

## DISCLOSURE OF FURTHER CORPORATE INFORMATION

Set out below is information disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):

### **(A) COMMENTARY ON ANNUAL RESULTS**

#### **(I) Review of 2004/05 Results and Segmental Performance**

Group profit attributable to Shareholders for the year ended 31 March 2005 amounted to HK\$61.2 million, compared to a profit of HK\$30.3 million for the previous year. Earnings per share were 3.8 cents.

The Group's turnover for the year was HK\$633.1 million, representing an increase of 16.4% over the previous year. The significant increase is due to the recovery in consumers' buying sentiments after the SARS crisis, outstanding performance of the Joyce multi-label stores, and the successful expansion programme of the Boss shops in Hong Kong.

The gross margin also rose by 1.4 percentage points over the previous year. The improvement in gross margin was due to the higher full-margin turnover as compared to previous year and the effective hedging of the Euro.

The good performance in turnover and margin, coupled with the tight fiscal discipline on operating overheads, has contributed to the markedly improved result of the year. The Group achieved a net profit of HK\$61.2 million for the year, after making a HK\$23.9 million provision for a potential exposure on a reparation for unfulfilled purchase commitment.

The Directors recommend the payment of a final dividend of 2.0 cents per share for the year ended 31 March 2005.

#### **(II) Liquidity and Financial Resources**

At 31 March 2005, the Group's total deposits and cash amounted to HK\$293.6 million and there were no bank borrowings.

Most of the Group's imported purchases are denominated in foreign currencies, primarily being Euro. To minimise exposure on foreign exchange fluctuations, the Group will from time to time review its foreign exchange position and, when it considers appropriate and necessary, will hedge its foreign exchange exposure by way of forward foreign exchange contracts. The amount of forward exchange contracts outstanding as at 31 March 2005 is set out in Note 20(b) to the Accounts on page 93.

**(III) Finance**

At 31 March 2005, the Group had banking facilities in a total amount of HK\$245.2 million (2004: HK\$246.3 million).

With its cash holdings and available banking facilities, the Group believes that it will have sufficient fund to pursue new potential investment opportunities.

**(IV) Employees**

The Group has approximately 380 staff. Employees are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment to reward and motivate individual performance. The Group provides various job-related training programmes to staff when necessary. Total staff costs for the year ended 31 March 2005 amounted to HK\$87.7 million.

**(B) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

**(I) Directors**

**Walter K. W. MA, Chairman (Age: 75)**

Mr. Ma is the Chairman of the Company. He is the husband of Joyce Ma and a co-founder of the Group. He has practised as a certified public accountant in Hong Kong since 1962, and is a fellow of the Hong Kong Institute of Certified Public Accountants and an associate of the CPA Australia. Mr. Ma is also the executive chairman of The Sincere Company, Limited ("Sincere") and a director of several companies in Hong Kong.

**Joyce E. MA, Chief Executive Officer (Age: 64)**

Mrs. Ma, Chief Executive Officer, founded the Group in 1970. Over the past three decades, she has introduced numerous top designers at the earliest stages of their careers to Hong Kong and Asia, and has led and shaped lifestyle and fashion retail trends in the East. Mrs. Ma is the recipient of numerous international honors and awards including the Chevalier de l'Ordre de la Couronne (Belgium 1994), the Ufficiale dell'Ordine al Merito della Repubblica Italiana (Italy 1995) and the latest of which is Chevalier dans l'Ordre National de la Legion d'Honneur (2005) by Mr. Jacques Chirac, President of the French Republic, in recognition of her contribution to the fashion retail industry.

> DISCLOSURE OF FURTHER CORPORATE INFORMATION

**Adrienne M. MA, *Managing Director* (Age: 40)**

Ms. Ma, Managing Director, joined the Group in 1989, and held a number of key marketing and publishing positions prior to assuming her present position in 1998. She is responsible for the direction, development and implementation of the Group's corporate, merchandising and marketing strategies. Ms. Ma has been selected as one of Asia's young and creative entrepreneurs by Time Style & Design Magazine and she has been nominated for The Veuve Clicquot Award, Hong Kong Business Woman 2005. Ms. Ma graduated from Simmons College in the United States with a Bachelor Degree in International Management and Marketing. She is the younger daughter of Mr. Walter Ma and Mrs. Joyce Ma.

**Michael E. BRILLHART, *Director* (Age: 58)**

Mr. Brillhart has been an independent Non-executive Director of the Company since 2000. He also serves as a member and the chairman of the Company's Audit Committee. Mr. Brillhart has over 25 years of senior management experience in the international prestige cosmetics industry with Elizabeth Arden in the United States and Parfums Christian Dior in the Far East.

**Antonio CHAN, *Director* (Age: 57)**

Mr. Chan has been an independent Non-executive Director of the Company since 30 September 2004. He also serves as a member of the Audit Committee. Mr. Chan has been in the accounting profession for 32 years and has practised as a certified public accountant in Hong Kong for over 20 years. He has had extensive experience in auditing, corporate finance and administration. He retired as a senior partner of Grant Thornton, Hong Kong, an international accounting firm, in late 2001. From late 1960's to early 1980's, he had worked for Peat Marwick in Australia and in Hong Kong, and also Arthur Young in Hong Kong. He is also an independent non-executive director of Surface Mount Technology (Holdings) Limited, a company listed in Singapore. Mr. Chan is a Chartered Accountant and Certified Practising Accountant in Australia and senior member of a number of professional bodies, including fellow of the Hong Kong Institute of Certified Public Accountants, fellow of The Institute of Chartered Secretaries and Administrators and fellow of The Hong Kong Institute of Directors.

**Jeffrey L. FLOWERS, Director (Age: 63)**

Mr. Flowers became a Director of the Company on 1 July 2005. He has been a senior business executive in the hotel industry in Hong Kong for many years. In 1991, he joined the Marco Polo Hotel group (“MPH Group”), a member of The Wharf (Holdings) Limited (“Wharf”) group which is a locally listed conglomerate. He at present serves as MPH Group’s president.

**Doreen Y. F. LEE, Director (Age: 48)**

Ms. Lee has been a Director of the Company since 2003. She is also a director of Wharf, the managing director of Wharf Estates Limited and Wharf Estate China Limited and an executive director of Harbour City Estates Limited and Times Square Limited. She is responsible for all the leasing and operation of properties of the Wharf group in Hong Kong. Ms. Lee is a graduate of The University of Hong Kong where she obtained her bachelor’s degree in Arts (Hon).

**Eric F. C. LI, Director (Age: 76)**

Mr. Li has been an independent Non-executive Director of the Company since 1990. He is also the chairman and chief executive officer of The Kowloon Dairy Limited and a director of several companies in Hong Kong.

**Gonzaga W. J. LI, Director (Age: 76)**

Mr. Li has been a Director of the Company since 2000. He is also the senior deputy chairman of Wheelock and Company Limited (“Wheelock”) and Wharf, the chairman of Harbour Centre Development Limited (“HCDL”), Wheelock Properties Limited (“WPL”) and Wheelock Properties (Singapore) Limited (“WPSL”) in Singapore, the chairman and chief executive officer of Wharf China Limited and also a director of Modern Terminals Limited (“MTL”).

**Eric K. K. LO, Director (Age: 56)**

Mr. Lo has been an independent Non-executive Director of the Company since 1998. He also serves as a member of the Company’s Audit Committee. Mr. Lo is a non-executive director of Sincere, a director of Hsin Chong Land Limited and Bang & Olufsen (Hong Kong) Limited, and also a director of several companies in Hong Kong.

> DISCLOSURE OF FURTHER CORPORATE INFORMATION

**Yvette T. MA, Director (Age: 41)**

Ms. Ma has been a Non-executive Director of the Company since 1993. She graduated from Brown University in the United States with a Bachelor Degree in Business Economics and had previously worked for an international bank in the field of corporate finance. She is the elder daughter of Mr. Walter Ma and Mrs. Joyce Ma.

**Stephen T. H. NG, Director (Age: 52)**

Mr. Ng has been a Director of the Company since 2000. He is also the deputy chairman and managing director of Wharf, the deputy chairman of Wheelock, the chairman, president and chief executive officer of both i-CABLE Communications Limited and Wharf T&T Limited. Mr. Ng serves as a member of the General Committee of the Hong Kong General Chamber of Commerce.

**T. Y. NG, Director (Age: 57)**

Mr. Ng has been a Director of the Company since 2000. He is also a director of Wharf, HCDL, MTL, WPL and WPSL. Mr. Ng is an associate member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

**Paul Y. C. TSUI, Director (Age: 58)**

Mr. Tsui has been a Director of the Company since 2000. He also serves as a member of the Company's Audit Committee. Mr. Tsui is an executive director of Wheelock, and a director of WPL and WPSL. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Chartered Institute of Management Accountants.

*Note: The Company has received from each independent Non-executive Director an annual confirmation of his independence pursuant to the Listing Rules, and the Company still considers the independent Non-executive Directors to be independent.*

**(II) Senior Management**

**Horace W. C. LEE, Finance Director (Age: 45)**

Mr. Lee joined the Group in 1991. He is responsible for finance, human resources, management information, property and administration of the Group. Mr. Lee received his executive MBA from Kellogg School of Management of Northwestern University and Hong Kong University of Science and Technology. He is also an associate member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants of U.K.

**(C) DIRECTORS' INTERESTS IN SHARES**

At 31 March 2005, Directors of the Company had the following beneficial interests, all being long positions, in the share capital of the Company and the percentages which the shares represented to the issued share capital of the Company are also set out below:

	No. of Ordinary Shares (percentage of issued capital)	Nature of Interest
Mr. Walter K. W. Ma	368,000,000 (22.7%)	Other Interest (See Note below)
Mrs. Joyce E. Ma	368,000,000 (22.7%)	Other Interest (See Note below)
Ms. Adrienne M. Ma	378,000,000 (23.3%)	Personal Interest in 10,000,000 shares and Other Interest (See Note below) in 368,000,000 shares
Ms. Yvette T. Ma	368,000,000 (22.7%)	Other Interest (See Note below)

*Note: The 368,000,000 shares in the Company stated above as "Other Interest" against the names of Mr. Walter K. W. Ma, Mrs. Joyce E. Ma, Ms. Adrienne M. Ma and Ms. Yvette T. Ma (the "Ma Family"), represented an interest in the same block of shares comprised in certain trust property of which Mr. Walter Ma is the settlor and in which the Ma Family was taken, under certain provisions in Part XV of the Securities and Futures Ordinance (the "SFO") which are applicable to a director or chief executive of a listed company, to be interested. For the avoidance of doubt and double counting, it should be noted that such shareholding also represented the same block of shares as that interest of J. W. Mark Limited and Asiitrust Limited as mentioned below in section (D) "Substantial Shareholders' Interests".*

During the financial year, Ms. Adrienne Ma exercised options, which were granted on 28 June 2000 to her at a consideration of HK\$10, under the Company's share option scheme adopted in 1997 (the "Share Option Scheme") to subscribe for a total of 10,000,000 new ordinary shares at an exercise price of HK\$0.186 per share. Accordingly, 10,000,000 new ordinary shares of the Company were allotted and issued to Ms. Ma.

## > DISCLOSURE OF FURTHER CORPORATE INFORMATION

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Issuers:

- (i) there were no interests, both long and short positions, held as at 31 March 2005 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO); and
- (ii) there existed during the financial year no rights to subscribe for any shares, underlying shares or debentures of the Company which were held by any of the Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial year of any such rights by any of them.

### **(D) SUBSTANTIAL SHAREHOLDERS' INTERESTS**

Given below are the names of all parties, other than person(s) who is/are Director(s) of the Company, who/which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at 31 March 2005, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register to be kept by the Company under section 336 of the SFO (the "Register") and the percentages which the shares represented to the issued share capital of the Company:

	Names	No. of Ordinary Shares (percentage of issued capital)
(i)	Allied Wisdom International Limited	831,862,723 (51.4%)
(ii)	Wisdom Gateway Limited	831,862,723 (51.4%)
(iii)	HSBC Trustee (Guernsey) Limited	831,862,723 (51.4%)
(iv)	Mr. Peter K. C. Woo	831,862,723 (51.4%)
(v)	J. W. Mark Limited	*368,000,000 (22.7%)
(vi)	Asiatrust Limited	*368,000,000 (22.7%)

\* *J. W. Mark Limited's and Asiatrust Limited's interests in 368,000,000 shares as stated above represent the same block of shares and have also been disclosed as other interest of the Ma Family above under section (C) "Directors' Interests in Shares".*

Note: (1) *For the avoidance of doubt and double counting, it should be noted that apart from the duplication of shareholdings in which both J. W. Mark Limited and Asiatrust Limited were deemed to be interested as stated above, duplication also occurs in respect of all of the shareholdings stated against parties (i) to (iv) above in that they all represent the same block of shares.*

(2) *Due to the amalgamation of Bermuda Trust (Guernsey) Limited with HSBC Trustee (Guernsey) Limited into one company known as HSBC Trustee (Guernsey) Limited with effect from 1 January 2005, the name of Bermuda Trust (Guernsey) Limited, which appeared in the Register prior to 1 January 2005, has been accordingly amended to become HSBC Trustee (Guernsey) Limited.*

All the interests stated above represented long positions and as at 31 March 2005, there were no short positions recorded in the Register.

#### **(E) PENSION SCHEMES**

Details of the pension schemes of the Group and the employers' pension costs charged to the profit and loss account for the year under review are set out in Notes 1(k)(iii) and 3 to the Accounts on pages 72 and 78 respectively.

The total employers' pension cost in respect of all pension schemes of the Group, including the cost related to the Mandatory Provident Fund which is not operated by the Group, charged to profit and loss account during the year ended 31 March 2005 amounted to HK\$2.7 million.

#### **(F) SHARE OPTIONS**

At the Annual General Meeting of the Company held on 27 August 2004, the Shareholders of the Company approved the adoption of an executive share incentive scheme (the "New Scheme") which has since co-existed with the Share Option Scheme approved by the Shareholders of the Company in 1997.

#### **(I) Share Option Scheme**

(1) *Summary of the Share Option Scheme*

(a) Purpose of the Share Option Scheme:

To provide employees and executives of the Group with the opportunity of participating in the growth of the Company by granting the option.



> DISCLOSURE OF FURTHER CORPORATE INFORMATION

- (b) Participants of the Share Option Scheme:  
Any full-time employee or executive director of the Company or any of its subsidiaries (the "Executive") and has on the day preceding the date of offer been such an employee or executive director for at least six months and any other employee or executive director of the Company or any subsidiary nominated by the Directors of the Company to be an Executive.
- (c) (i) Total number of ordinary shares of HK\$0.1 each in the capital of the Company (the "Shares") available for issue under the Share Option Scheme as at 31 March 2005:  
140,200,000
- (ii) Percentage of the issued share capital that it represents as at 31 March 2005:  
8.7%
- (d) Maximum entitlement of each participant under the Share Option Scheme as at 31 March 2005:  
No option may be granted to any one Executive which if exercised in full would result in the total number of Shares already issued and issuable to him under all the options previously granted to him and of Shares issuable to that Executive under the proposed option exceeding 25% of the maximum aggregate number of Shares in respect of which options may at that time be granted under the Share Option Scheme.
- (e) Period within which the Shares must be taken up under an option:  
Within five years from the date on which the option is offered.
- (f) Minimum period for which an option must be held before it can be exercised:  
Six months from the date on which the option is offered.
- (g) (i) Price payable on application or acceptance of the option:  
HK\$10
- (ii) The period within which payments or calls must or may be made:  
28 days after the offer date of an option
- (iii) The period within which loans for purposes of the payments or calls must be repaid:  
Not applicable

- (h) Basis of determining the exercise price:  
Pursuant to Rule 17.03(9) of the Listing Rules, the exercise price must be at least the higher of:
  - (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and
  - (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.
- (i) The remaining life of the Share Option Scheme:  
Two years

- (2) *Details of share options granted under the Share Option Scheme*  
Details of share options granted to and exercised by Director(s) of the Company are set out in section (C) "Directors' Interests in Shares".

At the beginning of the financial year, there were outstanding certain share options previously granted on 28 June 2000 under the Share Option Scheme to two employees (one of whom is a Director of the Company, namely, Ms. Adrienne Ma), both of whom are working under the employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance and are participants with options not exceeding the respective individual limits under the Share Option Scheme. Such options were exercisable during the period 26 December 2000 to 25 June 2005, and on full exercise would require the Company to allot 16,000,000 new Shares to the grantees at an exercise price of HK\$0.186 per share. The options were exercised in full by those employees on a day falling in the year under review and as a result, 16,000,000 new Shares of the Company were accordingly allotted and issued to those employees. The closing price of the Shares of the Company immediately before the date of such option exercise (all exercised on the same day) was HK\$0.42 per Share.

Except as disclosed above, no share option under the Share Option Scheme was issued, exercised, cancelled, lapsed or outstanding throughout the financial year.

**(II) New Scheme**

(1) *Summary of the New Scheme*

(a) Purpose of the New Scheme:

To provide employees and the executives of the Group with the opportunity of acquiring an equity interest in the Company, to continue to provide them with the motivation and incentive to give best contribution towards the Group's continued growth and success.

(b) Participants of the New Scheme:

Any Executive who has on the day preceding the date of offer been a full-time employee or executive director of the Company or any of its subsidiaries for at least three years and any other employee or executive director of the Company or any subsidiary nominated by the Directors of the Company to be an Executive.

(c) (i) Total number of the Shares available for issue under the New Scheme and any other share option schemes of the Company (including the Share Option Scheme) as at 31 March 2005:  
140,580,000

(ii) Percentage of the issued share capital that it represents as at 31 March 2005:  
8.7%

(d) Maximum entitlement of each participant under the New Scheme as at 31 March 2005:  
No option may be granted to any one Executive which if exercised in full would result in the total number of Shares already issued and issuable to him under all the options previously granted to him under the New Scheme and also under other share option schemes (including the Share Option Scheme) and of Shares issuable to that Executive under the proposed option exceeding 25% of the maximum aggregate number of Shares in respect of which options may at that time be granted under the New Scheme and any such other schemes.

Furthermore, the total number of Shares issued and to be issued upon exercise of options (including both exercised and outstanding options) granted to each Executive in any 12-month period must not exceed 1% of the Shares in issue unless approved by Shareholders of the Company.

- (e) Period within which the Shares must be taken up under an option:  
Within five years from the date on which the option is offered.
- (f) Minimum period for which an option must be held before it can be exercised:  
One year from the date on which the option is offered.
- (g)
  - (i) Price payable on application or acceptance of the option:  
HK\$10
  - (ii) The period within which payments or calls must or may be made:  
28 days after the offer date of an option
  - (iii) The period within which loans for purposes of the payments or calls must be repaid:  
Not applicable
- (h) Basis of determining the exercise price:  
The exercise price shall be determined by the Directors, but in any event must be at least the higher of:
  - (i) the indicative price per Share for the subscription of Shares under the option as specified in the written offer;
  - (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day;
  - (iii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and
  - (iv) the nominal value of a Share.
- (i) The remaining life of the New Scheme:  
Nine years

> DISCLOSURE OF FURTHER CORPORATE INFORMATION

(2) *Details of share options granted under the New Scheme*

After the adoption of the New Scheme on 27 August 2004, certain share options were granted on 17 September 2004 to 23 employees (none of whom is a Director of the Company), all of whom are working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance and are participants with options not exceeding the respective individual limits. Such options were exercisable during the period 1 September 2005 to 31 August 2009 and on full exercise would require the Company to allot 19,500,000 new Shares to the grantees at an exercise price of HK\$0.405 per shares.

Except as disclosed above, no share option under the New Scheme was issued, exercised, cancelled, lapsed or outstanding throughout the financial year.

**(H) MAJOR CUSTOMERS & SUPPLIERS**

For the year under review, sales to the five largest customers accounted for approximately 4% of the total sales for the year. Purchases from the five largest suppliers accounted for approximately 38% of the total purchases for the year and the purchases from the largest supplier included therein amounted to approximately 17%.

As far as the Directors are aware, neither the Directors, their associates, nor those Shareholders whom to the knowledge of the Directors own more than 5% of the Company's share capital, had any interest in the Group's five largest customers or suppliers.

**(I) DIRECTORS' INTERESTS IN COMPETING BUSINESS**

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

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

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

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

**(J) PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the laws or regulations of Bermuda (in which country the Company was incorporated) which, in the event of new shares being issued by the Company, would oblige the Company to offer new shares to existing Shareholders, or, in the event of any Shareholders intending to dispose of any of their shareholdings in the Company, would require such Shareholders to offer to sell the relevant shares to other Shareholders of the Company.

**(K) PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial year.

**(L) DISCLOSURE REGARDING CONTINUING CONNECTED TRANSACTIONS**

Set out below is information in relation to certain continuing connected transactions involving the Company and/or its subsidiaries required under the Listing Rules to be disclosed in the Annual Report and Accounts of the Company:

**(I)** There existed during the year under review certain concession agreements between wholly-owned subsidiary(ies) of the Company as the concessionaire and a connected person of the Company as follows:

- (a) Certain retail spaces inside the Lane Crawford Store at Times Square, Causeway Bay (the "First Premises"), and the relevant concession agreement will expire on 31 January 2007. That Lane Crawford Store is operated by Lane Crawford (Hong Kong) Limited ("LCHK").

> DISCLOSURE OF FURTHER CORPORATE INFORMATION

- (b) Certain retail spaces inside the Lane Crawford Store at Two International Finance Centre for the periods from 1 November 2004 to 31 October 2006 for the Joyce Fashion Corners and to 31 March 2007 for the Joyce Beauty Corners respectively; the relevant agreements (the “Agreements”) were entered into on 1 November 2004 by LCHK with each of Joyce Boutique Limited and Joyce Beauty (Hong Kong) Limited, both being wholly-owned subsidiaries of the Company.

The aggregate rental payable by the Group to LCHK under the Agreements for each of the three financial years ending 31 March 2007 would not be more than HK\$11.3 million.

The Joyce Fashion Corners and Joyce Beauty Corners at IFC are expected to generate additional retail revenue to the Group.

LCHK is a wholly-owned subsidiary of Wisdom Gateway Limited, which in turn is a substantial shareholder of the Company. Consequently, the above concession agreements constitute continuing connected transactions for the Company.

**(II) Conditional waiver granted by the Stock Exchange**

As the abovementioned connected transaction for the First Premises is and will continue to be conducted on an ongoing basis, it is considered that strict compliance with the relevant requirements (the “Requirements”) relating to the Connected Transactions under the Listing Rules would be impractical. On application by the Company, the Stock Exchange granted to the Company a conditional waiver from strict compliance with the Requirements in respect of the connected transaction.

**(III) Confirmation from the Directors etc.**

The Directors, including the independent Non-executive Directors, of the Company have reviewed the continuing connected transactions mentioned above (the “Transactions”) and confirmed that the Transactions were entered into:

- (i) by the Group in the ordinary and usual course of its business;
- (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms that are no less favourable than those available to or from (as appropriate) independent third parties; and

- (iii) in accordance with the relevant agreements governing such continuing connected transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Furthermore, the auditors of the Company have advised the following:

- (1) the Transactions had been approved by the Company's Board of Directors;
- (2) the Transactions had been entered into in accordance with the relevant agreements governing the Transactions; and
- (3) the Transactions represented less than 2.5% regarding the applicable percentage ratios of the Company under the Listing Rules, and had not exceeded the relevant caps disclosed in the relevant previous announcements.

**(M) COMPLIANCE WITH CODE OF BEST PRACTICE**

The Company has complied throughout the financial year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules in force prior to 1 January 2005, which remain applicable to disclosure in annual reports in respect of accounting periods commencing before 1 January 2005 under the transitional arrangements, except the connected transactions as described under (L)(I) above, being matters involving conflict of interest for Wisdom Gateway Limited, which is a substantial shareholder of the Company, were not approved at meetings of the Company's Directors in accordance with the provision of paragraph 11 of the abovementioned Code of Best Practice, but instead were duly approved by Resolutions in Writing of the Board of Directors of the Company.