheme Document.

A letter from the Board is set out on pages 13 to 21 of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Independent Shareholders in relation to the Proposal is set out on pages 22 to 23 of this Scheme Document. A letter from Halcyon, being the Independent Financial Adviser, containing its advice to the Independent Board Committee in relation to the Proposal is set out on pages 24 to 47 of this Scheme Document. An Explanatory Statement is set out on pages 48 to 66 of this Scheme Document.

The actions to be taken by the Shareholders are set out on pages 1 to 3 of this Scheme Document.

Notices convening the Court Meeting and the General Meeting to be held at Jade Room, 6th Floor, The Marco Polo Hongkong Hotel, 3 Canton Road, Kowloon, Hong Kong on Monday, 23 March 2020 at 10:00 a.m. and 10:30 a.m. respectively (or, in the case of the General Meeting, as soon thereafter as the Court Meeting shall have concluded or been adjourned) are set out on pages NCM-1 to NCM-3 and NGM-1 to NGM-3 of this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the General Meeting or any adjournment thereof in person, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the enclosed white form of proxy in respect of the General Meeting, in accordance with the instructions printed thereon and to lodge them with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible, but in any event no later than the respective times and dates as stated under the section headed "Actions to be taken" set out on pages 1 to 3 of this Scheme Document. Completion and return of the forms of proxy for Court Meeting and/or the General Meeting will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof, should you so wish. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your forms of proxy, the returned forms of proxy shall be deemed to have been revoked by operation of law.

This Scheme Document is issued jointly by the Offeror and the Company. In case of inconsistency, the English language text of this Scheme Document shall prevail over the Chinese language text.

28 February 2020

NOTICE TO US INVESTORS

The Proposal is being made to cancel the securities of a Hong Kong company by means of a scheme of arrangement provided for under the Companies Ordinance and is subject to Hong Kong disclosure requirements, which are different from those of the US. The financial information included in this Scheme Document (if any) has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to the financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles of the US.

A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules of the US Securities Exchange Act of 1934, as amended. Accordingly, the Proposal is subject to the disclosure requirements and practices applicable in Hong Kong to schemes of arrangement, which differ from the disclosure requirements of the US tender offer rules.

This Scheme Document does not constitute an offer or invitation to purchase or subscribe for any securities of the Company in the US.

The receipt of cash pursuant to the Proposal by a US holder of Scheme Shares as consideration for the cancellation of their Scheme Shares pursuant to the Scheme may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each holder of Scheme Shares is urged to consult their independent professional adviser immediately regarding the potential tax consequences of the Proposal.

It may be difficult for US holders of Scheme Shares to enforce their rights and claims arising out of the US federal securities laws, as the Offeror and the Company are located in a country other than the US and some or all of their officers and directors may be residents of a country other than the US. US holders of Scheme Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

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ACTIONS TO BE TAKEN

1. ACTIONS TO BE TAKEN BY SHAREHOLDERS

For the purpose of determining the entitlements of the holders of Scheme Shares to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the General Meeting, the register of members of the Company will be closed from Wednesday, 18 March 2020 to Monday, 23 March 2020 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Tuesday, 17 March 2020. A subsequent purchaser of Scheme Shares will need to obtain a proxy form from the transferor if he wishes to attend or vote at the Court Meeting or the General Meeting.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the General Meeting are enclosed with this Scheme Document.

Whether or not you are able to attend the Court Meeting and/or the General Meeting or any adjournment thereof in person, if you are a holder of Scheme Shares, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** form of proxy in respect of the General Meeting, in accordance with the instructions printed thereon, and to lodge them with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. **In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged not less than 48 hours (exclusive of any part of a day that is a public holiday) before the time appointed for holding the Court Meeting or any adjournment thereof, and the white form of proxy for use at the General Meeting should be lodged not less than 48 hours (exclusive of any part of a day that is a public holiday) before the time appointed for holding the General Meeting or any adjournment thereof.** The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your form of proxy, the returned form of proxy will be deemed to have been revoked by operation of law.

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

Voting at the Court Meeting and the General Meeting will be taken by poll as required under the Listing Rules and the Takeovers Code.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the General Meeting and, if all the resolutions are passed at those meetings, further announcements 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 High Court,

ACTIONS TO BE TAKEN

the Effective Date and the date of withdrawal of listing of the Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

2. 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, depositary 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 Court Meeting and/or the General Meeting.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the General Meeting personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the General Meeting and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the General Meeting shall be in accordance with all relevant provisions in the articles of association 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 no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that the Registered Owner attends and votes at the relevant meeting or any adjournment thereof after having lodged his forms of proxy, the returned form of proxy will be deemed to have been revoked by operation of law.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are 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 to arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote in

ACTIONS TO BE TAKEN

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 shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

3. EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, THE OFFEROR AND THE COMPANY STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE GENERAL MEETING. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, THE OFFEROR AND THE COMPANY URGE YOU TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED STOCK TO VOTE.

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, THE OFFEROR AND THE COMPANY WOULD BE GRATEFUL IF YOU WOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU ARE ENCOURAGED TO CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

DEFINITIONS

In this Scheme Document, the following expressions have the meanings set out below, unless the context requires otherwise:

acting in concert	has the meaning given in the Takeovers Code, and “persons acting in concert” shall be construed accordingly
associates	has the meaning given in the Takeovers Code
Authorisations	all necessary notifications, registrations, applications, filings, authorisations, orders, recognitions, grants, waivers and consents, licences, confirmations, clearances, permissions, no-action relief, exemption relief orders and approvals (including without limitation any which are required or desirable under or in connection with any applicable laws and regulations or any licenses, permits or contractual obligations of the Company), and all appropriate waiting periods (including extensions thereof), in connection with the Proposal
Beneficial Owner	any beneficial owner of the Shares whose Shares are registered in the name of a Registered Owner other than himself
Board	the board of directors of the Company
Cancellation Price	a price of HK\$0.280 per Scheme Share payable in cash to the Scheme Shareholders pursuant to the Scheme
CCASS	the Central Clearing and Settlement System established and operated by HKSCC
CCASS Participant	a person admitted to participate in CCASS as a participant, including an Investor Participant

DEFINITIONS

CO Disinterested Shares	has the meaning ascribed to “disinterested shares” in section 674(3) of the Companies Ordinance. Section 674(3) of the Companies Ordinance provides that, in the case of a takeover offer, “disinterested shares” excludes shares held by the offeror and “associates” (within the meaning provided in section 667(1)(b)(i) of the Companies Ordinance) of the offeror (unless otherwise declared by the High Court). Section 667(1)(b)(i) of the Companies Ordinance provides that, where the offeror is a body corporate, a reference to an “associate” of the offeror is a reference to (i) a body corporate in the same group of companies as the offeror; (ii) a body corporate in which the offeror is substantially interested; or (iii) a person who is a party, or a nominee of a party, to an acquisition agreement with the offeror
Companies Ordinance	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company	Joyce Boutique Group Limited, a company incorporated in Hong Kong with limited liability and listed on the Main Board of the Stock Exchange with Stock Code 647
Condition(s)	the conditions of the Proposal as set out in the section headed “Conditions of the Proposal” in the Explanatory Statement
Court Meeting	a meeting of the holders of Scheme Shares to be convened at the direction of the High Court at 10:00 a.m. on Monday, 23 March 2020 at Jade Room, 6th Floor, The Marco Polo Hongkong Hotel, 3 Canton Road, Kowloon, Hong Kong, and any adjournment thereof at which the Scheme will be voted upon
Directors	the directors of the Company
Effective Date	the date on which the Scheme becomes effective in accordance with the Companies Ordinance
Executive	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

DEFINITIONS

Explanatory Statement	the explanatory statement in relation to the Scheme, the text of which is set out on pages 48 to 66 of this Scheme Document
General Meeting	a general meeting of the Company to be held at 10:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting) on Monday, 23 March 2020 at Jade Room, 6th Floor, The Marco Polo Hongkong Hotel, 3 Canton Road, Kowloon, Hong Kong and any adjournment thereof to be held after the Court Meeting for the purpose of approving the reduction of the share capital of the Company and implementing the Scheme
Group	the Company and its subsidiaries
High Court	the High Court of Hong Kong
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
HKSCC	Hong Kong Securities Clearing Company Limited
HKSCC Nominees	HKSCC Nominees Limited
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Independent Board Committee	an independent board committee of the directors of the Company comprising Mr. Antonio Chan, Mr. Eric K. K. Lo and Mr. T. Y. Ng, formed to advise the Independent Shareholders on the Proposal
Independent Financial Adviser or Halcyon	Halcyon Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee on the Proposal
Independent Shareholders	holders of TC Disinterested Shares
Investor Participant	a person admitted to participate in CCASS as an investor participant
Joint Announcement	the joint announcement dated 12 December 2019 issued by the Offeror and the Company in relation to the Proposal

DEFINITIONS

Joyce Boutique Holdings	Joyce Boutique Holdings Limited, a company incorporated in Bermuda with limited liability, which had been the holding company of the Group immediately prior to the completion of the Reorganisation Proposal (as defined in the scheme document dated 22 July 2019 issued by Joyce Boutique Holdings) involving, among others, the change of the holding company of the Group from Joyce Boutique Holdings to the Company by way of a scheme of arrangement pursuant to section 99 of the Companies Act 1981 of Bermuda
Last Trading Date	6 December 2019, being the last full trading day prior to the suspension of trading of Shares pending the issue of the Joint Announcement
Latest Practicable Date	25 February 2020, being the latest practicable date prior to the date of this Scheme Document for the purpose of ascertaining certain information contained in this Scheme Document
Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Long Stop Date	means 30 September 2020 or such other date as may be agreed between the Offeror and the Company or, to the extent applicable, as the Executive may consent and the High Court may direct
Meeting Record Date	Thursday, 19 March 2020, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlement of holders of Scheme Shares to attend and vote at the Court Meeting and the entitlement of Shareholders to attend and vote at the General Meeting
Mr. Douglas C. K. Woo	Mr. WOO Chun Kuen Douglas (吳宗權)
Offeror	JoyBo International Limited, a company established under the laws of the British Virgin Islands which is indirectly wholly owned by HSBC Trustee (C.I.) Limited, the trustee of a trust of which Mr. Woo Kwong Ching Peter is the settlor

DEFINITIONS

Offeror Concert Party(ies)	persons acting in concert with the Offeror, including but not limited to Mr. Douglas C. K. Woo
Offeror Directors	the directors of the Offeror
Other CCASS Participant	a broker, custodian, nominee or other relevant person who is, or has deposited Shares with, a CCASS participant
Proposal	the proposal for the privatisation of the Company by the Offeror by way of the Scheme
Registered Owner	any person (including without limitation a nominee, trustee, depositary or any other authorised custodian or third party) whose name is entered in the register of members of the Company as a holder of the Shares
Registrar of Companies	the Registrar of Companies appointed under the Companies Ordinance
Relevant Period	the period commencing on 12 June 2019, being the date falling six months prior to the date of the Joint Announcement and ending on the Latest Practicable Date
Scheme	the scheme of arrangement proposed under section 673 of the Companies Ordinance for the implementation of the Proposal as set out on pages S-1 to S-7 of this Scheme Document, with or subject to any modification thereof or addition thereof or condition approved or imposed by the High Court
Scheme Document	this composite scheme document of the Offeror and the Company containing, among other things, each of the letters, statements, appendices and notices in it
Scheme Record Date	Tuesday, 21 April 2020, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders to the Cancellation Price under the Scheme
Scheme Shareholders	registered holders of the Scheme Shares as at the Scheme Record Date
Scheme Shares	Shares, other than those held by the Offeror

DEFINITIONS

SFC	Securities and Futures Commission of Hong Kong
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shareholders	holders of Shares
Share Registrar	Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, being the Company's share registrar
Shares	ordinary shares in the share capital of the Company
Somerley	Somerley Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in connection with the Proposal
Stock Exchange	The Stock Exchange of Hong Kong Limited
Takeovers Code	the Hong Kong Code on Takeovers and Mergers
TC Disinterested Shares	has the meaning ascribed to "disinterested shares" in Note 6 to Rule 2 of the Takeovers Code. For the purpose of the Proposal and the Scheme, "TC Disinterested Shares" means Shares other than those owned by the Offeror or the Offeror Concert Parties
US	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
%	per cent

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified.

EXPECTED TIMETABLE

The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company. Unless otherwise specified, all times and dates refer to Hong Kong local time and dates.

Hong Kong time

Latest time for lodging transfers of Shares
in order to qualify for entitlement to attend and
vote at the Court Meeting and the General Meeting 4:30 p.m. on
Tuesday, 17 March 2020

Register of members of the Company closed
for determining entitlement to attend
and vote at the Court Meeting
and the General Meeting (*Note 1*) Wednesday, 18 March 2020
to Monday, 23 March 2020
(both days inclusive)

Meeting Record Date Thursday, 19 March 2020

Latest time for lodging forms of proxy in respect of:

- Court Meeting (*Note 2*) 10:00 a.m. on Friday, 20 March 2020
- General Meeting (*Note 2*) 10:30 a.m. on Friday, 20 March 2020

Court Meeting (*Notes 2 and 3*) 10:00 a.m. on Monday, 23 March 2020

General Meeting (*Notes 2 and 3*) 10:30 a.m. on Monday, 23 March 2020
(or immediately after the conclusion
or adjournment of the Court Meeting)

Announcement of the results of the Court Meeting and
the General Meeting posted on the website of
the Stock Exchange no later than 7:00 p.m. on
Monday, 23 March 2020

Expected latest time for trading of
Shares on the Stock Exchange 4:10 p.m. on Tuesday, 24 March 2020

Latest time for lodging transfers of
Shares in order to qualify
for entitlements under the Scheme 4:30 p.m. on Thursday, 9 April 2020

Register of members of the Company closed
for determining entitlement
to qualify under the Scheme (*Note 4*) from Tuesday, 14 April 2020 onwards

EXPECTED TIMETABLE

High Court hearing of the petition
for the sanction of the Scheme (*Note 5*) Tuesday, 21 April 2020

Scheme Record Date Tuesday, 21 April 2020

Announcement of (1) the results of
the High Court hearing for the petition
for the sanction of the Scheme,
(2) the expected Effective Date and
(3) the expected date of withdrawal of
listing of the Shares on the Stock Exchange
posted on the website of the Stock Exchange no later than 7:00 p.m.
on Tuesday, 21 April 2020

Announcement of (1) the Effective Date and
(2) the withdrawal of listing of the Shares
on the Stock Exchange posted on
the website of the Stock Exchange no later than 4:00 p.m.
on Thursday, 23 April 2020

Effective Date (*Note 5*) Friday, 24 April 2020

Withdrawal of listing of the Shares
on the Stock Exchange becomes effective 9:00 a.m. on Monday, 27 April 2020

Cheques for the cash payment under
the Proposal to be despatched (*Note 6*) on or before Thursday, 7 May 2020

Notes:

1. The register of members of the Company will be closed during such period for the purpose of determining entitlements of the holders of Scheme Shares to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the General Meeting. For the avoidance of doubt, this period of closure is not for determining entitlements under the Scheme.
2. The **pink** form of proxy in respect of the Court Meeting and the **white** form of proxy in respect of the General Meeting should be completed and signed in accordance with the instructions respectively printed thereon and should be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by the times and dates stated above. The **pink** form of proxy for use at the Court Meeting and the **white** form of proxy for use at the General Meeting must be lodged no later than the time and date stated above in order for them to be valid. The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude a member from attending and voting in person at the relevant meeting or any adjournment thereof if he so wishes. In the event that the member attends and votes at the relevant meeting or any adjournment thereof after having lodged his form of proxy, the returned form of proxy shall be deemed to have been revoked by operation of law.
3. If a tropical cyclone warning signal No.8 or above is or is expected to be hoisted or a black rainstorm warning signal is or is expected to be in force at any time after 8:00 a.m. on the date of the Court Meeting and the General Meeting, the Court Meeting and the General Meeting will be postponed. The Company will post an announcement on the respective websites of Hong Kong Exchanges and Clearing Limited and the Company to notify the members of the date, time and venue of the rescheduled meetings.
4. The register of members of the Company will be closed during such period for the purpose of determining the Scheme Shareholders, who are qualified for entitlements under the Scheme.

EXPECTED TIMETABLE

5. The High Court hearing will be held at the High Court at the High Court Building, 38 Queensway, Hong Kong. The Scheme shall become effective when an office copy of the order of the High Court sanctioning the Scheme (with or without modification) and confirming the reduction of the share capital of the Company involved in the Scheme is registered by the Registrar of Companies under Part 2 of the Companies Ordinance.

6. Cheques for entitlements of Scheme Shareholders will be despatched by ordinary post in postage pre-paid envelopes addressed to Scheme Shareholders at their respective addresses as appearing in the register of members of the Company as at the Scheme Record Date or, in the case of joint holders, at the address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding as soon as possible but in any event within 7 business days (as defined in the Takeovers Code) following the Effective Date. Cheques shall be posted at the risk of the addressees and none of the Offeror, the Company, Somerley, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay in transmission.

JOYCE

JOYCE BOUTIQUE GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 647)

Directors:

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

Mr. Antonio Chan*

Mr. Eric K. K. Lo*

Mr. T. Y. Ng*

Mr. Paul Y. C. Tsui

(Independent Non-executive Directors)*

Registered Office:

26/F, One Island South

2 Heung Yip Road

Wong Chuk Hang

Hong Kong

28 February 2020

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF
JOYCE BOUTIQUE GROUP LIMITED
BY JOYBO INTERNATIONAL LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
JOYCE BOUTIQUE GROUP LIMITED**

INTRODUCTION

On 12 December 2019, the Offeror and the Company jointly announced that on 11 December 2019, the Offeror requested the Board to put forward to the holders of Scheme Shares the Proposal, which, if implemented, would result in the Company becoming wholly owned by the Offeror and the withdrawal of listing of Shares from the Stock Exchange. The Offeror also confirmed in the Joint Announcement that the Cancellation Price will not be increased and the Offeror did not reserve the right to do so.

As at the Latest Practicable Date, the Offeror owned or controlled 1,183,838,723 Shares, representing approximately 72.9% of the issued share capital of the Company. The Proposal will be implemented by way of a scheme of arrangement under section 673 of the Companies Ordinance.

LETTER FROM THE BOARD

If the Proposal is approved and implemented:

- (a) all the Scheme Shares will, on the Effective Date, be cancelled in exchange for the payment by the Offeror to Scheme Shareholders of the Cancellation Price in cash for each Scheme Share;
- (b) the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the issue to the Offeror, credited as fully paid, of the same number of Shares as the number of Scheme Shares cancelled. The credit arising in the Company's books of account as a result of the capital reduction will be applied in paying up in full the new Shares so allotted and issued to the Offeror; and
- (c) the withdrawal of listing of Shares on the Stock Exchange is expected to take place with effect from 9:00 a.m. on Monday, 27 April 2020, being one business day following the Effective Date.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and, in particular, the Scheme, and to give you notice of the Court Meeting and of the General Meeting (together with proxy forms in relation thereto). Your attention is also drawn to (i) the letter from the Independent Board Committee set out on pages 22 to 23 of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out on pages 24 to 47 of this Scheme Document; (iii) the Explanatory Statement set out on pages 48 to 66 of this Scheme Document; and (iv) the terms of the Scheme set out on pages S-1 to S-7 of this Scheme Document.

THE PROPOSAL

Subject to the Conditions described in the section headed "Conditions of the Proposal" on pages 50 to 52 of this Scheme Document being fulfilled or waived, as applicable, the proposed privatisation of the Company will be implemented by way of the Scheme between the Company and the Scheme Shareholders.

THE SCHEME

Subject to the Scheme becoming effective, the Scheme Shareholders will receive from the Offeror as Cancellation Price:

HK\$0.280 in cash for every Scheme Share

The Offeror has advised that the Cancellation Price will not be increased and the Offeror does not reserve the right to do so.

LETTER FROM THE BOARD

The Cancellation Price of HK\$0.280 per Scheme Share represents:

- (a) a premium of approximately 91.78% over the closing price of HK\$0.1460 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 91.26% over the average closing price of HK\$0.1464 per Share based on the daily closing prices as quoted on the Stock Exchange over the 5 trading days up to and including the Last Trading Date;
- (c) a premium of approximately 82.17% over the average closing price of HK\$0.1537 per Share based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 62.70% over the average closing price of HK\$0.1721 per Share based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 32.20% over the average closing price of HK\$0.2118 per Share based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 0.39% over the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$0.2789 as at 31 March 2019;
- (g) a premium of approximately 19.91% over the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$0.2335 as at 30 September 2019; and
- (h) a premium of approximately 3.70% over the closing price of HK\$0.2700 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Cancellation Price has been determined after taking into account, among others, the financial information of the Group, the prices at which the Shares were traded on the Stock Exchange over the past year, and pricing premiums for privatisation transactions of companies listed on the Stock Exchange in recent years.

Assuming that the Scheme becomes effective on Friday, 24 April 2020, cheques for entitlements under the Scheme will be despatched as soon as possible but in any event within 7 business days (as defined in the Takeovers Code) following the Effective Date and accordingly, the cheques are expected to be despatched on or before Thursday, 7 May 2020. All such cheques will be posted at the risk of the persons entitled thereto and none of the Offeror, the Company, Somerley, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates will be responsible for any loss or delay in transmission.

LETTER FROM THE BOARD

TOTAL CONSIDERATION AND FINANCIAL RESOURCES

On the basis of the Cancellation Price of HK\$0.280 per Scheme Share and 440,161,277 Scheme Shares in issue as at the Latest Practicable Date, the amount of cash consideration required to effect the Proposal will be approximately HK\$123.2 million.

Somerley, as financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of cash consideration required to effect the Proposal.

Payment of the cash consideration under the Scheme will be funded by the internal cash resources of LCJG Limited, a company which directly and wholly owns the Offeror.

CONDITIONS OF THE PROPOSAL

The Proposal is subject to the satisfaction or waiver, as applicable, of the Conditions described in the section headed "Conditions of the Proposal" in the Explanatory Statement on pages 50 to 52 of this Scheme Document.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive. The Offeror has indicated that it has no intention to seek such consent.

If approved, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting.

Shareholders and potential investors of the Company should be aware that the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date:

- (a) the issued share capital of the Company comprised 1,624,000,000 Shares;
- (b) the Offeror owned, controlled or had direction over 1,183,838,723 Shares, representing approximately 72.9% of the issued share capital of the Company;
- (c) Mr. Douglas C. K. Woo, an Offeror Concert Party (being the son of Mr. Woo Kwong Ching Peter, the settlor of the trust of which HSBC Trustee (C.I.) Limited, an indirect holding company of the Offeror, is the trustee), owned, controlled or had direction over 33,208,000 Shares, representing approximately 2.0% of the issued share capital of the Company;
- (d) there were no convertible securities, warrants or options in respect of the Shares held, controlled or directed by the Offeror or Offeror Concert Parties;
- (e) neither the Offeror nor the Offeror Concert Parties had entered into any outstanding derivative in respect of the securities in the Company; and
- (f) neither the Offeror nor the Offeror Concert Parties had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Upon the Scheme becoming effective, the Offeror will hold 100% of the issued share capital of the Company.

A table setting out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme becoming effective (assuming no new Shares will be issued prior thereto) is to be found in the section headed "Shareholding Structure of the Company and Effect of the Proposal and the Scheme" in the Explanatory Statement on pages 53 to 54 of this Scheme Document.

As at the Latest Practicable Date, the Company did not have any outstanding options, warrants, derivatives or securities convertible into Shares in issue.

REASONS FOR AND BENEFITS OF THE PROPOSAL

You are urged to read carefully the section headed "Reasons for and Benefits of the Proposal" in the Explanatory Statement on pages 57 to 58 of this Scheme Document.

LETTER FROM THE BOARD

THE OFFEROR'S INTENTIONS IN RELATION TO THE GROUP

You are urged to read carefully the section headed "The Offeror's intentions in relation to the Group" in the Explanatory Statement on page 58 of this Scheme Document.

The Board has noted the intentions of the Offeror in respect of the Company and the employees of the Group, as disclosed in the Explanatory Statement on page 58 of this Scheme Document.

FINANCIAL ADVISER TO THE OFFEROR

The Offeror has appointed Somerley as its financial adviser in connection with the Proposal.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Antonio Chan, Mr. Eric K. K. Lo and Mr. T. Y. Ng has been constituted to advise the Independent Shareholders on the Proposal.

Mr. Stephen T. H. Ng is not a member of the Independent Board Committee as he is deputy chairman of Wheelock and Company Limited ("**Wheelock**"), chairman and managing director of The Wharf (Holdings) Limited ("**Wharf**") and Wharf Real Estate Investment Company Limited ("**Wharf REIC**"), chairman and executive director of Harbour Centre Development Limited and a director of certain other companies which are associates of the Offeror.

Mr. Paul Y. C. Tsui is not a member of the Independent Board Committee as he is an executive director and group chief financial officer of Wheelock, vice chairman, executive director and group chief financial officer of Wharf, vice chairman and executive director of Wharf REIC and a director of certain other companies which are associates of the Offeror.

The full text of the letter from the Independent Board Committee is set out on pages 22 to 23 of this Scheme Document.

INDEPENDENT FINANCIAL ADVISER

The Company has, with the approval of the Independent Board Committee, appointed Halcyon Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal.

The full text of the letter from the Independent Financial Adviser is set out on pages 24 to 47 of this Scheme Document.

LETTER FROM THE BOARD

INFORMATION ABOUT THE OFFEROR AND THE COMPANY

Your attention is drawn to Appendix I headed “Financial Information Relating to the Group” on pages 67 to 74 of this Scheme Document, and the sections headed “Information about the Company” and “Information about the Offeror” in the Explanatory Statement on page 59 of this Scheme Document.

OVERSEAS SHAREHOLDERS

If you are an overseas holder of Scheme Shares, your attention is drawn to the section headed “Overseas Shareholders” in the Explanatory Statement on pages 61 to 62 of this Scheme Document.

COURT MEETING AND GENERAL MEETING

For the purpose of exercising your right to vote at the Court Meeting and the General Meeting, you are requested to read carefully the section headed “Court Meeting and General Meeting” in the Explanatory Statement on pages 62 to 63 of this Scheme Document, the section headed “Actions to be taken” on pages 63 to 65 of this Scheme Document, and the notices of the Court Meeting and the General Meeting on pages NCM-1 to NCM-3 and pages NGM-1 to NGM-3 respectively of this Scheme Document.

ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal are set out under the section headed “Actions to be taken” on pages 1 to 3 and the section headed “Actions to be taken” in the Explanatory Statement on pages 63 to 65 of this Scheme Document.

RECOMMENDATION

The Independent Financial Adviser has advised the Independent Board Committee that it considers the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned, and accordingly, advises the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Proposal. The Independent Board Committee, having considered the terms of the Proposal, and having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned and recommends the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Proposal. Your attention is drawn to the recommendation of the Independent Financial Adviser to the Independent Board Committee, in respect of the Proposal as set out in the “Letter from the Independent Financial Adviser” on pages 24 to 47 of this Scheme Document. Your attention is also drawn to the recommendation of the Independent Board Committee in respect of the Proposal as set out in the “Letter from the Independent Board Committee” on pages 22 to 23 of this Scheme Document.

LETTER FROM THE BOARD

SHARE CERTIFICATES, DEALINGS, LISTING, REGISTRATION AND PAYMENT

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

In that case, the Company does not intend to maintain its listing on the Stock Exchange and will make an application for the listing of Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect from 9:00 a.m. on Monday, 27 April 2020, being one business day following the Effective Date.

The holders of Scheme Shares will be notified by way of an announcement of the exact date of the last day for dealing in Shares and the expected dates on which the Scheme and the withdrawal of listing of Shares on the Stock Exchange will become effective.

Your attention is drawn to the sections entitled “Withdrawal of listing of Shares” and “Registration and Payment” in the Explanatory Statement set out on page 60 and pages 60 to 61, respectively, of this Scheme Document.

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions described in the section headed “Conditions of the Proposal” has not been fulfilled or waived, as applicable, on or before the Long Stop Date.

If the Scheme is not approved or the Proposal otherwise lapses, the listing of Shares on the Stock Exchange will not be withdrawn.

TAXATION, EFFECTS AND LIABILITIES

It is emphasised that none of the Offeror, the Company, Somerley, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal accept responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of their approval or rejection, or the implementation, of the Proposal. Accordingly, you are urged to read the section entitled “Taxation and Independent Advice” in the Explanatory Statement set out on page 62 of this Scheme Document and if you are in any doubt as to any aspect of this Scheme Document or as to the action to be taken, you should consult an appropriately qualified professional adviser.

LETTER FROM THE BOARD

FURTHER INFORMATION

You are urged to read carefully the letters from the Independent Board Committee and from the Independent Financial Adviser, as set out on pages 22 to 23, and pages 24 to 47 respectively of this Scheme Document, the Explanatory Statement as set out on pages 48 to 66 of this Scheme Document, the appendices to this Scheme Document, the terms of the Scheme as set out on pages S-1 to S-7 of this Scheme Document, the notice of the Court Meeting as set out on pages NCM-1 to NCM-3 of this Scheme Document and the notice of the General Meeting as set out on pages NGM-1 to NGM-3 of this Scheme Document. In addition, a **pink** form of proxy for the Court Meeting and a **white** form of proxy for the General Meeting are enclosed with this Scheme Document.

By order of the board of
Joyce Boutique Group Limited
Stephen T. H. Ng
Chairman

JOYCE

JOYCE BOUTIQUE GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 647)

28 February 2020

To the Independent Shareholders

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF
JOYCE BOUTIQUE GROUP LIMITED
BY JOYBO INTERNATIONAL LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
JOYCE BOUTIQUE GROUP LIMITED**

We refer to the document dated 28 February 2020 jointly issued by the Offeror and the Company in relation to the Proposal (the “**Scheme Document**”), of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to make a recommendation to the Independent Shareholders in respect of the Proposal, details of which are set out in the “Letter from the Board” and the “Explanatory Statement” of this Scheme Document.

Halcyon Capital Limited, the Independent Financial Adviser, has been appointed with our approval, to advise us in connection with the Proposal. The details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the “Letter from the Independent Financial Adviser” of this Scheme Document.

In the “Letter from the Independent Financial Adviser” of this Scheme Document, the Independent Financial Adviser states that it considers the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned, and advises the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Proposal.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, having considered the terms of the Proposal, and having taken into account the opinion of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in its letter, considers that the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Proposal.

The Independent Board Committee draws the attention of the Independent Shareholders to (i) the “Letter from the Board” set out in this Scheme Document; (ii) the “Letter from the Independent Financial Adviser”, which sets out the factors and reasons taken into account in arriving at its recommendation to the Independent Board Committee, set out in this Scheme Document; and (iii) the Explanatory Statement set out in this Scheme Document.

Yours faithfully,

The Independent Board Committee

Mr. Antonio Chan
Independent
Non-executive Director

Mr. Eric K. K. Lo
Independent
Non-executive Director

Mr. T. Y. Ng
Independent
Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Halcyon Capital Limited to the Independent Board Committee which has been prepared for the purpose of inclusion in this Scheme Document.



Halcyon Capital Limited
11th Floor
8 Wyndham Street
Central
Hong Kong

28 February 2020

To: the Independent Board Committee

Dear Sirs,

**PROPOSED PRIVATISATION OF
JOYCE BOUTIQUE GROUP LIMITED
BY JOYBO INTERNATIONAL LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in relation to the proposed privatisation of Joyce Boutique Group Limited by JoyBo International Limited by way of a scheme of arrangement under Section 673 of the Companies Ordinance. Details of the Proposal are contained in the letter from the Board (the “**Letter from the Board**”) and the explanatory statement (the “**Explanatory Statement**”) contained in the Scheme Document dated 28 February 2020, of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

On 11 December 2019, the Offeror requested the board of directors of the Company to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme involving the cancellation of all the Scheme Shares, as a result of which the Offeror will hold 100% of the issued share capital of the Company.

The Court Meeting will be convened at the direction of the High Court for the purpose of considering and, if thought fit, passing an appropriate resolution to approve the Scheme (with or without modifications). Insofar as the approval of the Scheme at the Court Meeting is concerned, such resolution will be passed if the holders of the Scheme Shares representing at least 75% of the voting rights of such holders present and voting, in person or by proxy, at the Court Meeting vote in favour of the Scheme and the votes cast against the Scheme at the Court Meeting do not exceed 10% of the total voting rights attached to all Disinterested Shares. Insofar as the approval of the Scheme under the Takeovers Code is concerned, the Scheme will be considered to have been approved under the Takeovers Code if (i) the Scheme is approved (by way of poll) by at least 75% of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

votes attaching to the Scheme Shares of the Independent Shareholders that are cast either in person or by proxy at the Court Meeting; and (ii) the number of votes cast (by way of poll) against the resolution at the Court Meeting is not more than 10% of all the Scheme Shares held by all of the Independent Shareholders. Based on 406,953,277 Shares held by the Independent Shareholders as at the Latest Practicable Date, the number of votes representing 10% of such Shares (rounded down to the nearest number of votes) would be 40,695,327 Shares. Only Independent Shareholders may vote at the Court Meeting on the resolution to approve the Scheme. The Offeror and any persons acting in concert with the Offeror (including, but not limited to, Mr. Douglas C. K. Woo) will not vote at the Court Meeting on the resolution to approve the Scheme.

In addition to the resolution required to sanction the Scheme at the Court Meeting, the Scheme also involves a reduction of issued share capital as one of its terms. Under the Companies Ordinance and the Articles, the reduction of issued share capital is required to be approved by a special resolution of Shareholders. Such special resolution will be proposed at the General Meeting, which is being convened to be held immediately following the Court Meeting for the purpose of considering and, if thought fit, passing a special resolution to approve the reduction of issued share capital of the Company and the cancellation of the Scheme Shares and to approve and give effect to the Scheme. The special resolution will be passed provided that it is approved by a majority of at least 75% of the votes cast by the Shareholders present and voting, in person or by proxy, at the General Meeting. All Shareholders will be entitled to attend and vote at the General Meeting.

As stated in the Explanatory Statement, as at the Latest Practicable Date, (i) the Independent Shareholders were interested in 406,953,277 Shares (representing approximately 25.1% of the issued share capital of the Company) and such Shares will form part of the Scheme Shares; (ii) the Offeror was interested in 1,183,838,723 Shares (representing approximately 72.9% of the issued share capital of the Company) and such Shares will not form part of the Scheme Shares and the Offeror will not vote on the Scheme at the Court Meeting; (iii) Mr. Douglas C. K. Woo, an Offeror Concert Party (being the son of Mr. Woo Kwong Ching Peter, the settlor of the trust of which HSBC Trustee (C.I.) Limited, an indirect holding company of the Offeror, is the trustee), was interested in 33,208,000 Shares (representing approximately 2.0% of the issued share capital of the Company) and such Shares will form part of the Scheme Shares but will not be voted at the Court Meeting; and (iv) the Scheme Shares, comprising 440,161,277 Shares, represent approximately 27.1% of the issued Shares.

The Independent Board Committee, which comprises the following Independent Non-executive Directors, Mr. Antonio Chan, Mr. Eric K. K. Lo and Mr. T. Y. Ng, who are not interested in the Proposal, has been formed to advise the Independent Shareholders on the Proposal and has approved the appointment of the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Proposal. We have been appointed as independent financial adviser to advise the Independent Board Committee as to whether the terms of the Proposal are fair and reasonable and as to voting on the Proposal.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

We are not associated with any of the Company, the Offeror or their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offer. There was no business relationship between the Company, and its associated companies, and us in the past two years. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from any of the Company or its controlling shareholder or any party acting, or presumed to be acting, in concert with any of them. We are not aware of any relationship or interest between us and the Company or other parties that would be reasonably considered to affect our independence to act as an independent financial adviser to the Independent Shareholders in respect of the Proposal.

BASIS OF OPINION

In formulating our recommendation, we have relied on the information and facts provided, and the opinions expressed, by the Directors and the management of the Company and contained or referred to in the Scheme Document. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Scheme Document (other than that relating to the Offeror (if any)), and confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Scheme Document (other than opinions expressed by the Offeror (if any)) have been arrived at after due and careful consideration and there are no other facts that are not contained in the Scheme Document, the omission of which would make any such statement contained in the Scheme Document misleading. The Offeror Directors and Mr. Woo Kwong Ching Peter have jointly and severally accepted full responsibility for the accuracy of the information contained in the Scheme Document (other than that relating to the Company (if any)), and confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Scheme Document (other than opinions expressed by the Company (if any)) have been arrived at after due and careful consideration and there are no other facts not contained in the Scheme Document, the omission of which would make any statement in the Scheme Document misleading. We have assumed that the information and representations provided to us by the Directors and the management of the Company or contained or referred to in the Scheme Document were true and accurate at the time they were made and as at the date of the Scheme Document. The Shareholders will be informed as soon as possible afterwards if we become aware of any material change to the above during the period from the date of the Scheme Document until the Effective Date or the date on which the Scheme lapses, whichever is earliest. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. In particular, we have reviewed published information on the Group, including its annual reports for the year ended 31 March 2018 and 2019 ("**2017/18 Annual Report**" and "**2018/19 Annual Report**", respectively) and its interim report for the six months ended 30 September 2019 ("**2019 Interim Report**"); we have also reviewed the trading performance of the Shares on the Stock Exchange since 1 April 2018, being the commencement of the financial year ended 31 March 2019; and we have also reviewed certain statistics and reports published by Census and Statistics Department of Hong Kong. We consider that

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company or any of its subsidiaries and associates.

We have not considered the tax implication on the Shareholders of their acceptances or non-acceptances of the Proposal since this is particular to their own individual circumstances. It is emphasized that we will not accept any responsibility for any tax effect on, or liability of, any person resulting from his or her acceptance or non-acceptance of the Proposal. In particular, the Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Proposal and, if in doubt, should consult their own professional advisers.

For the avoidance of doubt, the holding company of the Group immediately prior to the completion of the Reorganisation Proposal (as defined in the scheme document dated 22 July 2019 issued by Joyce Boutique Holdings (the “**Reorganisation Document**”)) was Joyce Boutique Holdings. “Company” used in this letter shall mean Joyce Boutique Holdings immediately prior to the completion of the Reorganisation Proposal (as defined in the Reorganisation Document) and the Company immediately after the completion of the Reorganisation Proposal (as defined in the Reorganisation Document); and “Group” used in this letter shall mean Joyce Boutique Holdings and the then subsidiaries immediately prior to the completion of the Reorganisation Proposal (as defined in the Reorganisation Document) and the Group immediately after the completion of the Reorganisation Proposal (as defined in the Reorganisation Document).

BACKGROUND AND PRINCIPAL TERMS OF THE OFFER

On 12 December 2019, the Company published the Joint Announcement notifying the Shareholders and investors that, among other things, on 11 December 2019, the Offeror requested the board of directors of the Company to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme involving the cancellation of all the Scheme Shares, as a result of which the Offeror will hold 100% of the issued share capital of the Company, and the Scheme provides that the Scheme Shares, comprising 440,161,277 Shares, represent approximately 27.1% of the issued Shares, be cancelled in exchange for the payment to each Scheme Shareholder of:

for each Scheme Share HK\$0.28 in cash

The Cancellation Price has been determined after taking into account, among others, the financial information of the Group, the prices at which the Shares were traded on the Stock Exchange over the past year, and pricing premiums for privatisation transactions of companies listed on the Stock Exchange in recent years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the issued share capital of the Company comprises 1,624,000,000 Shares, and 440,161,277 Scheme Shares were in issue, which represented approximately 27.1% of the issued share capital of the Company. At the Cancellation Price, the Proposal values the entire issued share capital of the Company at HK\$454,720,000.00. The maximum amount of cash consideration required to effect the Proposal will be HK\$123,245,157.56.

The Proposal is conditional upon the fulfillment or waiver, as applicable, of the Conditions as described in the Explanatory Statement contained in the Scheme Document. All Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Executive may consent and the High Court may direct), failing which the Proposal will lapse. Further details of the terms and conditions of the Proposal, including the procedures for the acceptance, are set out in the Letter from the Board to the Shareholders and Explanatory Statement contained in the Scheme Document.

Binding effect of the Scheme

Notwithstanding the fact that there may be a dissenting minority, if the Scheme is approved at the Court Meeting in accordance with the requirements of section 673 of the Companies Ordinance and Rule 2.10 of the Takeovers Code and is sanctioned by the High Court and the other Conditions are either fulfilled or (to the extent permitted) waived, then the Scheme will become binding on the Company and all Shareholders.

If the Scheme becomes effective:

- (i) all the Scheme Shares will be cancelled whereupon the share capital of the Company shall be reduced and all share certificates for those Scheme Shares cancelled shall cease to have effect as evidence of title;
- (ii) the share capital of the Company will then be increased to its former amount by the creation of such number of new Shares as is equal to the number of Scheme Shares cancelled;
- (iii) the credit arising in the Company's books of account as a result of the said reduction of capital will be applied in paying up in full the new Shares created and such new Shares will be so allotted and issued, credited as fully paid, to the Offeror; and
- (iv) the Offeror will pay the Cancellation Price of HK\$0.280 in cash to the Scheme Shareholders for each Scheme Share held by them on the Scheme Record Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As a result of the aforesaid, the Offeror will hold 100% of the issued share capital of the Company. The tables below set out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon the Scheme becoming effective:

Shareholder	As at the Latest Practicable Date		Immediately upon the Scheme becoming effective	
	<i>Number of Shares</i>	<i>Approximate % of the issued share capital of the Company</i>	<i>Number of Shares</i>	<i>Approximate % of the issued share capital of the Company</i>
Offeror	1,183,838,723	72.90	1,624,000,000	100.00
Mr. Douglas C. K. Woo, an Offeror Concert Party (<i>Note</i>)	33,208,000	2.04	–	–
Sub-total: Offeror and Offeror Concert Parties	1,217,046,723	74.94	1,624,000,000	100.00
Independent Shareholders	406,953,277	25.06	–	–
Total	<u>1,624,000,000</u>	<u>100.00</u>	<u>1,624,000,000</u>	<u>100.00</u>

Note: As at the Latest Practicable Date, Mr. Douglas C. K. Woo, an Offeror Concert Party (being the son of Mr. Woo Kwong Ching Peter, the settlor of the trust of which HSBC Trustee (C.I.) Limited, an indirect holding company of the Offeror, is the trustee), was interested in 33,208,000 Shares (representing approximately 2.0% of the issued share capital of the Company). Such Shares will form part of the Scheme Shares but the relevant Offeror Concert Party will not vote on the Scheme at the Court Meeting.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have taken into account the following principal factors and reasons:

1. Financial performance of the Group

As stated in the 2018/19 Annual Report, 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. A summary of the audited consolidated results of the Group for the three years ended 31 March 2019 and six months ended 30 September 2019 is set out in Appendix I to the Scheme Document. The following table sets out certain highlight of financial performance of the Group for the three years ended 31 March 2019 and six months ended 30 September 2019 as extracted from Appendix II of the Scheme Document:

	Year ended 31 March			Six months ended	
	2017	2018	2019	30 September	
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
Revenue	954	861	842	414	338
Loss before taxation	(40)	(55)	(22)	(24)	(48)
Loss attributable to owners of the Company	<u>(42)</u>	<u>(55)</u>	<u>(22)</u>	<u>(24)</u>	<u>(55)</u>

As stated in the 2017/18 Annual Report, revenue of the Group declined by 9.8% to HK\$860.7 million for the year ended 31 March 2018 (year ended 31 March 2017: HK\$954.4 million) with a 1.0% decrease in gross margin mainly due to a higher proportion of revenue contributed by liquidation of aged stocks. Hong Kong division's revenue dropped by 6.5% against the previous year and accounted for 88.7% of Group revenue for the year ended 31 March 2018 (year ended 31 March 2017: 85.6%). As a result, the operating loss of Hong Kong division widened by HK\$18.9 million to HK\$50.7 million for the year ended 31 March 2018 (year ended 31 March 2017: HK\$31.8 million). The Group recorded a net loss attributable to owners of the Company of HK\$54.7 million for the year ended 31 March 2018, compared with a net loss of HK\$41.9 million for the previous year.

As stated in the 2018/19 Annual Report, revenue of the Group declined by 2.1% to HK\$842.4 million for the year ended 31 March 2019 (year ended 31 March 2018: HK\$860.7 million). However, gross margin improved by 1.7 percentage points mainly due to the increased level of full price sell-through and a relatively lower proportion of revenue contributed by the liquidation of aged stocks. Hong Kong division's revenue dropped by 2.5% against the previous year and accounted for 88.3% of Group revenue for the year ended 31 March 2019 (year ended 31 March 2018: 88.7%) with gross margin improved by

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1.4 percentage points. Coupled with savings in operating overheads, Hong Kong division's operating loss narrowed to HK\$14.6 million for the year ended 31 March 2019 (year ended 31 March 2018: HK\$50.7 million). 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.

As stated in the 2019 Interim Report, impacted by business disruption of the social unrest in Hong Kong, revenue of the Group declined by 18.4% to HK\$337.7 million for the six months ended 30 September 2019 (six months ended 30 September 2018: HK\$413.9 million) with gross margin decreased by 2.5 percentage points. Hong Kong division's revenue declined by 19.6% against the same period last year and accounted for 86.7% of the Group revenue for the six months ended 30 September 2019 (six months ended 30 September 2018: 87.9%) and coupled with a drop in gross margin due to increased stock provision for slower stock-turn, operating loss increased by HK\$18.1 million to HK\$39.4 million for the six months ended 30 September 2019 (six months ended 30 September 2018: HK\$21.3 million). Net loss attributable to owners of the Company for the six months ended 30 September 2019 amounted to HK\$54.9 million, compared with net loss of HK\$22.3 million for the entire financial year ended 31 March 2019 and net loss of HK\$24.2 million for the six months ended 30 September 2018.

The Group had been loss-making for the past four consecutive financial years and six months ended 30 September 2019 with an aggregate loss attributable to owners of Company of approximately HK\$251.8 million. Meanwhile, the number of shops of the Group has reduced from 52 shops as at 31 March 2015 to 31 shops as at the Latest Practicable Date. As a result of the unsatisfactory financial performance of the Group, the Group recorded continuous decrease in net assets attributable to owners of the Company from approximately HK\$708.9 million as at 31 March 2014 to approximately HK\$379.2 million as at 30 September 2019. Based on the 2019 Interim Report, the net assets of the Group amounted to approximately HK\$379.2 million as at 30 September 2019 which comprised the following:

	As at 30 September 2019 <i>HK\$' million</i>
Non-current assets	404
Current assets	480
Current liabilities	(206)
Net current assets	<u>274</u>
Non-current liabilities	(299)
Net assets	<u><u>379</u></u>

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As at 30 September 2019, the non-current assets of the Group were approximately HK\$404.3 million, principally comprised rights-of-use assets of approximately HK\$320.0 million and deposits and prepayments of approximately HK\$49.2 million which were mainly related to the leased premises of the Group. The current assets of the Group were approximately HK\$479.6 million as at 30 September 2019, principally comprised cash and cash equivalent of approximately HK\$266.5 million and inventories of approximately HK\$146.2 million. The current liabilities of the Group were approximately HK\$205.4 million as at 30 September 2019, principally comprised other payables and accruals and contract liabilities of approximately HK\$93.6 million, lease liabilities (current portion) of approximately HK\$56.6 million and trade and bills payables of approximately HK\$46.4 million. The non-current liabilities of the Group were approximately HK\$299.2 million as at 30 September 2019, principally comprised lease liabilities (non-current portion) of approximately HK\$292.0 million. The net assets attributable to owners of the Company as at 30 September 2019 was approximately HK\$379.2 million. As stated in the Letter from the Board, the unaudited consolidated net asset value attributable to Shareholders per Share as at 30 September 2019 was approximately HK\$0.2335.

Outlook

As stated in the 2019 Interim Report, it is expected that the social unrest in Hong Kong would continue in the second half of the financial year ending 31 March 2020 and would be significantly impacting tourist traffic and consumer sentiment in Hong Kong. Moreover, the slowing down of the Chinese economy, weakening of renminbi, high rental levels relative to revenue and the China/US trade disputes would also cast doubt on the recovery of the retail market of Hong Kong and Mainland China in the near term. In view of the challenge ahead, the Group will take a cautious approach to stock purchasing and business expansion and will continue to focus on improving shop productivity through maximising gross margins and full price sell-through and exercising stringent control on overheads.

According to the Census and Statistics Department of Hong Kong, the value index of retail sales of all retail outlets ranged from 93.6 to 119.3 during January 2019 to May 2019, and decrease to 74.3 for November 2019. In particular, the value index of retail sales of clothing, footwear and allied products decreased from 94.6 in May 2019 to 62.4 in November 2019, representing a decrease of approximately 29.1 points as compared to November 2018. We also noted that the estimated value index of retail sales of all retail outlets for December 2019 represented an increase as compared to November 2019, while, on the other hand, still estimated to be approximately 21.6 units below that of December 2018. The value index of retail sales measures the change in sales of retail outlets in value terms and the average monthly value index of retail sales from October 2014 to September 2015 taken as 100.

Based on the “Third Quarter Economic Report 2019 & Update Economic Forecasts for 2019” dated 15 November 2019 (the “**2019 3Q Economic Report and Forecast**”) prepared by the Hong Kong SAR Government, the Hong Kong economy saw an abrupt deterioration in Q3, gross domestic product (“**GDP**”) of Hong Kong contracting by 2.9% from a year earlier, the first year-on-year contraction since 2009 and the economy has entered a recession. Meanwhile, the local social incidents took a heavy toll on

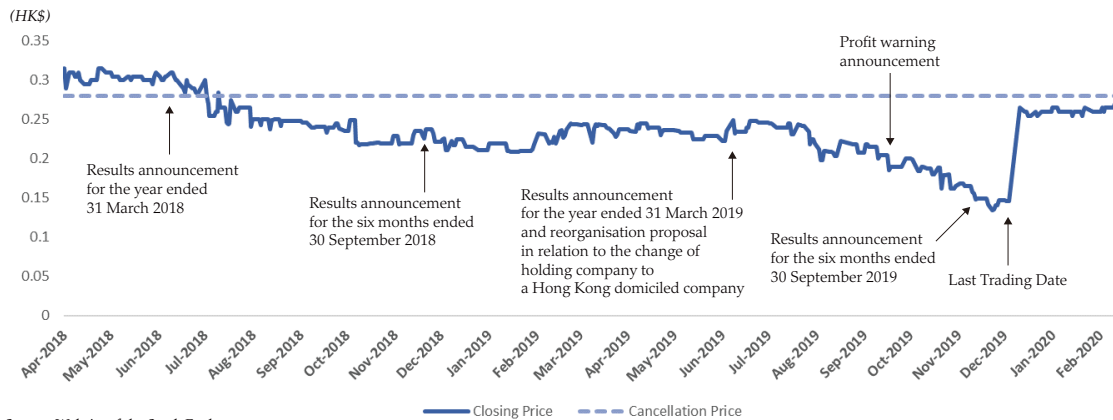
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consumption- and tourism-related sectors and the local business sentiment turned pessimistic. Pursuant to the “Advance estimates on Gross Domestic Product for fourth quarter and whole year of 2019” released by the Census and Statistics Department on 3 February 2020, the GDP decreased by 2.9% in real terms in the fourth quarter of 2019 from a year earlier, compared with the decrease of 2.8% in the third quarter of 2019. The decline of GDP was mainly attributable to the weak performance in both domestic and external demand. Meanwhile, the GDP decreased by 1.2% in real terms for 2019 as a whole, as compared to 2018. According to the Report on Quarterly Business Tendency Survey of the first quarter 2020 prepared by the Census and Statistics Department of Hong Kong, approximately 40% of the retail sector respondents expected that the volume of business/output for the first quarter 2020 will go down as compared to the fourth quarter 2019, with approximately 53% expected that the volume of business/output for the first quarter 2020 will be the same as compared to the fourth quarter 2019 and approximately 7% expected that the volume of business/output for the first quarter 2020 will go up compared to the fourth quarter 2019, representing a net balance (being the difference between the percentage of respondents expecting the volume of business/output to go “up” and “down”) of -33%. The net balance for fourth quarter 2019 as compared to third quarter 2019, and the third quarter 2019 as compared to second quarter 2019 for the retail sector was -60% and -16%, respectively. On 25 January 2020, in response to the latest development of the 2019 Novel Coronavirus (2019-nCoV) infection, the Chief Executive of Hong Kong announced that the response level under the “Preparedness and Response Plan for Novel Infectious Disease of Public Health Significance” (the Preparedness and Response Plan) would be raised to Emergency Response Level, together with the implementation of strategies and measures covering six areas to tackle the disease, amongst which the strengthening immigration control and cancelling large-scale events by the Hong Kong Government in minimising risks of virus infection and spreading in local community might reduce the number of visitors to Hong Kong.

2. Share price performance and liquidity

2.1 Historical market price of the Shares

The following chart depicts the daily closing prices of the Shares, comparing with the Cancellation Price, from 1 April 2018 (being the commencement of the financial year ended 31 March 2019) up to the Latest Practicable Date (the “Review Period”):



Source: Website of the Stock Exchange

Since the commencement of the Review Period up to the announcement of annual results of the Group for the year ended 31 March 2018 on 15 June 2018, the Shares were closed at a range between HK\$0.29 to HK\$0.315. On 15 June 2018, the Company announced its results for the year ended 31 March 2018 which showed that the Group widened its net loss from approximately HK\$41.9 million for the year ended 31 March 2017 to approximately HK\$54.7 million for the year ended 31 March 2018. The closing price of the Shares dropped below the Cancellation Price of HK\$0.28 in early July 2018, and since late July 2018, the Shares were closed below the Cancellation Price. During August 2018 to July 2019, we noted that the closing price of the Shares was relatively stable and ranged from HK\$0.209 to HK\$0.265, among which the highest closing price of the Shares during January 2019 to July 2019 was HK\$0.249. Subsequent to July 2019, the Share price experienced continuous downward pressure and the closing price of the Shares reached HK\$0.19 on 24 September 2019, that being the date on which the Group published a profit warning announcement in relation to the expected financial results for the six months ending 30 September 2019. The trading price of the Shares continued to decline afterwards and reached a closing price of HK0.134 on 25 November 2019 after the announcement of interim results of the Group for the six months ended 30 September 2019 on 14 November 2019. Then the trading price of the Shares experienced a bounce and closed at HK\$0.146 on the Last Trading Date.

The trading of the Shares resumed on 13 December 2019 after publication of the Joint Announcement and the trading price of the Share surged and closed at HK\$0.265. The trading price of the Shares remained relatively stable subsequent to 13 December 2019 and up to the Latest Practicable Date.

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Based on the above, we noted that since mid-July 2018, the Shares were closed at prices below the Cancellation Price.

However, Shareholders should note that although the Cancellation Price represented premium over the closing prices of the Shares throughout the Review Period, there is no guarantee that the trading price of the Shares will persistently remain and be lower than the Cancellation Price subsequent to the publication of the Scheme Document. The Shareholders, in particular those who may wish to realise their investments in the Shares, are thus reminded to closely monitor the market price of the Shares subsequent to the publication of the Scheme Document.

2.2 *Liquidity of the Shares*

The total number and average daily number of the Shares traded per month, and the respective percentage of the Shares' average daily trading volume as compared to the total number of Shares in issue are tabulated as below:

Month	Total monthly trading volume <i>(shares)</i>	Average daily volume <i>(shares)</i>	% of average daily trading volume to total number of Shares in issue <i>(Note 1)</i>	% of average daily trading volume to total number of Shares held by the public <i>(Note 2)</i>
2018				
April	11,584,000	609,684	0.04%	0.14%
May	3,284,000	156,381	Below 0.01%	0.04%
June	5,554,000	277,700	0.02%	0.06%
July	8,146,000	387,905	0.02%	0.09%
August	1,372,000	59,652	Below 0.01%	0.01%
September	640,000	33,684	Below 0.01%	Below 0.01%
October	2,136,000	101,714	Below 0.01%	0.02%
November	1,854,000	84,273	Below 0.01%	0.02%
December	1,128,000	59,368	Below 0.01%	0.01%

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Month	Total monthly trading volume <i>(shares)</i>	Average daily volume <i>(shares)</i>	% of average daily trading volume to total number of Shares in issue <i>(Note 1)</i>	% of average daily trading volume to total number of Shares held by the public <i>(Note 2)</i>
2019				
January	1,228,000	55,818	Below 0.01%	0.01%
February	7,804,000	459,059	0.03%	0.10%
March	3,068,000	146,095	Below 0.01%	0.03%
April	6,220,000	327,368	0.02%	0.07%
May	134,000	6,381	Below 0.01%	Below 0.01%
June	5,216,000	274,526	0.02%	0.06%
July	1,078,000	49,000	Below 0.01%	0.01%
August	4,450,000	261,765	0.02%	0.06%
September	694,000	33,048	Below 0.01%	Below 0.01%
October	1,392,000	66,286	Below 0.01%	0.02%
November	2,868,000	136,571	Below 0.01%	0.03%
December (from 1 December 2019 up to the Last Trading Date)	0	0	0.00%	0.00%
December (from 13 December 2019 to 31 December 2019)	103,258,000	9,387,091	0.58%	2.13%
2020				
January	54,186,000	2,709,300	0.17%	0.62%
February (up to the Latest Practicable Date)	29,512,000	1,844,500	0.11%	0.42%

Source: *website of the Stock Exchange*

Notes:

1. Calculated based on the total number of Shares in issue as at the respective month end date.
2. Calculated based on the number of Shares held by the public Shareholders (including Shares held by Mr. Douglas C. K. Woo) as at the Latest Practicable Date.

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We note from the above table that daily trading in the Shares was relatively thin during the Review Period (up to the Latest Trading Day) which ranged approximately 0.00% to 0.04% of the total number of the Shares in issue and approximately 0.00% to 0.14% of the Shares held by the public. Within 458 active trading days (a trading day which the trading of Shares was not suspended) in the Review Period, there were (i) 186 trading days with no Shares traded, representing approximately 41.0% of the total active trading days of the Shares in the Review Period, (ii) 376 trading days with less than 500,000 Shares traded, representing approximately 82.8% of total active trading days of the Shares in the Review Period; and (iii) 412 trading days with less than 1,000,000 Shares traded, representing approximately 90.7% of total active trading days of the Shares in the Review Period. The above statistics illustrate that the trading of the Shares during the Review Period was not active.

In our view, in general, the liquidity of the Shares was relatively low and there may not be sufficient liquidity in the Shares and an active market for the Shareholders to dispose of considerable amount of their Shares in the open market without having an adverse impact on the price level of the Shares.

2.3 Comparison of the Cancellation Price with the market price and NAV per Share

The Cancellation Price of HK\$0.28 per Share represents:

- (i) a premium of approximately 91.78% over the closing price of HK\$0.1460 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a premium of approximately 91.26% over the average closing price of HK\$0.1464 per Share based on the daily closing prices as quoted on the Stock Exchange over the 5 trading days up to and including the Last Trading Date;
- (iii) a premium of approximately 82.17% over the average closing price of HK\$0.1537 per Share based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days up to and including the Last Trading Date;
- (iv) a premium of approximately 62.70% over the average closing price of HK\$0.1721 per Share based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including the Last Trading Date;
- (v) a premium of approximately 32.20% over the average closing price of HK\$0.2118 per Share based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days up to and including the Last Trading Date;
- (vi) a premium of approximately 3.70% over the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

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- (vii) a premium of approximately 0.39% over the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$0.2789 as at 31 March 2019; and
- (viii) a premium of approximately 19.91% over the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$0.2335 as at 30 September 2019.

3. Comparable Analysis

In order to assess the fairness and reasonableness of the Cancellation Price, we consider that reference to price-to-earnings multiple (“**PE Ratio**”) and price-to-book multiple (“**PB Ratio**”) which are all common valuation methods, would be relevant.

However, given the Group was loss-making for the year ended 31 March 2019 and companies engaging in retail industry may have a relatively stronger cash position, we have also included price-to-cash, bank and short-term investments multiple (“**P-Cash Ratio**”) in our analysis. The Cancellation Price represents a PB Ratio of approximately 1.20 times calculated based on the unaudited consolidated NAV per Share of approximately HK\$0.2335 as at 30 September 2019, and P-Cash Ratio of approximately 1.71 times calculated based on the unaudited consolidated cash, bank and short-term investments per Share of approximately HK\$0.1641 as at 30 September 2019.

To assess the fairness and reasonableness of the Cancellation Price by comparison of the PB Ratio and P-Cash Ratio (and with PE Ratio for reference purpose only), and by taking into account of the nature of business, scale and geographical coverage of the Group and market capitalisation of the Company before the Joint Announcement and as at the Latest Practicable Date, we have identified a total of six comparable companies (the “**Comparable Companies**”) whose principal business is operating apparel or luxury wearable consumer product retail chain stores in Hong Kong for our analysis below. In identifying the Comparable Companies, our selection criteria are set out as follows: (i) companies listed on the Stock Exchange (except for those whose trading of shares have been suspended for over one month consecutively up to and preceding the Latest Practicable Date) that are operating retail chain stores in Hong Kong selling apparels and/or luxury wearable consumer goods (including but not limited to footwear, jewelry and watches); (ii)(a) annual turnover between HK\$400 million to HK\$2,000 million in the latest financial year or (b) market capitalisation between HK\$200 million to HK\$1,000 million as at the Latest Practicable Date; and (iii) revenue derived from Hong Kong in the latest financial year represented approximately 50% or more of the total revenue. These Comparable Companies represent an exhaustive list of comparable companies we were

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able to identify from the Stock Exchange's website and information from Bloomberg satisfying the above selection criteria. The following table illustrates the PE Ratio and PB Ratio of the Comparable Companies:

Company (Stock Code)	Principal activities	Market capitalisation as at the Latest Practicable Date (HK\$ million)	Revenue in last financial year (HK\$ million)	PE Ratio (times)	PB Ratio (times) (Note 1)	P-Cash Ratio (times) (Note 2)
<u>Luxury consumer wearable goods</u>						
STELUX Holdings International Limited (84)	The company principally engaged in the wholesale and retail of watches.	105	1,458	Loss-making	0.11	0.47
King Fook Holdings Limited (280)	The company principally engaged in the trading of bullion and diamond.	302	552	393.10 (Note 3)	0.48	1.67
Emperor Watch & Jewellery Limited (887)	The company principally engaged in the sales of watches and jewelries.	956	4,722	3.62	0.21	1.53
Oriental Watch Holdings Limited (398)	The company principally engaged in the trading of watches.	998	2,437	7.23	0.47	0.88
<u>Apparel goods</u>						
Bossini International Holdings Limited (592)	The main businesses of the company include the retailing and distribution of apparel.	292	1,641	Loss-making	0.52	1.11
Bauhaus International (Holdings) Limited (483)	The main businesses of the Company include the design and retailing of trendy apparel, bags and fashion accessories.	276	869	Loss-making	0.44	2.02
	Average			Not applicable	0.37	1.28
	Minimum			Not applicable	0.11	0.47
	Maximum			Not applicable	0.52	2.02
The Cancellation Price		438 (Note 4)	842	Not applicable	1.20 (Note 5)	1.71 (Note 6)

Notes:

1. Calculated based on the market capitalisation as at the Latest Practicable Date and the net assets attributable to equity holders as extracted from their respective latest published financial report.
2. Calculated based on the market capitalisation as at the Latest Practicable Date and the aggregate of cash and cash equivalent, bank deposits (including pledged deposits and short-term structured deposits) and current portion of financial assets at fair value through profit and loss as extracted from their respective latest published financial report.

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3. King Fook Holdings Limited recorded a marginal profit attributable to owners of the company of approximately HK\$767,000 for the year ended 31 March 2019 and therefore recorded an exceptionally high PE Ratio.
4. The market capitalization of the Company was calculated based on the closing price of HK\$0.27 per Share as at the Latest Practicable Date and the 1,624,000,000 Shares in issue.
5. Calculated based on the unaudited consolidated net asset value attributable to owners of the Company as at 30 September 2019, the total number of Shares in issue as at 30 September 2019 and the Cancellation Price of HK\$0.28.
6. Calculated based on the aggregate of cash and cash equivalent, bank deposits (including short-term structured deposits) and current portion of financial assets at fair value through profit and loss as at 30 September 2019, the total number of Shares in issue as at 30 September 2019 and the Cancellation Price of HK\$0.28.

Based on the above table, we noted that three out of the six Comparable Companies were loss-making in their latest financial year and one of the profit-making Comparable Companies made a marginal profit in its latest financial year, and the PB Ratio of the Comparable Companies ranged from approximately 0.11 times to 0.52 times and with an average of approximately 0.37 times and the P-Cash Ratio of the Comparable Companies ranged from approximately 0.47 times to 2.02 times with an average of approximately 1.28 times. The Cancellation Price represents a PB Ratio of approximately 1.20 times which represented a premium of approximately 130.8% over the highest PB Ratio of the Comparable Companies, and a P-Cash Ratio of approximately 1.71 times which falls within the range of that of the Comparable Companies and is approximately 33.6% above the average P-Cash Ratio of the Comparable Companies.

Shareholders should note that each of the Comparable Company may not be entirely comparable to the Group in terms of market capitalisation, geographical spread of activities, scale of operations, asset base, cash position, capital structure, minority interest, risk profile, brand profile, target customers, track record, composition of business activities, product mix, future prospects and other relevant criteria. All these factors may affect the valuation of a company as indicated by the varied range of result in our comparison. Notwithstanding the foregoing, we consider that the analysis on the Comparable Companies can still provide a meaningful reference to the Shareholders as the Comparable Companies are involved in the business and industry comparable to the Group, and therefore can provide a general overview on their market valuation with respect to their corresponding profitability, if any, and book value for comparison purpose. Accordingly, we consider the trading statistics of the Comparable Companies can serve as a benchmark for assessing the reasonableness and fairness of the Cancellation Price and provide an appropriate basis in forming our opinion on the Proposal. Meanwhile, we have also considered the results of the above comparison together with all other factors stated in this letter as a whole.

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4. Privatisation precedents

We have compared the Proposal with privatisation proposals of other companies listed on the Stock Exchange announced since 1 April 2018 and up to the Latest Practicable Date, which were approved and completed but excluding proposals without a cash cancellation consideration (the “**Privatisation Precedents**”), which represent an exhaustive list of privatisation proposals we were able to identify from the Stock Exchange’s website satisfying the above selection criteria. The table below illustrates the premiums or discounts represented by the cancellation consideration over or to the respective last trading day, 5, 30, 60 and 90 trading days (up to and including the last trading days) average share prices and latest NAV per share in respect of such privatisation proposals respectively. The Privatisation Precedents set out below provide, in our view, a comparison between the cancellation price and the then prevailing market prices and NAV per share of successful privatisation proposals, although the business nature and scale of each of the Privatisation Precedents may not be comparable to the Group and some aspects of pricing may be industry-specific.

Date of initial announcement	Company	Premium/ (discount) of NAV per share %	Premium/(discount) of offer/cancellation price over the average share price prior to the privatisation proposal				
			Last trading day %	5 trading days %	30 trading days %	60 trading days %	90 trading days %
1-Nov-19	Springland International Holdings Limited (1700)	(18.15)	63.12	67.88	56.82	55.39	53.22
20-Oct-19	DAH Chong Hong Holdings Limited (1828)	(28.16)	37.55	37.55	54.81	56.12	54.17
3-Oct-19	Huaneng Renewables Corporation Limited (958)	(4.62)	18.73	18.37	30.02	40.33	43.23
12-Aug-19	TPV Technology Limited (903)	(24.76)	41.39	46.77	54.40	74.66	87.38
27-Jun-19	Asia Satellite Telecommunications Holdings Ltd. (1135)	10.01	23.43	31.53	44.35	50.52	56.51
18-Jun-19	C.P. Lotus Corporation (121)	57.14	10.00	12.02	29.41	30.33	26.44
14-Jun-19	China Automation Group Limited (569)	16.01	23.97	27.12	47.06	47.06	47.06
4-Apr-19	China Hengshi Foundation Company Ltd. (1197)	42.05	10.62	14.68	17.37	19.05	24.38
28-Mar-19	China Power Clean Energy Development Company Ltd. (735)	(35.08)	41.93	54.83	78.10	93.95	101.85
5-Dec-18	Hopewell Holdings Limited (54)	(35.56)	46.69	48.83	55.51	54.09	49.63
30-Oct-18	Advanced Semiconductor Manufacturing Corporation Limited (3355)	89.87	66.67	85.19	100.00	92.31	89.87
27-Sep-18	Sinotrans Shipping Ltd. (368)	(25.21)	50.00	55.17	42.86	37.76	32.35

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Date of initial announcement	Company	Premium/(discount) of offer/cancellation price over the average share price prior to the privatisation proposal					
		Premium/(discount) of NAV per share %	Last trading day %	5 trading days %	30 trading days %	60 trading days %	90 trading days %
10-Jun-18	Hong Kong Aircraft Engineering Company Limited (44)	99.25	63.20	63.24	62.43	60.25	56.96
7-Jun-18	Portico International Holdings Ltd. (589)	(9.89)	50.18	51.85	49.09	45.39	45.91
	Average	9.49	39.11	43.93	51.59	54.09	54.93
	Maximum	99.25	66.67	85.19	100.00	93.95	101.85
	Minimum	(35.56)	10.00	12.02	17.37	19.05	24.38
Cancellation Price	HK\$0.280 per Scheme Share	19.91	91.78	91.26	82.17	62.70	50.05

Source: Bloomberg and website of the Stock Exchange

Notes:

1. It represents the premium/(discount) of offer or cancellation price over or to the NAV per share quoted from the respective privatisation documents without taking into account any adjustments arising from, amongst others, revaluation of properties set out therein.
2. Up to and including the last trading day of the shares.

Based on the aforesaid table, we noted that the premiums of the above Privatisation Precedents ranged from approximately 10.00% to 66.67%, 12.02% to 85.19%, 17.37% to 100.00%, 19.05% to 93.95% and 24.38% to 101.85% over their respecting last trading day, 5, 30, 60 and 90 trading days average (up to and including the last trading day) share prices with average premiums of approximately 39.11%, 43.93%, 51.59%, 54.09% and 54.93%, respectively.

The Cancellation Price represented premiums over the last trading day, 5, 30, 60 and 90 trading days average (up to and including the last trading day) share prices of approximately 91.78%, 91.26%, 82.17%, 62.70% and 50.05%, respectively. Such premium (i) exceeded the upper range of premium of the Privatisation Precedents in the last trading day and 5 trading days average share prices; (ii) falls within the range and above the average premium of the Privatisation Precedents in the 30 and 60 trading days average share prices; and (iii) falls within the range while below the average premium of the Privatisation Precedents in 90 trading days average share prices.

On the other hand, the Cancellation Price also represented a premium of approximately 19.91% over the unaudited consolidated net assets attributable to owners of the Company as at 30 September 2019, which falls within the range of that of the Privatisation Precedent and above its average of approximately 9.49%.

5. **Reasons for and benefits of the Proposal**

Unsatisfactory financial performance and uncertain industry outlook

As stated in the Explanatory Statement, the trading environment for retailers has been challenging in recent years. The Company has recorded significant declines in revenue and losses in four consecutive financial years ended 31 March 2019 despite various initiatives of management to enhance the financial performance of the Group.

In the current financial year, on top of soft economic performance, the outbreak of social unrest, and more recently the 2019 Novel Coronavirus (2019-nCoV), has seriously impacted tourist traffic and consumer sentiment in Hong Kong and/or Mainland China. The Group recorded a 11% drop in revenue in the first financial quarter compared to a year earlier and a 26% drop in the second financial quarter. The unaudited net loss for the six months ended 30 September 2019 more than doubled to HK\$55 million compared to a year earlier. Cash and cash equivalents decreased by a further HK\$82 million in 6 months from HK\$349 million as at 31 March 2019 to HK\$267 million as at 30 September 2019. Net asset value attributable to Shareholders decreased to HK\$0.2335 per Share as at 30 September 2019.

The third financial quarter spelt deeper trouble for retailers in Hong Kong. The Group's cash and cash equivalents dropped further by HK\$23 million in 3 months to HK\$244 million as at 31 December 2019. The Group will continue to focus on improving shop productivity through maximising gross margins and full price sell-through and exercising stringent control on overheads. However, in addition to social unrest in Hong Kong, a deadly virus outbreak, the slowing down of the Chinese economy, potential weakening of renminbi, high rental levels relative to revenue and the China-U.S. trade disputes cast doubt on the recovery of the Group's retail markets in the near term.

Our view

As stated in the section headed "1. Financial performance of the Group" above, the Group had been loss-making for the past four consecutive financial years and six months ended 30 September 2019 with an aggregate loss attributable to owners of Company of approximately HK\$251.8 million. During the same period, the Group also experienced decline trend in terms of revenue and the revenue of the Group for the year ended 31 March 2019 was the lowest level recorded by the Group since the year ended 31 March 2015. The operating loss of the Group for the year ended 31 March 2019 narrowed when the gross margin of the Hong Kong division improved by 1.4 percentage points together with savings in operating overheads, however, impacted by business disruption of the social unrest in Hong Kong, revenue of the Group declined by 18.4% to HK\$337.7 million for the six months ended 30 September 2019 (six months ended 30 September 2018: HK\$413.9 million) with gross margin decreased by 2.5 percentage points, and the net loss of the Group

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

for the six months ended 30 September 2019 already amounted to HK\$54.9 million, compared with net loss of HK\$22.3 million for the entire financial year ended 31 March 2019 and net loss of HK\$24.2 million for the six months ended 30 September 2018.

Meanwhile, the value index of retail sales of clothing, footwear and allied products decreased from 94.6 in May 2019 to 62.4 in November 2019, representing a decrease of approximately 29.1 units as compared to November 2018 according to the Census and Statistic Department of Hong Kong. According to the 2019 3Q Economic Report and Forecast, the Hong Kong economy recorded the first year-on-year contraction since 2009, the local social incidents took a heavy toll on consumption- and tourism-related sectors and the local business sentiment turned pessimistic, and according to the “Advance estimates on Gross Domestic Product for fourth quarter and whole year of 2019” released by the Census and Statistics Department, the GDP decreased by 2.9% in real terms in the fourth quarter of 2019 from a year earlier. Taking into account of the aforesaid and the recent outbreak of the 2019 Novel Coronavirus (2019-nCoV) in Hong Kong and Mainland China, we concur with the Board that the recovery of the Group’s retail markets in the near term is uncertain.

Shareholders unable to realise their investment in open market

Due to consecutive years of losses, the last dividend paid by the Company was in August 2015. Since then, the Company’s share price has also declined by nearly 65% immediately prior to the publication of the Joint Announcement and general trading illiquidity in the Company’s shares may not have allowed Shareholders to realise their investment at a reasonable price and/or in reasonable volume. In the circumstances, the Offeror considers it is appropriate to offer Scheme Shareholders an opportunity to realise their investment.

The Company has not utilised its listed status for any equity fund raising activities in recent years and the listing is not expected to provide any benefit to the Company in the near term. To the disadvantage of Shareholders, the liquidity of the Shares has been at a relatively low level over a long period of time. The average daily trading volume of Shares for the 6 months up to and including the Last Trading Date was approximately 128,000 Shares per day, representing only approximately 0.008% of the issued shares as at the Latest Practicable Date. The low trading liquidity of the Shares makes it difficult for Shareholders to execute on-market disposals without adversely affecting the price of the Shares.

Our view

As stated in the section headed “2. Share price performance and liquidity” above, the liquidity of the Shares was relatively low during the Review Period that the average daily trading volume ranged approximately 0.00% to 0.04% of the total number of the Shares in issue and 0.00% to 0.14% of the Shares held by the public, and no Share was traded in over 40.0% of the total active trading days of the Shares during the Review Period. We concur with the Board that it would be difficult for the Shareholders to execute on-market disposals without adversely affecting the price of the Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Cancellation Price represents a premium over recent trading prices and net assets

The Directors have been striving to reduce corporate costs. The listing of the Company involves administrative, compliance and other listing-related costs and expenses being incurred. If the Proposal is successful, these costs and expenses would be eliminated. The Offeror is putting forward a proposal to privatise the Company at a cash price of HK\$0.280 per Scheme Share. The Cancellation Price represents a premium of approximately 82.17% and 32.20% over the average closing prices of approximately HK\$0.1537 and HK\$0.2118 per Share for the 30 and 180 consecutive trading days up to and including the Last Trading Date, respectively.

The Offeror believes the Proposal will provide the Scheme Shareholders with an opportunity to exit and realise their entire investment in the Company at a significant premium over recent trading prices and over the net assets at 30 September 2019 at a time when recent trading turnover has been very low.

Our view

Based on the share price chart as set out in the section headed “2. Share price performance and liquidity” above, the highest closing price of the Shares in 2019 up to and including the Latest Trading Date was HK\$0.249, and the Cancellation Price represented a premium of approximately 12.4% over such price. The trading price of the Shares experienced a decrease trend in the second half of 2019 prior to the Last Trading Date and reached a closing price of HK0.134 on 25 November 2019 after the announcement of interim results of the Group for the six months ended 30 September 2019 on 14 November 2019, which then bounced a bit and closed at HK\$0.146 on the Last Trading Date. On the other hand, the Cancellation Price also represented a premium of approximately 19.91% over the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$0.2335 as at 30 September 2019. Based on the aforesaid, we concur with the Board that the Proposal will provide the Scheme Shareholders with an opportunity to exit and realise their entire investment in the Company at a significant premium over recent trading prices and over the net assets at 30 September 2019.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. Information of the Offeror and its intention regarding the Group

As stated in the Explanatory Statement, the Offeror is a company incorporated in the British Virgin Islands and is an investment holding company and is indirectly wholly owned by HSBC Trustee (C.I.) Limited, the trustee of a trust of which Mr. Woo Kwong Ching Peter is the settlor. It is the intention of the Offeror for the Group to maintain its existing business upon the privatisation of the Company. As stated in the Company's latest interim report, the Group will take a cautious approach to stock purchasing and business expansion. The Offeror has no plan to introduce any material changes to the business and/or assets of the Group, to redeploy its fixed assets or to discontinue the employment of employees of the Group as a result of the Proposal.

Given that the Offeror (i) intends to continue the existing business of the Group upon the successful privatisation of the Company; and (ii) had no plans to introduce any material changes to the business and/or assets of the Company, to redeploy its fixed assets or to discontinue the employment of employees of the Group as a result of the Proposal, we do not expect that there would be any material change in the Group's business as a result of the Proposal.

RECOMMENDATION

Having considered that principal factors and reasons as discussed above, in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- (i) the financial performance of the Group was unsatisfactory in recent financial years and the industry outlook is uncertain;
- (ii) the Cancellation Price represents a premium over the market prices of the Shares since mid-July 2018 and up to the Last Trading Date and the unaudited consolidated net assets value per Share, and the Proposal provides an immediate exit to the Shareholders to realise their investment in the Shares upon the Scheme becoming effective;
- (iii) the trading volume of the Shares was relatively thin during the Review Period;
- (iv) the Cancellation Price represents PB Ratio of approximately 1.20 times, which is considerably higher than the upper range of PB Ratio of the Comparable Companies;
- (v) the Cancellation Price represents a P-Cash Ratio of approximately 1.71 times, which falls within the range of P-Cash Ratio of the Comparable Companies and is approximately 33.6% above the average P-Cash Ratio of the Comparable Companies,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

we are of the view that the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned. Therefore, we recommend the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the Scheme at the Court Meeting and the General Meeting.

Those Independent Shareholders are reminded that, subject to the Scheme becoming effective, the Scheme Shares will be cancelled at HK\$0.28 in cash. The Offeror has advised that the Cancellation Price will not be increased and the Offeror does not reserve the right to do so.

As different Independent Shareholders would have different investment criteria, objectives and/or circumstances, we recommend any Independent Shareholders who may require advice in relation to any aspect of the Scheme Document, or as to the action to be taken, to consult a solicitor, professional accountant, tax adviser or another professional adviser. Independent Shareholders are also strongly recommended to read carefully the terms and the procedures for acceptance of the Proposal as set out in the Scheme Document and its appendices.

Yours faithfully,
for and on behalf of
HALCYON CAPITAL LIMITED

Chan Chi On, Derek
Chairman

Barton Lai
Director

Mr. Chan is a licensed person registered with the SFC and a responsible officer of Halcyon, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Mr. Chan has over 30 years of experience in the corporate finance industry.

Mr. Lai is a licensed person registered with the SFC and a responsible officer of Halcyon, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Mr. Lai has over 10 years of experience in the corporate finance industry.

EXPLANATORY STATEMENT

This Explanatory Statement constitutes the statement required under section 671 of the Companies Ordinance.

INTRODUCTION

On 12 December 2019, the Offeror and the Company jointly announced that on 11 December 2019, the Offeror requested the Board to put forward to the holders of Scheme Shares the Proposal, which, if implemented, would result in the Company becoming wholly owned by the Offeror and the withdrawal of listing of Shares from the Stock Exchange. The Offeror also confirmed in the Joint Announcement that the Cancellation Price will not be increased and that the Offeror did not reserve the right to do so.

As at the Latest Practicable Date, the Offeror owned or controlled 1,183,838,723 Shares, representing approximately 72.9% of the issued share capital of the Company.

The purpose of this Explanatory Statement is to explain the terms and effects of the Proposal and, specifically, to provide the holders of Scheme Shares with additional information in relation to the Scheme.

THE PROPOSAL

The Proposal will be implemented by way of a scheme of arrangement under section 673 of the Companies Ordinance.

Subject to the Conditions being fulfilled or waived, as applicable, the proposed privatisation of the Company will be implemented by way of the Scheme between the Company and the Scheme Shareholders.

Under the terms of the Proposal, the Scheme Shareholders will not be entitled to receive any dividend declared or paid with a record date after the date of this Scheme Document unless the Scheme lapses or is otherwise terminated. The Company does not intend to declare or pay any dividend on or before (i) the Effective Date or (ii) the date on which the Scheme lapses or is otherwise terminated (whichever is earlier).

THE SCHEME

The Scheme involves a reduction of the share capital of the Company by the cancellation of the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the creation of such number of new Shares as is equal to the number of Scheme Shares cancelled. The credit arising in the Company's books of account as a result of the capital reduction will be applied in paying up in full the new Shares so allotted and issued, credited as fully paid, to the Offeror. The Scheme provides that, in consideration of the cancellation of the Scheme Shares, the Scheme Shareholders will be entitled to receive from the Offeror:

HK\$0.280 in cash for every Scheme Share

The Offeror has advised that the Cancellation Price will not be increased and the Offeror does not reserve the right to do so.

EXPLANATORY STATEMENT

The Cancellation Price of HK\$0.280 per Scheme Share represents:

- (a) a premium of approximately 91.78% over the closing price of HK\$0.1460 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 91.26% over the average closing price of HK\$0.1464 per Share based on the daily closing prices as quoted on the Stock Exchange over the 5 trading days up to and including the Last Trading Date;
- (c) a premium of approximately 82.17% over the average closing price of HK\$0.1537 per Share based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 62.70% over the average closing price of HK\$0.1721 per Share based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 32.20% over the average closing price of HK\$0.2118 per Share based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 0.39% over the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$0.2789 as at 31 March 2019;
- (g) a premium of approximately 19.91% over the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$0.2335 as at 30 September 2019; and
- (h) a premium of approximately 3.70% over the closing price of HK\$0.2700 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Cancellation Price has been determined after taking into account, among others, the financial information of the Group, the prices at which the Shares were traded on the Stock Exchange over the past year, and pricing premiums for privatisation transactions of companies listed on the Stock Exchange in recent years.

TOTAL CONSIDERATION AND FINANCIAL RESOURCES

On the basis of the Cancellation Price of HK\$0.280 per Scheme Share and 440,161,277 Scheme Shares in issue as at the Latest Practicable Date, the amount of cash payable to the Scheme Shareholders under the Proposal would be approximately HK\$123.2 million.

Payment of the cash consideration under the Scheme will be funded by the internal cash resources of LCJG Limited, a company which directly and wholly owns the Offeror.

Somerley, as financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of cash consideration required to effect the Proposal.

EXPLANATORY STATEMENT

CONDITIONS OF THE PROPOSAL

The Proposal is, and the Scheme will become effective and binding on the Company and all Scheme Shareholders, subject to the fulfillment or waiver (as applicable) of the following Conditions:

- (a) the approval of the Scheme at the Court Meeting (by way of poll) by holders of the Scheme Shares representing at least 75% of the voting rights of such holders present and voting, in person or by proxy, at the Court Meeting, and the votes cast (by way of poll) against the Scheme at the Court Meeting not exceeding 10% of the total voting rights attached to all CO Disinterested Shares, provided that:
 - (i) the Scheme is approved (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by Independent Shareholders that are cast either in person or by proxy at the Court Meeting; and
 - (ii) the number of votes cast (by way of poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Scheme Shares held by the Independent Shareholders;
- (b) the passing of a special resolution by a majority of at least 75% of the votes cast by the Shareholders present and voting, in person or by proxy, at the General Meeting (and otherwise in accordance with the procedural requirements of section 564 of the Companies Ordinance) to approve and give effect to the Scheme, including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and the issue to the Offeror of such number of new Shares as is equal to the number of the Scheme Shares cancelled;
- (c) the sanction of the Scheme (with or without modifications) and the confirmation of the reduction of the issued share capital of the Company involved in the Scheme by the High Court and the registration of a copy of the order of the High Court by the Registrar of Companies under Part 2 of the Companies Ordinance;
- (d) the compliance with the procedural requirements of sections 230 and 231 and sections 673 and 674 of the Companies Ordinance in relation to the reduction of the issued share capital of the Company and the Scheme respectively;
- (e) all Authorisations (if any) in connection with the Proposal or its implementation in accordance with its terms having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification;

EXPLANATORY STATEMENT

- (f) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material conditions or obligations with respect to the Proposal or its implementation in accordance with its terms);
- (g) all necessary legal or regulatory obligations in all relevant jurisdictions having been complied with and no legal or regulatory requirement having been imposed which is not expressly provided for, or is in addition to the requirements expressly provided for, in the relevant laws or regulations in connection with the Proposal or its implementation in accordance with its terms;
- (h) the implementation of the Proposal not resulting in, and no event or circumstance having occurred or arisen which would or might be expected to result in:
 - (i) any indebtedness (actual or contingent) of any member of the Group being or becoming repayable (or capable of being declared repayable) immediately or prior to its stated maturity or repayment date;
 - (ii) any agreement, arrangement, licence, permit or instrument to which any member of the Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject (or any of the rights, liabilities, obligations or interests of any member of the Group thereunder) being terminated or adversely modified (or any material obligation or liability on the part of any member of the Group arising in relation thereto); or
 - (iii) the creation or enforcement of any security interest over the whole or any part of the business, property or assets of any member of the Group or any such security (whenever arising) becoming enforceable,

in each case, which is material in the context of the Group as a whole or in the context of the Proposal or its implementation in accordance with its terms; and

- (i) since the date of the Joint Announcement:
 - (i) there having been no adverse change in the business, assets, financial or trading, positions, profits or prospects of any member of the Group which is material in the context of the Group taken as a whole or in the context of the Proposal; and

EXPLANATORY STATEMENT

- (ii) there not having been instituted, threatened in writing or remaining outstanding any litigation, arbitration, other proceedings or other dispute resolution process to which any such member is a party (whether as plaintiff, defendant or otherwise) and no investigation by any government, quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, instituted or remaining outstanding, in each case, which is material in the context of the Group taken as a whole or in the context of the Proposal or its implementation in accordance with its terms.

The Offeror reserves the right to waive all or any of the above Conditions, either in whole or in respect of any particular matter, except for Conditions (a) to (d). The Company does not have the right to waive any of the Conditions. All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal will lapse. If the Scheme is withdrawn, not approved or lapses, the listing of the Shares on the Stock Exchange will not be withdrawn. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Proposal if the circumstances which give rise to a right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal.

With reference to the Condition in paragraph (e), as at the Latest Practicable Date, the Offeror is not aware of any requirement for such Authorisations other than those set out in the Conditions in paragraphs (a) to (d).

With reference to the Condition in paragraph (f), as at the Latest Practicable Date, the Offeror is not aware of any such action, proceeding, suit, investigation, statute, regulation, demand or order.

With reference to the Condition in paragraph (g), as at the Latest Practicable Date, the Offeror is not aware of any such non-compliance or regulatory requirement other than those set out in the Conditions in paragraphs (a) to (d).

With reference to the Condition in paragraph (h), as at the Latest Practicable Date, the Offeror is not aware of any such event or circumstance.

As at the Latest Practicable Date, none of the Conditions had been fulfilled or waived.

As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a Condition.

EXPLANATORY STATEMENT

If approved, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting.

Assuming that the Conditions are fulfilled or, as applicable, waived, the Scheme will become effective on the Effective Date, which is expected to be Friday, 24 April 2020, and the listing of Shares on the Stock Exchange is expected to be withdrawn at 9:00 a.m. on Monday, 27 April 2020, being one business day following the Effective Date, pursuant to Rule 6.15(2) of the Listing Rules.

An announcement will be made by the Company and the Offeror in relation to the results of the Court Meeting and the General Meeting and, if all the resolutions are passed at those meetings, further announcements 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 High Court, the Effective Date, the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

Shareholders and potential investors of the Company should be aware that the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

SHAREHOLDING STRUCTURE OF THE COMPANY AND EFFECT OF THE PROPOSAL AND THE SCHEME

As at the Latest Practicable Date:

- (a) the issued share capital of the Company comprised 1,624,000,000 Shares;
- (b) the Offeror owned, controlled or had direction over 1,183,838,723 Shares, representing approximately 72.9% of the issued share capital of the Company. These 1,183,838,723 Shares owned by the Offeror will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting;
- (c) Mr. Douglas C. K. Woo, an Offeror Concert Party (being the son of Mr. Woo Kwong Ching Peter, the settlor of the trust of which HSBC Trustee (C.I.) Limited, an indirect holding company of the Offeror, is the trustee), owned, controlled or had direction over 33,208,000 Shares, representing approximately 2.0% of the issued share capital of the Company. These 33,208,000 Shares will form part of the Scheme Shares. While these 33,208,000 Shares fall within the definition of CO Disinterested Shares under section 674(3) of the Companies Ordinance, Mr. Douglas C. K. Woo is an Offeror Concert Party and hence is not an Independent Shareholder, the 33,208,000 Shares held by him accordingly do not fall within the definition of TC Disinterested Shares under Note 6 to Rule 2 of the Takeovers Code and will not be voted at the Court Meeting;

EXPLANATORY STATEMENT

- (d) there were no convertible securities, warrants or options in respect of the Shares held, controlled or directed by the Offeror or Offeror Concert Parties;
- (e) neither the Offeror nor the Offeror Concert Parties had entered into any outstanding derivative in respect of the securities in the Company;
- (f) neither the Offeror nor the Offeror Concert Parties had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (g) none of the Directors held any Shares; and
- (h) there were a total of 440,161,277 Scheme Shares (representing approximately 27.1% of the issued share capital of the Company); all of these 440,161,277 Shares are considered CO Disinterested Shares within the meaning of Section 674(3)(a) of the Companies Ordinance; and among these 440,161,277 Shares, 406,953,277 Shares (representing approximately 25.06% of the issued share capital of the Company) are considered TC Disinterested Shares within the meaning provided in Note 6 to Rule 2 of the Takeovers Code.

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme becoming effective (assuming no new Shares will be issued prior thereto).

Shareholder	As at the Latest Practicable Date		Immediately upon the Scheme becoming effective	
	<i>Number of Shares</i>	<i>Approximate % of the issued share capital of the Company</i>	<i>Number of Shares</i>	<i>Approximate % of the issued share capital of the Company</i>
Offeror	1,183,838,723	72.90	1,624,000,000	100.00
Mr. Douglas C. K. Woo, an Offeror Concert Party	<u>33,208,000</u>	<u>2.04</u>	<u>–</u>	<u>–</u>
<i>Sub-total:</i>				
Offeror and Offeror Concert Parties	1,217,046,723	74.94	1,624,000,000	100.00
Independent Shareholders	<u>406,953,277</u>	<u>25.06</u>	<u>–</u>	<u>–</u>
Total	<u>1,624,000,000</u>	<u>100.00</u>	<u>1,624,000,000</u>	<u>100.00</u>

Upon the Scheme becoming effective, the Offeror will hold 100% of the issued share capital of the Company.

EXPLANATORY STATEMENT

SCHEME OF ARRANGEMENT UNDER SECTION 673 OF THE COMPANIES ORDINANCE AND THE COURT MEETING

Under section 670 of the Companies Ordinance, where an arrangement is proposed to be entered into by a company with the members, or any class of the members, of the company, the High Court may, on an application made by the company, any of the members or any member of that class, order a meeting of those members or of that class of members, as the case may be, to be summoned in any manner that the High Court directs.

Under section 673 of the Companies Ordinance, if the members or the class of members with whom the arrangement is proposed to be entered into agree or agrees to the arrangement, the High Court may, on application by the company, any of the members or any member of that class, as the case may be, sanction the arrangement. An arrangement sanctioned by the High Court as aforesaid is binding on the members or the class of members with whom the arrangement is proposed to be entered into.

The Scheme is a takeover offer under section 674 of the Companies Ordinance. Under section 674 of the Companies Ordinance, where the arrangement involves a takeover offer, the members or the class of members agree or agrees to the arrangement if, at a meeting summoned as directed by the High Court as aforesaid, members representing at least 75% of the voting rights of the members or the class of members, as the case may be, present and voting, in person or by proxy, agree to the arrangement and the votes cast against the arrangement at the meeting do not exceed 10% of the total voting rights attached to all CO Disinterested Shares in the company or of the class in the company, as the case may be.

ADDITIONAL REQUIREMENTS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements under the Companies Ordinance as summarised above, under Rule 2.10 of the Takeovers Code, except with the consent of the Executive, the Scheme may only be implemented if:

- (a) the Scheme is approved by the Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are cast either in person or by proxy at the Court Meeting; and
- (b) the number of votes cast by the Independent Shareholders present and voting either in person or by way of proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Scheme Shares held by all the Independent Shareholders. As at the Latest Practicable Date, the number of votes representing 10% of the votes attached to all the Scheme Shares held by the Independent Shareholders (rounded down to the nearest number of votes) was 40,695,327.

EXPLANATORY STATEMENT

BINDING EFFECT OF THE SCHEME

Notwithstanding the fact that there may be a dissenting minority, if the Scheme is approved at the Court Meeting in accordance with the requirements of section 673 of the Companies Ordinance and Rule 2.10 of the Takeovers Code and is sanctioned by the High Court and the other Conditions are either fulfilled or (to the extent permitted) waived, then the Scheme will become binding on the Company and all Shareholders.

If the Scheme becomes effective:

- (a) all the Scheme Shares will be cancelled whereupon the share capital of the Company shall be reduced and all share certificates for those Scheme Shares cancelled shall cease to have effect as evidence of title;
- (b) the share capital of the Company will then be increased to its former amount by the creation of such number of new Shares as is equal to the number of Scheme Shares cancelled;
- (c) the credit rising in the Company's books of account as a result of the said reduction of capital will be applied in paying up in full the new Shares created and such new Shares will be so allotted and issued, credited as fully paid, to the Offeror; and
- (d) the Offeror will pay the Cancellation Price of HK\$0.280 in cash to the Scheme Shareholders for each Scheme Share held by them on the Scheme Record Date.

Pursuant to Rule 2.3 of the Takeovers Code, if the Proposal is either not recommended by the Independent Board Committee or not recommended as fair and reasonable by the Independent Financial Adviser, all expenses incurred by the Company in connection with the Proposal shall be borne by the Offeror if the Scheme is not approved. Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent Financial Adviser, the Offeror and the Company have agreed that all costs, charges and expenses of the advisers and counsels appointed by the Company, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses of the advisers and counsels appointed by the Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme and the Proposal will be shared between the Offeror and the Company equally.

EXPLANATORY STATEMENT

REASONS FOR AND BENEFITS OF THE PROPOSAL

The trading environment for retailers has been challenging in recent years. Joyce Boutique Holdings (the holding company of the Group immediately prior to the completion of the Reorganisation Proposal (as defined in the scheme document dated 22 July 2019 issued by Joyce Boutique Holdings) involving, among others, the change of the holding company of the Group from Joyce Boutique Holdings to the Company by way of a scheme of arrangement pursuant to section 99 of the Companies Act 1981 of Bermuda) had recorded significant declines in revenue and losses in four consecutive financial years ended 31 March 2019 despite various initiatives of management to enhance the financial performance of the Group.

In the current financial year, on top of soft economic performance, the outbreak of social unrest, and more recently the 2019 Novel Coronavirus (2019-nCoV), has seriously impacted tourist traffic and consumer sentiment in Hong Kong and/or Mainland China. The Group recorded a 11% drop in revenue in the first financial quarter compared to a year earlier and a 26% drop in the second financial quarter. The unaudited net loss for the six months ended 30 September 2019 more than doubled to HK\$55 million compared to a year earlier. Cash and cash equivalents decreased by a further HK\$82 million in 6 months from HK\$349 million as at 31 March 2019 to HK\$267 million as at 30 September 2019. Net asset value attributable to Shareholders decreased to HK\$0.2335 per Share as at 30 September 2019.

The third financial quarter spelt deeper trouble for retailers in Hong Kong. The Group's cash and cash equivalents dropped further by HK\$23 million in 3 months to HK\$244 million as at 31 December 2019. The Group will continue to focus on improving shop productivity through maximising gross margins and full price sell-through and exercising stringent control on overheads. However, in addition to social unrest in Hong Kong, a deadly virus outbreak, the slowing down of the Chinese economy, potential weakening of renminbi, high rental levels relative to revenue and the China-U.S. trade disputes cast doubt on the recovery of the Group's retail markets in the near term.

Due to consecutive years of losses, the last dividend paid by the Company/Joyce Boutique Holdings was in August 2015. Since then, the Company/Joyce Boutique Holdings' share price has also declined by nearly 65% and general trading illiquidity in the Company's shares may not have allowed Shareholders to realise their investment at a reasonable price and/or in reasonable volume. In the circumstances, the Offeror considers it is appropriate to offer Scheme Shareholders an opportunity to realise their investment.

The Company/Joyce Boutique Holdings has not utilised its listed status for any equity fund raising activities in recent years and the listing is not expected to provide any benefit to the Company in the near term. To the disadvantage of Shareholders, the liquidity of the Shares has been at a relatively low level over a long period of time. The average daily trading volume of Shares for the 6 months up to and including the Last Trading Date was approximately 128,000 Shares per day, representing only approximately 0.008% of the issued shares as at the date of the Joint Announcement. The low trading liquidity of the Shares makes it difficult for Shareholders to execute on-market disposals without adversely affecting the price of the Shares.

EXPLANATORY STATEMENT

The Directors have been striving to reduce corporate costs. The listing of the Company involves administrative, compliance and other listing-related costs and expenses being incurred. If the Proposal is successful, these costs and expenses would be eliminated.

The Offeror is putting forward a proposal to privatise the Company at a cash price of HK\$0.280 per Scheme Share. The Cancellation Price represents a premium of approximately 82.17% and 32.20% over the average closing prices of approximately HK\$0.1537 and HK\$0.2118 per Share for the 30 and 180 consecutive trading days up to and including the Last Trading Date, respectively. The Offeror believes the Proposal will provide the Scheme Shareholders with an opportunity to exit and realise their entire investment in the Company at a significant premium over recent trading prices and over the net assets at 30 September 2019 at a time when recent trading turnover has been very low.

THE OFFEROR'S INTENTIONS IN RELATION TO THE GROUP

It is the intention of the Offeror for the Group to maintain its existing business upon the privatisation of the Company. As stated in the Company's latest interim report, the Group will take a cautious approach to stock purchasing and business expansion. The Offeror has no plan to introduce any material changes to the business and/or assets of the Group, to redeploy its fixed assets or to discontinue the employment of employees of the Group as a result of the Proposal.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of Shares on the Stock Exchange will not be withdrawn.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive. The Offeror has no intention to seek such consent.

EXPLANATORY STATEMENT

INFORMATION ABOUT THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands and is an investment holding company. The Offeror is indirectly wholly owned by HSBC Trustee (C.I.) Limited, the trustee of a trust of which Mr. Woo Kwong Ching Peter is the settlor.

The directors of the Offeror are Mr. Chan Kai Cheuk, Mr. Tam Chi Wai and Mr. Yu Ka Kai.

Controlling shareholder of the Offeror

The Offeror is indirectly wholly owned by HSBC Trustee (C.I.) Limited, the trustee of a trust of which Mr. Woo Kwong Ching Peter is the settlor.

Interests of the Offeror Directors

None of the Offeror Directors is materially interested in the Scheme and did not have to abstain from voting on the board resolution of the Offeror approving the Proposal.

INFORMATION ABOUT THE COMPANY

The Company is a company incorporated in Hong Kong with limited liability and is listed on the Stock Exchange. It 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.

Your attention is drawn to Appendix I headed "Financial Information Relating to the Group", Appendix II headed "General Information" to this Scheme Document.

Interests of the Directors of the Company

Mr. Stephen T. H. Ng is deputy chairman of Wheelock, chairman and managing director of Wharf and Wharf REIC, chairman and director of Harbour Centre Development Limited and a director of certain other companies which are associates of the Offeror.

Mr. Paul Y. C. Tsui is an executive director and group chief financial officer of Wheelock, vice chairman, executive director and group chief financial officer of Wharf, vice chairman and executive director of Wharf REIC and a director of certain other companies which are associates of the Offeror.

Notwithstanding the Directors' interests disclosed above, none of the Directors is materially interested in the Scheme or is required to abstain from voting on the board resolution of the Company approving the Proposal under the relevant requirements of the articles of association of the Company.

EXPLANATORY STATEMENT

WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with the equivalent number of new Shares being issued as fully paid to the Offeror) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. In that case, the Company does not intend to maintain its listing on the Stock Exchange and will make an application for the listing of Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect from 9:00 a.m. on Monday, 27 April 2020, being one business day following the Effective Date.

The holders of Scheme Shares will be notified by way of an announcement of the exact dates of the last day for dealing in Shares and the day on which the Scheme and the withdrawal of listing of Shares on the Stock Exchange will become effective.

REGISTRATION AND PAYMENT

Assuming that the Scheme Record Date falls on Tuesday, 21 April 2020, it is proposed that the register of members of the Company will be closed from Tuesday, 14 April 2020 (or such other date as Shareholders may be notified by an announcement) onwards in order to determine entitlements under the Scheme. In order to qualify for entitlements under the Scheme, holders of Scheme Shares should ensure that the transfers of Shares to them are lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration in their names or in the names of their nominees no later than 4:30 p.m. (Hong Kong time) on Thursday, 9 April 2020.

Upon the Scheme becoming effective, the Cancellation Price will be paid to the Scheme Shareholders whose names appear in the register of members of the Company on the Scheme Record Date for each Scheme Share as soon as possible but in any event within 7 business days (as defined in the Takeovers Code) following the Effective Date. On the basis that the Scheme becomes effective on Friday, 24 April 2020, the cheques for the payment of the Cancellation Price are expected to be despatched on or before Thursday, 7 May 2020.

Cheques for the payment of the Cancellation Price will be sent by ordinary post in postage pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name then stands first in the register of members of the Company in respect of the joint holding. All such cheques will be posted at the risk of the persons entitled thereto and none of the Offeror, the Company, Somerley, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal will be responsible for any loss or delay in transmission.

On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror.

EXPLANATORY STATEMENT

The Offeror shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account in its name, including accrued interest subject to any deduction required by law and expenses incurred.

Assuming that the Scheme becomes effective, the register of members of the Company will be updated accordingly to reflect the cancellation of all the Scheme Shares and all existing certificates for the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on Friday, 24 April 2020.

Settlement of the Cancellation Price to which any Scheme Shareholder is entitled will be implemented in full in accordance with the terms of the Proposal without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Scheme Shareholder.

OVERSEAS SHAREHOLDERS

This Scheme Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this Scheme Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

The making and implementation of the Proposal to holders of Scheme Shares who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such holders of Scheme Shares are located. Such holders of Scheme Shares should inform themselves about and observe any applicable legal, tax or regulatory requirements.

It is the responsibility of any overseas holders of Scheme Shares wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with the necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

EXPLANATORY STATEMENT

Any acceptance by the holders of Scheme Shares will be deemed to constitute a representation and warranty from such persons to the Offeror and the Company and their respective advisers that those laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

As at the Latest Practicable Date, there was no Shareholder whose addresses as shown in the register of members of the Company were outside Hong Kong.

TAXATION AND INDEPENDENT ADVICE

As the cancellation of the Scheme Shares upon the Scheme becoming effective does not involve the sale and purchase of any Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance, Chapter 117 of the Laws of Hong Kong, in this respect.

The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of the Proposal and, in particular, whether the receipt of the Cancellation Price will make them liable to taxation in Hong Kong or in other jurisdictions.

It is emphasised that none of the Offeror, the Company, Somerley, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal accept responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of their approval or rejection, or the implementation, of the Proposal.

COURT MEETING AND GENERAL MEETING

The High Court has directed that the Court Meeting be convened for the purpose of considering and, if thought fit, approving the Scheme (with or without modification). The Scheme will be subject to the approval by holders of Scheme Shares and Independent Shareholders, whose names appear in the register of members of the Company as at the Meeting Record Date, at the Court Meeting in the manner referred to in the section headed "Conditions of the Proposal" above in this Explanatory Statement.

As at the Latest Practicable Date, the Offeror was interested in 1,183,838,723 Shares (representing approximately 72.9% of the issued share capital of the Company). These 1,183,838,723 Shares owned by the Offeror will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting.

EXPLANATORY STATEMENT

As at the Latest Practicable Date, Mr. Douglas C. K. Woo, an Offeror Concert Party (being the son of Mr. Woo Kwong Ching Peter, the settlor of the trust of which HSBC Trustee (C.I.) Limited, an indirect holding company of the Offeror, is the trustee), was interested in 33,208,000 Shares (representing approximately 2.0% of the issued share capital of the Company). These 33,208,000 Shares will form part of the Scheme Shares. While these 33,208,000 Shares fall within the definition of CO Disinterested Shares under section 674(3) of the Companies Ordinance, Mr. Douglas C. K. Woo is an Offeror Concert Party and hence is not an Independent Shareholder, the 33,208,000 Shares held by him accordingly do not fall within the definition of TC Disinterested Shares under Note 6 to Rule 2 of the Takeovers Code and will not be voted at the Court Meeting.

As at the Latest Practicable Date, none of the Directors held any Shares.

Immediately following the conclusion of the Court Meeting, the General Meeting will be held for the purpose of considering and, if thought fit, passing the special resolution to give effect to the Scheme, including the reduction of the share capital of the Company. All Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote in respect of the special resolution at the General Meeting. The Offeror has indicated that, if the Scheme is approved at the Court Meeting, the Offeror will vote in favour of the special resolution to be proposed at the General Meeting to approve and give effect to the Scheme, including the approval of the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of new Shares as is equal to the number of the Scheme Shares cancelled.

Notice of the Court Meeting is set out on pages NCM-1 to NCM-3 of this Scheme Document. The Court Meeting will be held on Monday, 23 March 2020 at the time and place specified in the notice.

Notice of the General Meeting is set out on pages NGM-1 to NGM-3 of this Scheme Document. The General Meeting will be held at the same place and on the same date at 10:30 a.m. or, if later, immediately after the conclusion or adjournment of the Court Meeting.

ACTIONS TO BE TAKEN

Actions to be taken by Shareholders

For the purpose of determining the entitlements of the holders of Scheme Shares to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the General Meeting, the register of members of the Company will be closed from Wednesday, 18 March 2020 to Monday, 23 March 2020 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Tuesday, 17 March 2020. A subsequent purchaser of Scheme Shares will need to obtain a proxy form from the transferor if he wishes to attend or vote at the Court Meeting or the General Meeting.

EXPLANATORY STATEMENT

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the General Meeting are enclosed with this Scheme Document.

Whether or not you are able to attend the Court Meeting and/or the General Meeting or any adjournment thereof in person, if you are a holder of Scheme Shares, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** form of proxy in respect of the General Meeting, in accordance with the instructions printed thereon, and to lodge them with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. **In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged not less than 48 hours (exclusive of any part of a day that is a public holiday) before the time appointed for holding the Court Meeting or any adjournment thereof, and the white form of proxy for use at the General Meeting should be lodged not less than 48 hours (exclusive of any part of a day that is a public holiday) before the time appointed for holding the General Meeting or any adjournment thereof.** The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your form of proxy, the returned form of proxy will be deemed to have been revoked by operation of law.

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

Voting at the Court Meeting and the General Meeting will be taken by poll as required under the Listing Rules and the Takeovers Code.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the General Meeting and, if all the resolutions are passed at those meetings, further announcements 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 High Court, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

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, depositary 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 Court Meeting and/or the General Meeting.

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If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the General Meeting personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the General Meeting and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the General Meeting shall be in accordance with all relevant provisions in the articles of association 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 no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that the Registered Owner attends and votes at the relevant meeting or any adjournment thereof after having lodged his forms of proxy, the returned form of proxy will be deemed to have been revoked by operation of law.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are 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 to arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote 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 shall be in accordance with the "General Rules of CCASS" and the "CCASS Operational Procedures" in effect from time to time.

EXPLANATORY STATEMENT

EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A THE COMPANY SHAREHOLDER OR A BENEFICIAL OWNER, THE OFFEROR AND THE COMPANY STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE GENERAL MEETING. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, THE OFFEROR AND THE COMPANY URGE YOU TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED STOCK TO VOTE.

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, THE OFFEROR AND THE COMPANY WOULD BE GRATEFUL IF YOU WOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU ARE ENCOURAGED TO CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

FURTHER INFORMATION

Further information in relation to the Proposal is set out in the appendices to this Scheme Document, all of which form part of this Explanatory Statement.

Shareholders and Scheme Shareholders should rely only on the information contained in this Scheme Document. None of the Company, the Offeror, Somerley, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal have authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

LANGUAGE

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

1. FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated financial information of the Group for each of the three years ended 31 March 2017, 31 March 2018 and 31 March 2019 and for the six months ended 30 September 2019. The figures for the years ended 31 March 2017, 31 March 2018 and 31 March 2019 are extracted from the annual reports of Joyce Boutique Holdings (the holding company of the Group immediately prior to the completion of the Reorganisation Proposal (as defined in the scheme document dated 22 July 2019 issued by Joyce Boutique Holdings) involving, among others, the change of the holding company of the Group from Joyce Boutique Holdings to the Company by way of a scheme of arrangement pursuant to section 99 of the Companies Act 1981 of Bermuda) for the year ended 31 March 2017 (“**Annual Report 2016/2017**”), 31 March 2018 (“**Annual Report 2017/2018**”) and 31 March 2019 (“**Annual Report 2018/2019**”), respectively, and the figures for the six months ended 30 September 2019 are extracted from the interim report of the Company for the six months ended 30 September 2019 (“**Interim Report 2019/2020**”).

The auditors’ reports issued by the auditors of Joyce Boutique Holdings and the Company, PricewaterhouseCoopers, in respect of the audited consolidated financial statements of the Group for each of the three years ended 31 March 2017, 31 March 2018 and 31 March 2019 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income

	(Audited)			(Unaudited)
	For the year ended 31 March			For the six months ended
	2017	2018	2019	30 September
	HK\$’000	HK\$’000	HK\$’000	2019 HK\$’000
Revenue	954,368	860,701	842,419	337,694
Other income	41,884	37,227	38,318	11,350
Direct costs and operating expenses	(906,521)	(816,248)	(764,068)	(340,117)
Selling and marketing expenses	(42,335)	(39,141)	(34,688)	(11,278)
Administrative expenses	(91,558)	(105,320)	(94,602)	(38,076)
Other gains/(loss), net	5,323	4,290	(7,440)	–
Operating loss	(38,839)	(58,491)	(20,061)	(40,427)
Finance costs	(9)	(11)	(4)	(5,265)
Share of (loss)/ profit of an associate	(1,514)	3,111	(1,938)	(2,582)
Loss before income tax	(40,362)	(55,391)	(22,003)	(48,274)
Income tax (expense)/ credit	(1,492)	666	(289)	(6,650)
Loss attributable to owners of the Company*	(41,854)	(54,725)	(22,292)	(54,924)

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

	(Audited)			(Unaudited)
	For the year ended 31 March			For the six months ended
	2017	2018	2019	30 September 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss per share attributable to owners of the Company* (basic and diluted)	(2.6) HK cents	(3.4) HK cents	(1.4) HK cents	(3.4) HK cents
Loss for the year/period	(41,854)	(54,725)	(22,292)	(54,924)
Other comprehensive (loss)/income				
<i>Items that may be subsequently reclassified to profit or loss</i>				
<i>Net translation differences on foreign operations</i>				
– Subsidiaries	(1,643)	8,827	(8,157)	36
– Associate	7	71	(5)	–
Total other comprehensive (loss)/income	(1,636)	8,898	(8,162)	36
Total comprehensive loss attributable to owners of the Company*	(43,490)	(45,827)	(30,454)	(54,888)
Total dividends declared/paid	–	–	–	–
Total dividends per share	–	–	–	–

*Note: In the table headed “Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income” above, “Company” shall mean Joyce Boutique Holdings (the holding company of the Group immediately prior to the completion of the Reorganisation Proposal (as defined in the scheme document dated 22 July 2019 issued by Joyce Boutique Holdings) involving, among others, the change of the holding company of the Group from Joyce Boutique Holdings to the Company by way of a scheme of arrangement pursuant to section 99 of the Companies Act 1981 of Bermuda) in respect of the financial results for the years ended 31 March 2017, 2018 and 2019, and “Company” shall mean the Company in respect of the financial results for the six months ended 30 September 2019.

2. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer to in this Scheme Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 March 2017 (the “2016/2017 Financial Statements”); (ii) the audited consolidated financial statements of the Group for the year ended 31 March 2018 (the “2017/2018 Financial Statements”); (iii) the audited consolidated financial statements of the Group for the year ended 31 March 2019 (the “2018/2019 Financial

Statements”) and (iv) the unaudited condensed interim financial statements of the Group for the six months ended 30 September 2019 (the “**2019/2020 Interim Financial Statements**”), together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2016/2017 Financial Statements are set out on pages 69 to 127 of the Annual Report 2016/2017 of Joyce Boutique Holdings, which was published on 13 July 2017. The Annual Report 2016/2017 is posted on the Company’s website at www.irasia.com/listco/hk/joyce. Please also see below a direct link to the Annual Report 2016/2017:

<https://doc.irasia.com/listco/hk/joyce/annual/2017/ar2017.pdf>

The 2017/2018 Financial Statements are set out on pages 71 to 131 of the Annual Report 2017/2018 of Joyce Boutique Holdings, which was published on 12 July 2018. The Annual Report 2017/2018 is posted on the Company’s website at www.irasia.com/listco/hk/joyce. Please also see below a direct link to the Annual Report 2017/2018:

<https://doc.irasia.com/listco/hk/joyce/annual/2018/ar2018.pdf>

The 2018/2019 Financial Statements are set out on pages 66 to 135 of the Annual Report 2018/2019 of Joyce Boutique Holdings, which was published on 12 July 2019. The Annual Report 2018/2019 is posted on the Company’s website at www.irasia.com/listco/hk/joyce. Please also see below a direct link to the Annual Report 2018/2019:

<https://doc.irasia.com/listco/hk/joyce/annual/2019/ar2019.pdf>

The 2019/2020 Interim Financial Statements are set out on pages 3 to 16 in the Interim Report 2019/2020 of the Company, which was published on 2 December 2019. The Interim Report 2019/2020 is posted on the Company’s website at www.irasia.com/listco/hk/joyce. Please also see below a direct link to the Interim Report 2019/2020:

<https://doc.irasia.com/listco/hk/joyce/interim/2020/intrep.pdf>

As disclosed on page 7 of the Interim Report 2019/2020 of the Company, for the six months ended 30 September 2019, the Group had applied, for the first time, the new standards and amendments set out in Note (1) to the 2019/2020 Interim Financial Statements, including but not limited to Hong Kong Financial Reporting Standard 16 “Leases” (“**HKFRS 16**”), which had become mandatorily effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group’s condensed consolidated financial statements.

Except as disclosed below and in Note 1.1 to the 2019/2020 Interim Financial Statements (on pages 8 to 11 of the Interim Report 2019/2020 of the Company) in relation to the adoption of HKFRS 16 by the Group, the adoption of the new standards and

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

amendments set out in Note (1) to the 2019/2020 Interim Financial Statements did not have any significant impact on the preparation of the 2019/2020 Interim Financial Statements.

The Group has adopted HKFRS 16 retrospectively from 1 April 2019 but has not restated comparatives for the year ended 31 March 2019, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening condensed consolidated statement of financial position on 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of Hong Kong Accounting Standard 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as at 1 April 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 April 2019 were ranging from 3.1% to 4.7%.

	2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	432,593
Less: Leases committed but not yet commenced as at 1 April 2019	<u>(56,575)</u>
Operating lease commitments of leases commenced as at 1 April 2019	<u><u>376,018</u></u>
Discounted using the lessee’s incremental borrowing rate at the date of initial application	<u>326,002</u>
Lease liabilities recognised as at 1 April 2019	<u><u>326,002</u></u>
Of which are:	
Current lease liabilities	147,209
Non-current lease liabilities	<u>178,793</u>
	<u><u>326,002</u></u>

All the recognised right-of-use assets relate to properties leases which were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

The following table shows the adjustment for change in accounting policy recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

	Audited 31 March 2019 As originally presented <i>HK'000</i>	Unaudited HKFRS 16 <i>HK'000</i>	1 April 2019 Restated <i>HK'000</i>
Statement of financial position (extracted)			
Non-Current Assets			
Right-of-use of assets	–	288,553	288,553
Interest in an associate	8,529	(156)	8,373
Total Assets	651,934	288,397	940,331
Non-Current Liabilities			
Lease liabilities	–	147,209	147,209
Current Liabilities			
Other payables and accruals and contract liabilities	113,946	(18,716)	95,230
Lease liabilities	–	178,793	178,793
Total Liabilities	198,958	307,286	506,244
Equity			
Reserves	290,576	(18,889)	271,687
Total Equity	452,976	(18,889)	434,087

In applying HKFRS 16 for the first time, the Group has used certain practical expedients permitted by the standard. For details, please refer to page 9 of the Interim Report 2019/2020 of the Company.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

The estimated effects of adopting HKFRS 16 on the condensed consolidated income statement for the six months ended 30 September 2019 are as follows:

	Six months ended 30 September 2019 <i>HK\$'000</i>
Decrease/(increase) in expenses	
Rental under HKAS 17 "Leases"	106,231
Depreciation of right-of-use assets	(94,338)
Interest on lease liabilities	<u>(5,261)</u>
Decrease in loss attributable to owners of the Company	<u><u>6,632</u></u>
Decrease in loss per share (basic and diluted)	<u><u>0.4 HK cents</u></u>

For more details on the Group's leasing activities and how such activities are accounted for, please refer to Note 1.1(b) to the 2019/2020 Interim Financial Statements (on pages 10 to 11 of the Interim Report 2019/2020 of the Company).

The 2016/2017 Financial Statements, the 2017/2018 Financial Statements, the 2018/2019 Financial Statements and the 2019/2020 Interim Financial Statements (but not any other part of the Annual Report 2016/2017, the Annual Report 2017/2018, the Annual Report 2018/2019 and Interim Report 2019/2020 in which they respectively appear) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

3. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

As at the close of business on 31 December 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, the indebtedness of the Group was as follows:

The Group adopted HKFRS 16 from 1 April 2019. Under this new standard, an asset (the right to use the leased item) and a financial liability (for the payment obligation) are recognised in the Group's consolidated statement of financial position. As at 31 December 2019, the Group had lease liabilities of HK\$332,839,000.

As at 31 December 2019, the Group had utilised borrowing facilities of approximately HK\$16,974,000 secured by guarantees from the Company.

Save as aforesaid and apart from intra-group liabilities, intra-group guarantees, and normal trade payables, the Group did not, as at 31 December 2019, have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

4. MATERIAL CHANGE

The Directors confirm that, save for the following matters, there had been no material change in the financial or trading position or outlook of the Group since 31 March 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

- (i) as set out under the paragraphs headed “2. Consolidated Financial Statements” in Appendix I to the Scheme Document and “1.1 Adoption of HKFRS 16 “Leases”” in the Interim Report 2019/2020 which stated that, as a result of the adoption of HKFRS 16, (i) the total assets of the Group as at 1 April 2019 would have increased by approximately HK\$288.4 million principally due to the recognition of right-of-use assets; (ii) the total liabilities of the Group as at 1 April 2019 would have increased by approximately HK\$307.3 million principally due to the recognition of lease liabilities; and (iii) the total equity of the Group as at 1 April 2019 would have decreased by approximately HK\$18.9 million principally due to the change in reserves;
- (ii) as disclosed in the Interim Report 2019/2020 for the six months ended 30 September 2019 (“6M2019”), impacted by business disruption of the social unrest in Hong Kong, the Group’s revenue has declined by 18.4% to HK\$337.7 million (of which the Group recorded a 11.0% drop in revenue for the first financial quarter, followed by a 26.0% drop in the second financial quarter against the same period in 2018) with gross margin also decreased by 2.5 percentage points, as compared to that in the six months ended 30 September 2018 (“6M2018”). For the same period, the Group’s Hong Kong revenue has declined by 19.6% in 6M2019 against 6M2018 and accounted for 86.7% of the Group’s total revenue for 6M2019 (6M2018: 87.9%) and coupled with a drop in gross margin due to increased stock provision for slower stock-turn, operating loss has increased by HK\$18.1 million to HK\$39.4 million in 6M2019 (6M2018: HK\$21.3 million). Net loss of the Group for 6M2019 amounted to HK\$54.9 million, compared with 6M2018’s net loss of HK\$24.2 million and the respective loss per share was 3.4 HK cents in 6M2019 (6M2018: 1.5 HK cents);

- (iii) the social unrest in Hong Kong continued in the second half of the financial year as disclosed in the Interim Report 2019/2020, and the outbreak of the 2019 Novel Coronavirus (2019-nCoV) are significantly impacting tourist traffic and consumer sentiment in Hong Kong and/or Mainland China, and the slowing down of the Chinese economy, weakening of renminbi, high rental levels relative to revenue and the China/US trade disputes will also cast doubt on the recovery of the retail market of Hong Kong and China in the near term; and

- (iv) as disclosed in the Explanatory Statement, cash and cash equivalents of the Group decreased by a further HK\$82 million in 6 months from HK\$349 million as at 31 March 2019 to HK\$267 million as at 30 September 2019 and, with the third financial quarter spelt deeper trouble for retailers in Hong Kong, the Group's cash and cash equivalents dropped further by HK\$23 million in 3 months to HK\$244 million as at 31 December 2019.

1. RESPONSIBILITY STATEMENT

This Scheme Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information with regard to the Proposal, the Offeror and the Company.

The issue of this Scheme Document has been approved by the Offeror Directors and Mr. Woo Kwong Ching Peter, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than any information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document the omission of which would make any statements in this Scheme Document misleading.

The issue of this Scheme Document has been approved by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than any information relating to the Offeror) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document the omission of which would make any statements in this Scheme Document misleading.

2. SHARE CAPITAL OF THE COMPANY

- (a) As at the Latest Practicable Date, the issued and paid-up capital of the Company comprised 1,624,000,000 Shares.
- (b) All of the Shares currently in issue rank *pari passu* in all respects including as to capital, dividends and voting.
- (c) As at the Latest Practicable Date, no new Shares had been issued by the Company since 31 March 2019 (being the end of the last financial year of the Company).
- (d) As at the Latest Practicable Date, there were no outstanding options, warrants or conversion rights affecting Shares.

3. MARKET PRICES

- (a) The table below shows the closing market prices of the Shares as quoted on the Stock Exchange (i) on the Latest Practicable Date; (ii) on the Last Trading Date and (iii) at the end of each month during the Relevant Period:

Date	Closing price per Share HK\$
(i) 25 February 2020, being the Latest Practicable Date	0.270
(ii) 6 December 2019, being the Last Trading Date	0.146
(iii) at the end of each calendar month during the Relevant Period:	
(A) 28 June 2019	0.246
(B) 31 July 2019	0.225
(C) 30 August 2019	0.208
(D) 30 September 2019	0.200
(E) 31 October 2019	0.162
(F) 29 November 2019	0.147
(G) 31 December 2019	0.260
(H) 31 January 2020	0.260

- (b) During the Relevant Period, the highest closing price of the Shares was HK\$0.270 per Share as quoted on the Stock Exchange on 12 February 2020, 17 February 2020, 18 February 2020, 19 February 2020, 24 February 2020 and 25 February 2020, and the lowest closing price of the Shares was HK\$0.134 per Share as quoted on the Stock Exchange on 25 November 2019.
- (c) The Cancellation Price of HK\$0.280 per Scheme Share represents a premium of approximately 3.70% over the closing price of HK\$0.270 per Share as quoted on the Stock Exchange on the Last Trading Date.

4. DISCLOSURE OF INTERESTS IN SHARES

- (a) As at the Latest Practicable Date, none of the Directors were interested within the meaning of Part XV of the SFO in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

- (b) As at the Latest Practicable Date, no subsidiary of the Company, no pension fund of the Company or of a subsidiary of the Company and no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (c) As at the Latest Practicable Date, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) or (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and any other person.
- (d) As at the Latest Practicable Date, no fund manager (other than exempt fund managers) connected with the Company managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis.
- (e) As at the Latest Practicable Date, neither the Company nor any Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (f) As at the Latest Practicable Date, save as disclosed below, the Offeror did not own or control any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares:

Name of Shareholder	Capacity	Number of Shares	Total interest in Shares	Approximate percentage of the Company’s issued share capital (%)
Offeror	Beneficial Owner	1,183,838,723	1,183,838,723	72.9

- (g) As at the Latest Practicable Date, none of the Offeror Directors were interested within the meaning of Part XV of the SFO in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

- (h) As at the Latest Practicable Date, save as disclosed below, none of the Offeror Concert Parties owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of Shares:

Name of Shareholder	Capacity	Number of Shares	Total interest in Shares	Approximate percentage of the Company's issued share capital (%)
Mr. Douglas C. K. Woo	Beneficial Owner	33,208,000	33,208,000	2.0

- (i) As at the Latest Practicable Date, neither the Offeror nor any of the Offeror Concert Parties had received any irrevocable commitment to vote for or against the Proposal.
- (j) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Offeror or any of the Offeror Concert Parties.
- (k) As at the Latest Practicable Date, none of the Offeror or the Offeror Concert Parties had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of Shares.

5. DEALINGS IN SHARES

- (a) During the Relevant Period, no Director had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of Shares.
- (b) During the period commencing on 12 December 2019 (being the date of the Joint Announcement) and ending on the Latest Practicable Date, no subsidiary of the Company, no pension fund of the Company or of a subsidiary of the Company and no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of "acting in concert" under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of "associate" under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

- (c) During the period commencing on 12 December 2019 (being the date of the Joint Announcement) and ending on the Latest Practicable Date, no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (d) During the period commencing on 12 December 2019 (being the date of the Joint Announcement) and ending on the Latest Practicable Date, no fund manager (other than exempt fund managers) connected with the Company who managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (e) During the Relevant Period, save as disclosed below, none of the Offeror, the Offeror Directors or the Offeror Concert Parties had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

	Date	Purchase/Sale	Number of Shares	Dealing price per Share (HK\$)
Mr. Woo Kwong Ching	16 July 2019	Purchase	4,000	0.245
Peter, an Offeror	17 July 2019	Purchase	2,000	0.240
Concert Party ¹	18 July 2019	Purchase	2,000	0.241
	22 July 2019	Purchase	2,000	0.244
	19 August 2019	Sale	10,000	0.204
Ms. Woo Chun-en	19 August 2019	Purchase	10,000	0.204
Jennifer, an Offeror	13 September	Sale	10,000	0.185
Concert Party ^{1&2}	2019			

Notes:

- Mr. Woo Kwong Ching Peter is the settlor of the trust of which HSBC Trustee (C.I.) Limited, an indirect holding company of the Offeror, is the trustee.
 - Ms. Woo Chun-en Jennifer is the daughter of Mr. Woo Kwong Ching Peter.
- (f) During the Relevant Period, no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any of the Offeror Concert Parties had dealt for value in Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

6. DISCLOSURE OF INTERESTS IN THE OFFEROR SHARES

- (a) As at the Latest Practicable Date, the Company did not own any the Offeror Shares or any convertible securities, warrants, options or derivatives in respect of the Offeror Shares.
- (b) As at the Latest Practicable Date, none of the Directors were interested within the meaning of Part XV of the SFO in any the Offeror Shares or any convertible securities, warrants, options or derivatives in respect of the Offeror Shares.

7. DEALINGS IN THE OFFEROR SHARES

During the Relevant Period, neither the Company nor any Directors had dealt for value in any the Offeror Shares or any convertible securities, warrants, options or derivatives in respect of any the Offeror Shares.

8. ARRANGEMENTS IN CONNECTION WITH THE PROPOSAL

As at the Latest Practicable Date:

- (a) there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares to be acquired pursuant to the Proposal and the Offeror had no intention to transfer, charge or pledge any Shares acquired pursuant to the Proposal to any other person;
- (b) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any of the Offeror Concert Parties and any Director, recent Director, Shareholders or recent Shareholders having any connection with or being dependent upon the Proposal;
- (c) there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal;
- (d) other than the Cancellation Price for each Scheme Share cancelled payable under the Scheme, the Offeror or the Offeror Concert Parties have not paid and will not pay any other consideration, compensation or benefit in whatever form to the Scheme Shareholders or persons acting in concert with them in relation to the Scheme Shares;
- (e) there was no understanding, arrangement or agreement which constituted special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and the Offeror Concert Parties on one hand and the Scheme Shareholders and persons acting in concert with them on the other hand; and
- (f) there was no understanding, arrangement or agreement which constituted special deal (as defined under Rule 25 of the Takeover Code) between (i) any shareholder of the Company on one hand; and (ii) the Company, its subsidiaries or associated companies on the other hand.

9. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date:

- (a) no benefit (other than statutory compensation required under appropriate laws) would be given to any Director as compensation for loss of office or otherwise in connection with the Proposal;
- (b) there were no agreements or arrangements between any Director and any other person which are conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal; and
- (c) there were no material contracts entered into by the Offeror in which any Director has a material personal interest.

10. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies (i) which (including both continuous and fixed term contracts) had been entered into or amended within the Relevant Period; (ii) which were continuous contracts with a notice period of 12 months or more; or (iii) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

11. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

12. MATERIAL CONTRACTS

There were no material contracts entered into by Joyce Boutique Holdings/the Company or any of its subsidiaries after the date which was two years before 12 December 2019 (being the date of the Joint Announcement) up to and including the Latest Practicable Date, other than contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries.

13. EXPERTS AND CONSENTS

The following are the qualifications of the experts which have given advice which is contained in this Scheme Document:

Name	Qualification
Somerley	a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Halcyon	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion therein of the opinions, reports and/or letters (as the case may be) and/or the references to its name and/or opinions, reports and/or letters (as the case may be) in the form and context in which they respectively appear.

14. NON-STATUTORY ACCOUNTS OF THE GROUP

The financial information of the Group relating to the years ended 31 March 2017, 31 March 2018 and 31 March 2019 that is disclosed in or incorporated by reference into this Scheme Document does not constitute the Company's statutory annual consolidated financial statements for those years but was derived from those statutory financial statements. The non-statutory accounts (within the meaning of section 436 of the Companies Ordinance) disclosed in, or incorporated by reference into, this Scheme Document are not specified financial statements (within such meaning). Further information relating to the Company's statutory annual consolidated financial statements for the years ended 31 March 2017, 31 March 2018 and 31 March 2019, required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The statutory annual consolidated financial statements of Joyce Boutique Holdings (the holding company of the Group immediately prior to the completion of the Reorganisation Proposal (as defined in the scheme document dated 22 July 2019 issued by Joyce Boutique Holdings) involving, among others, the change of the holding company of the Group from Joyce Boutique Holdings to the Company by way of a scheme of arrangement pursuant to section 99 of the Companies Act 1981 of Bermuda) and its subsidiaries for the years ended 31 March 2017, 31 March 2018 and 31 March 2019 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. An auditor's report has been prepared on each of those financial statements. The auditor's reports were not qualified or otherwise modified, did not refer to any matter to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under section 406(2) or 407(2) or (3) of the Companies Ordinance.

15. MISCELLANEOUS

- (a) The registered office of the Offeror is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (b) The registered office of the principal member of the Offeror's concert group, being the Offeror itself, is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (c) The registered office of the Company is at 26/F, One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong.
- (d) The principal place of business of Somerley is at 20/F, China Building, 29 Queen's Road Central, Hong Kong.
- (e) The registered office of Halcyon is at 11th Floor, 8 Wyndham Street, Central, Hong Kong.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from the date of this Scheme Document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is the earlier (1) at the registered office of the Company at 26/F, One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and public holidays in Hong Kong) (Hong Kong time), (2) on the website of the Company at www.irasia.com/listco/hk/joyce, and (3) on the website of the SFC at www.sfc.hk:

- (a) the articles of association of the Company;
- (b) the memorandum and articles of association of the Offeror;
- (c) the annual reports of Joyce Boutique Holdings for each of the years ended 31 March 2017, 31 March 2018 and 31 March 2019;
- (d) the interim report of the Company for the six months ended 30 September 2019;
- (e) the letter from the Board, the text of which is set out on pages 13 to 21 of this Scheme Document;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 22 to 23 of this Scheme Document;
- (g) the letter from the Independent Financial Adviser, the text of which is set out on pages 24 to 47 of this Scheme Document;
- (h) the written consents referred to in the section headed “13. Experts and Consents” in Appendix II – General Information; and
- (i) this Scheme Document.

THE SCHEME

HCIA 26/2020

**IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
INTENDED ACTION 26 OF 2020**

**IN THE MATTER OF
JOYCE BOUTIQUE GROUP LIMITED**

AND

**IN THE MATTER OF
THE COMPANIES ORDINANCE,
CHAPTER 622 OF THE LAWS OF THE HONG KONG SPECIAL
ADMINISTRATIVE REGION**

**SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE
CHAPTER 622 OF THE LAWS OF THE HONG KONG SPECIAL
ADMINISTRATIVE REGION**

PRELIMINARY

(A) In this Scheme, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:

acting in concert	has the meaning ascribed to it in the Takeovers Code, and “persons acting in concert” shall be construed accordingly
Cancellation Price	the cancellation price of HK\$0.280 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme.
Companies Ordinance	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company	Joyce Boutique Group Limited, a company incorporated in Hong Kong with limited liability and listed on the Main Board of the Stock Exchange with Stock Code 647
Effective Date	the date on which the Scheme becomes effective pursuant to paragraph 5 of this Scheme

THE SCHEME

Executive	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
Explanatory Statement	the explanatory statement in relation to the Scheme, the text of which is set out on pages 48 to 66 of the Scheme Document
Independent Board Committee	an independent board committee of the directors of the Company comprising Mr. Antonio Chan, Mr. Eric K. K. Lo and Mr. T. Y. Ng
Independent Financial Adviser	Halcyon Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee
High Court	the High Court of Hong Kong
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Independent Shareholders	Shareholders other than the Offeror and any persons acting in concert with the Offeror
Latest Practicable Date	25 February 2020, being the latest practicable date prior to the date of the Scheme Document for the purpose of ascertaining certain information contained in the Scheme Document
Long Stop Date	means 30 September 2020 or such other date as may be agreed between the Offeror and the Company or, to the extent applicable, as the Executive may consent and the High Court may direct
Offeror	JoyBo International Limited, a company incorporated in the British Virgin Islands
Proposal	the proposal for the privatisation of the Company by the Offeror by way of the Scheme
Register	the register of members of the Company

THE SCHEME

Registrar of Companies	the Registrar of Companies appointed under the Companies Ordinance
Scheme	this scheme of arrangement under section 673 of the Companies Ordinance in its present form, with or subject to any modification thereof or addition thereof or condition approved or imposed by the High Court
Scheme Document	the composite scheme document dated 28 February 2020 issued jointly by the Company and the Offeror, which includes this Scheme
Scheme Record Date	Tuesday, 21 April 2020, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders to the Cancellation Price under the Scheme
Scheme Shares	Shares other than those held by the Offeror
Scheme Shareholders	registered holders of the Scheme Shares at the Scheme Record Date
SFC	Securities and Futures Commission of Hong Kong
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shareholders	registered holders of Shares
Shares	ordinary shares in the capital of the Company
Somerley	Somerley Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in connection with the Proposal
Stock Exchange	The Stock Exchange of Hong Kong Limited
Takeovers Code	the Hong Kong Code on Takeovers and Mergers
(B)	As at the Latest Practicable Date, the issued share capital of the Company comprised 1,624,000,000 Shares.

THE SCHEME

- (C) As at the Latest Practicable Date, the Offeror owned or controlled 1,183,838,723 Shares, representing approximately 72.9% of the issued share capital of the Company.
- (D) As at the Latest Practicable Date, Mr. Douglas C. K. Woo, an Offeror Concert Party (being the son of Mr. Woo Kwong Ching Peter, the settlor of the trust of which HSBC Trustee (C.I.) Limited, an indirect holding company of the Offeror, is the trustee), owns, controls or has direction over 33,208,000 Shares, representing approximately 2.0% of the issued share capital of the Company. Such Shares will form part of the Scheme Shares.
- (E) The primary purpose of this Scheme is to privatise the Company by cancelling and extinguishing all of the Scheme Shares in consideration of the Cancellation Price so that the Company shall thereafter become wholly owned by the Offeror. Immediately after the cancellation and extinction of the Scheme Shares, the share capital of the Company will be increased to its former amount by the issue to the Offeror credited as fully paid of such number of Shares as is equal to the number of Scheme Shares cancelled and extinguished.
- (F) The Offeror has agreed to undertake to the High Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it for the purpose of giving effect to this Scheme.

THE SCHEME

PART I

CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES

1. On the Effective Date:
 - (a) the share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;
 - (b) subject to and forthwith upon such reduction of capital taking effect, the share capital of the Company shall be increased to its former amount by the creation of such number of Shares as is equal to the number of Scheme Shares cancelled and extinguished; and
 - (c) the Company shall apply the credit arising in its books of account as a result of the reduction of capital referred to in paragraph (a) above in paying up in full the Shares created pursuant to paragraph (b) above, which shall be allotted and issued, credited as fully paid, to the Offeror.

THE SCHEME

PART II CONSIDERATION FOR CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES

2. In consideration of the cancellation and extinguishment of the Scheme Shares, the Offeror shall pay or cause to be paid to the Scheme Shareholders the Cancellation Price for each Scheme Share.

PART III GENERAL

3. (a) As soon as possible and but in any event within seven business days (as defined in the Takeovers Code) following the Effective Date, the Offeror shall post or cause to be posted to the Scheme Shareholders cheques in respect of the sums payable to such Scheme Shareholders pursuant to paragraph 2 of this Scheme.
- (b) All such cheques shall be sent by ordinary post in postage pre-paid envelopes addressed to such Scheme Shareholders at their respective registered addresses as appearing in the Register as at the Scheme Record Date, or in the case of joint holders, at the address appearing in the Register as at the Scheme Record Date of the joint holder whose name then stands first in the Register in respect of the relevant joint holding.
- (c) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3(b) of this Scheme, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Offeror for the moneys represented thereby.
- (d) All cheques shall be posted at the risk of the addressees and none of the Offeror, the Company, Somerley, the Independent Financial Adviser and the share registrar of the Company and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be liable for any loss or delay in transmission.
- (e) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph 3(b) of this Scheme, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror. The Offeror shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to paragraph 2 of this Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques referred to in paragraph 3(b) of this Scheme of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective

THE SCHEME

persons are entitled pursuant to this Scheme. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

- (f) On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under this Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account referred to in paragraph 3(e) of this Scheme, including accrued interest subject to any deduction required by law and expenses incurred.
 - (g) The preceding sub-paragraphs of this paragraph 3 shall take effect subject to any prohibition or condition imposed by law.
4. As from and including the Effective Date:
- (a) all certificates for the Scheme Shares shall cease to have effect as documents or evidence of title for such Scheme Shares and every holder thereof shall be bound, at the request of the Company, to deliver up such certificates to the Company or to any person appointed by the Company to receive the same for cancellation;
 - (b) all instruments of transfer validly subsisting as at the Scheme Record Date in respect of the transfer of any number of the Scheme Shares shall cease to be valid for all purposes as instruments of transfer; and
 - (c) all mandates or other instructions to the Company in force as at the Scheme Record Date in relation to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.
5. This Scheme shall become effective as soon as an office copy of the order of the High Court sanctioning this Scheme and confirming the reduction of the share capital of the Company involved in the scheme shall have been registered by the Registrar of Companies under Part 2 of the Companies Ordinance.
6. Unless this Scheme shall have become effective on or before the Long Stop Date, this Scheme shall lapse.

THE SCHEME

7. The Company and the Offeror may jointly consent for and on behalf of all parties concerned to any modification of or addition to this Scheme or to any condition which the High Court may see fit to approve or impose.
8. All costs, charges and expenses of the advisers and counsels appointed by the Company, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses of the advisers and counsels appointed by the Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme and the Proposal will be shared between the Offeror and the Company equally.

28 February 2020

NOTICE OF COURT MEETING

HCIA 26/2020

**IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE**

INTENDED ACTION 26 OF 2020

IN THE MATTER OF

JOYCE BOUTIQUE GROUP LIMITED

AND

IN THE MATTER OF

**THE COMPANIES ORDINANCE,
CHAPTER 622 OF THE LAWS OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION**

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order (the “**Order**”) made in the above matters, the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) has directed a meeting (the “**Meeting**”) to be convened of the registered holders of the shares (“**Shares**”) in the capital of Joyce Boutique Group Limited (“**the Company**” or the “**Company**”) (other than those held by JoyBo International Limited and its subsidiaries) (the “**Scheme Shares**”) for the purpose of considering and, if thought fit, approving, with or without modification, a scheme of arrangement (the “**Scheme**”) proposed to be made between the Company and the holders of the Scheme Shares as at Scheme Record Date (as defined in the Scheme), and that such Meeting will be held at 10:00 a.m. on Monday, 23 March 2020 at Jade Room, 6th Floor, The Marco Polo Hongkong Hotel, 3 Canton Road, Kowloon, Hong Kong at which place and time all holders of Scheme Shares are requested to attend.

A copy of the Scheme and a copy of the explanatory statement (the “**Explanatory Statement**”) explaining the effect of the Scheme, required to be furnished pursuant to section 671 of the abovementioned Ordinance, are incorporated in the scheme document of which this Notice forms part (the “**Scheme Document**”), which has been despatched by post to holders of the Scheme Shares. A copy of the Scheme Document can also be obtained by any person entitled to attend the Meeting during usual business hours on any day prior to the day appointed for the said meeting (other than a Saturday, a Sunday or a public holiday in Hong Kong) from (a) the Company’s share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong and (b) at the office of the Company’s legal advisers at 5th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong. The Scheme Document is also available at www.irasia.com/listco/hk/joyce.

NOTICE OF COURT MEETING

In compliance with the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”), Shares held by the Offeror and parties acting in concert (as defined in the Takeovers Code) with it may not be voted at the Meeting. Only Shares held by holders of Scheme Shares (other than the Offeror and parties acting in concert (as defined in the Takeovers Code) with it) are eligible for voting thereat.

The above-mentioned holders of Scheme Shares may vote in person at the Meeting or they may appoint one or more persons, 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 Meeting is enclosed with the Scheme Document.

In the case of joint holders of a Share, the vote of the most senior holder who tenders a vote, whether in person or by proxy or by representative, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the Share.

It is requested that forms appointing proxies, together with the letter or power of attorney or other authority (if any) under which they are signed or a notarially certified copy thereof (in the case of a corporation either under its common seal or under the hand of an attorney or a duly authorised officer on its behalf and to the satisfaction of the directors of the Company), be lodged at the Company’s share registrar as stated above not less than 48 hours (exclusive of any part of a day that is a public holiday) before the time appointed for holding the Meeting or any adjournment thereof.

Completion and return of the form of proxy will not preclude a holder of Scheme Shares from attending and voting in person at the Meeting or any adjournment thereof. In the event that a holder of Scheme Shares attends and votes at the Meeting or any adjournment thereof after having lodged his form of proxy, his form of proxy shall be deemed to be revoked by operation of law.

For the purpose of determining the entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from Wednesday, 18 March 2020 to Monday, 23 March 2020, both days inclusive, and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrar as stated above no later than 4:30 p.m. (Hong Kong time) on Tuesday, 17 March 2020.

By the same order, the High Court has appointed Mr. Stephen T. H. Ng, or failing him, Mr. Paul Y. C. Tsui, or failing him, any other available director of the Company to act as chairman of the Meeting and has directed the chairman of the Meeting to report the result thereof to the High Court.

NOTICE OF COURT MEETING

The Scheme will be subject to the subsequent sanction of the High Court as set out in the Explanatory Statement contained in the Scheme Document.

Dated the 28th day of February 2020.

Deacons

Solicitors for the Company

5th Floor

Alexandra House

18 Chater Road

Central, Hong Kong

As at the date of this notice, the board of Directors of the Company comprises Mr. Stephen T. H. Ng and Mr. Paul Y. C. Tsui, together with three Independent Non-executive Directors, namely Mr. Antonio Chan, Mr. Eric K. K. Lo and Mr. T. Y. Ng.

NOTICE OF GENERAL MEETING

JOYCE

JOYCE BOUTIQUE GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 647)

NOTICE IS HEREBY GIVEN that a general meeting (the “**General Meeting**”) of Joyce Boutique Group Limited (“**the Company**” or the “**Company**”) will be held at 10:30 a.m. (or if later immediately after the conclusion or adjournment of the meeting of the registered holders of the shares in the capital of the Company (“**Shares**”) (other than those held by JoyBo International Limited and its subsidiaries) (the “**Scheme Shares**”) convened at the direction of the High Court of the Hong Kong Special Administrative Region for the same day and place) on Monday, 23 March 2020 at Jade Room, 6th Floor, The Marco Polo Hongkong Hotel, 3 Canton Road, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing, the following as a special resolution:

SPECIAL RESOLUTION

“THAT:

- (A) the scheme of arrangement dated 28 February 2020 (the “**Scheme**”) between the Company and the holders of the Scheme Shares as at the Scheme Record Date (as defined in the Scheme), in the form of the print contained in the scheme document dated 28 February 2020 (the “**Scheme Document**”) which has been produced to this Meeting and for the purpose of identification signed by the chairman of this Meeting, with any modification of or addition to it, or any condition, as may be approved or imposed by the High Court, be and is hereby approved;
- (B) for the purpose of giving effect to the Scheme, on the date on which the Scheme becomes effective in accordance with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Effective Date**”):
 - (i) the share capital of the Company be reduced by cancelling and extinguishing the Scheme Shares;
 - (ii) subject to and forthwith upon such reduction of capital taking effect, the share capital of the Company be increased to its former amount by the creation of such number of new shares in the capital of the Company as is equal to the number of Scheme Shares cancelled and extinguished; and

NOTICE OF GENERAL MEETING

- (iii) the Company shall apply the credit arising in its books of account as a result of the said reduction of capital in paying up in full the Shares to be created as aforesaid, which new Shares shall be allotted and issued, credited as fully paid, to JoyBo International Limited and the directors of the Company be and are hereby unconditionally authorised to allot and issue the same accordingly;
- (C) the listing of Shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) be withdrawn, subject to the Scheme taking effect; and
- (D) the directors of the Company be and are hereby unconditionally authorised to do all acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme, including (without limitation) (i) the making of an application to the Stock Exchange for the withdrawal of the listing of Shares on the Stock Exchange, subject to the Scheme taking effect; (ii) the reduction of capital, (iii) the allotment and issue of the Shares referred to in paragraph B(iii) above and (iv) the giving, on behalf of the Company, of consent to any modification of, or addition to, the Scheme, which the High Court may see fit to impose and to do all other acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme.”

By order of the board
Joyce Boutique Group Limited
Kevin C. Y. Hui
Company Secretary

Hong Kong, 28 February 2020

As at the date of this notice, the board of Directors of the Company comprises Mr. Stephen T. H. Ng and Mr. Paul Y. C. Tsui, together with three Independent Non-executive Directors, namely Mr. Antonio Chan, Mr. Eric K. K. Lo and Mr. T. Y. Ng.

Notes:

- (i) Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Scheme Document shall have the same meanings when used in this notice.
- (ii) At the General Meeting, the chairman of the General Meeting will put forward the above resolution to be voted on by way of poll.
- (iii) A white form of proxy for use at the General Meeting is enclosed with the Scheme Document.
- (iv) A member entitled to attend, speak and vote at the General Meeting is entitled to appoint another person, whether a member of the Company or not, as his/her proxy to attend, speak and vote instead of him/her. If more than one proxy is appointed, the number of Shares in respect of which each such proxy is so appointed must be specified in the relevant form of proxy.

NOTICE OF GENERAL MEETING

- (v) In order to be valid, the white form of proxy, together with the letter or power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof (in the case of a corporation, either under its common seal or under the hand of an attorney or a duly authorised officer on its behalf and to the satisfaction of the directors of the Company), must be lodged at the Company's share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours (exclusive of any part of a day that is a public holiday) before the time appointed for holding the General Meeting or any adjournment thereof. Completion and return of the white form of proxy will not preclude a member from attending and voting in person at the General Meeting or any adjournment thereof. In the event that a member attends and votes at the General Meeting after having lodged his form of proxy, his form of proxy shall be deemed to be revoked by operation of law.
- (vi) In the case of joint holders of a Share, the vote of the most senior holder who tenders a vote, whether in person or by proxy or by representative, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the Share.
- (vii) For the purpose of determining the entitlement to attend and vote at the General Meeting, the register of members of the Company will be closed from Wednesday, 18 March 2020 to Monday, 23 March 2020, both days inclusive, and during such period, no transfer of Shares will be effected. In order to qualify to attend and vote at the General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. (Hong Kong time) on Tuesday, 17 March 2020.
- (viii) If a tropical cyclone warning signal No.8 or above is or is expected to be hoisted or a black rainstorm warning signal is or is expected to be in force at any time after 8:00 a.m. on the date of the General Meeting, the General Meeting will be postponed. The Company will post an announcement on the respective websites of the Hong Kong Exchanges and Clearing Limited (<https://www.hkexnews.hk/>) and the Company (www.irasia.com/listco/hk/joyce) to notify members of the date, time and venue of the rescheduled meeting.
- (ix) In case of any inconsistency, the English version of this notice shall prevail.