

# JOYCE BOUTIQUE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)  
(於百慕達註冊成立的有限公司)

# JOYCE

STOCK CODE 股份代號 : 647

INTERIM REPORT TO SHAREHOLDERS  
for the half-year period ended 30 September 2017

致股東中期報告書  
截至二〇一七年九月三十日止半年度

# JOYCE

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## GROUP RESULTS (UNAUDITED)

The unaudited Group loss attributable to Owners of the Company for the six months ended 30 September 2017 was HK\$28.1 million (2016: HK\$16.6 million). Loss per share was 1.7 HK cents (2016: 1.0 HK cent).

## INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2017 (2016: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### *BUSINESS REVIEW*

For the first six months of the financial year, the general decline in customer spending on luxury goods and Mainland China visitor traffic as well as closure of shops in previous financial year impacted on the Group's sales performance. Turnover and margin dropped by 19.4% and 1.5 percentage-points respectively compared with the same period last year. Mitigated by the inclusion of HK\$5.8 million write back of the onerous contract provision made for the JOYCE shop at Shanghai IAPM and saving of operating costs, the Group reported a loss attributable to Owners of the Company of HK\$28.1 million for the period, compared with a loss of HK\$16.6 million for the previous period.

In July, the Group opened a 700-square-foot JOYCE Beauty shop in Yuen Long Yoho Mall to extend JOYCE Beauty's customer base to West and North Territories and Shenzhen. During the period, the Group closed two non-performing shops upon lease expiry to improve shop productivity.

### **Outlook**

The Group expects the retail environment will remain challenging in the near term. Online specialty fashion retailing continues to impact on its core retail operations. Rental levels in prime shopping malls remain high relative to turnover. In addressing these challenges, the Group will continue to focus on driving sales through enhanced product offerings and customer service; improving cost and operational efficiency and reducing business risks through taking a cautious approach to business expansion and stock purchase planning.

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## *FINANCIAL REVIEW*

### **Results Review**

Net loss for the six months ended 30 September 2017 amounted to HK\$28.1 million as compared with net loss of HK\$16.6 million for the corresponding period last year. Loss per share was 1.7 HK cents (2016: 1.0 HK cent).

Affected by the persistently stagnant luxury retail market as well as closure of shops in previous year, the Group recorded a drop of 19.4% in turnover to HK\$386.7 million for the period. Gross margin also decreased by 1.5 percentage points mainly a result of higher proportion of warehouse outlet sales during the period.

Hong Kong turnover dropped by 15.8% against the same period last year and accounted for 88.7% of the Group turnover (2016: 84.9%). Hong Kong division incurred an operating loss of HK\$27.2 million for the period (2016: HK\$8.5 million). The increase in loss was primarily caused by the decline in turnover coupled with a drop in gross margin.

Due to difficult retail trading conditions and also the closure of certain loss making shops in previous year, Mainland China turnover recorded a drop of 40.0% against the same period last year. However, with an improvement in operating cost efficiency and HK\$5.8 million write back of the onerous contract provision for the JOYCE shop at Shanghai IAPM, Mainland China division managed to make an operating profit of HK\$1.6 million for the period (2016: loss of HK\$6.9 million).

For the period under review, loss contribution from the Marni joint venture business increased from HK\$0.4 million to HK\$0.6 million mainly due to a drop in turnover during the period.

### **Liquidity and Financial Resources**

At 30 September 2017, the Group's total cash deposits and cash on hand amounted to HK\$285.0 million (31/3/2017: HK\$323.9 million) and banking facilities totalled HK\$254.8 million (31/3/2017: HK\$254.8 million).

### **Foreign Exchange Risk Management**

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

### **Human Resources**

The Group employed 402 staff as at 30 September 2017 (31/3/2017: 414). Employees are remunerated according to the nature of their positions and market trend, with merit component incorporated in annual salary increments to reward and motivate individual performance. The Group provides various job-related training programs to staff. Total staff costs for the period ended 30 September 2017 amounted to HK\$69.6 million.

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CONDENSED CONSOLIDATED  
INTERIM INCOME STATEMENT  
for the six months ended 30 September 2017

	Note	Unaudited 30/09/2017 HK\$'000	Unaudited 30/09/2016 HK\$'000
Revenue	2	386,669	479,708
Other income		18,046	22,863
Direct costs and operating expenses	5	(378,026)	(454,439)
Selling and marketing expenses	5	(11,856)	(17,673)
Administrative expenses	5	(47,951)	(47,653)
Other gain	3	5,808	–
Operating loss		(27,310)	(17,194)
Finance costs	4	(3)	(5)
Share of loss of an associate		(628)	(366)
Loss before income tax		(27,941)	(17,565)
Income tax (expense)/credit	6	(147)	1,000
<b>Loss attributable to owners of the Company</b>		<b>(28,088)</b>	<b>(16,565)</b>
<b>Loss per share</b>	7		
– Basic and diluted		(1.7) HK cents	(1.0) HK cent
<b>Dividends</b>	8	–	–

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## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION at 30 September 2017

	Note	Unaudited 30/09/2017 HK\$'000	Audited 31/03/2017 HK\$'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		56,469	61,305
Deposits, prepayments and other assets		60,910	64,922
Interest in an associate		6,687	7,290
Financial asset at fair value through profit or loss		4,846	4,846
Deferred income tax assets		7,161	7,161
		<u>136,073</u>	<u>145,524</u>
<b>Current Assets</b>			
Inventories		188,585	183,187
Trade and other receivables	9	38,650	23,120
Deposits, prepayments and other assets		23,783	27,425
Current income tax recoverable		99	3,671
Financial derivative assets		4,448	–
Cash and cash equivalents		284,989	323,942
		<u>540,554</u>	<u>561,345</u>
<b>Total Assets</b>		<u><b>676,627</b></u>	<u><b>706,869</b></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	11	162,400	162,400
Reserves		342,579	366,857
		<u>504,979</u>	<u>529,257</u>
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Deferred income tax liabilities		1,945	1,211
Other non-current liabilities		6,714	6,869
		<u>8,659</u>	<u>8,080</u>
<b>Current Liabilities</b>			
Trade and bills payables	10	48,746	53,440
Other payables and accruals		109,145	112,346
Amount due to an associate		4,939	3,746
Current income tax liabilities		159	–
		<u>162,989</u>	<u>169,532</u>
<b>Total Liabilities</b>		<u><b>171,648</b></u>	<u><b>177,612</b></u>
<b>Total Equity And Liabilities</b>		<u><b>676,627</b></u>	<u><b>706,869</b></u>
<b>Net Current Assets</b>		<u><b>377,565</b></u>	<u><b>391,813</b></u>
<b>Total Assets Less Current Liabilities</b>		<u><b>513,638</b></u>	<u><b>537,337</b></u>

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## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY for the six months ended 30 September 2017

	Attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Capital surplus HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Hedging reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 April 2017	162,400	3,728	76	139,196	6,931	-	216,926	529,257
<b>Comprehensive income/(loss)</b>								
Loss for the period	-	-	-	-	-	-	(28,088)	(28,088)
<b>Other comprehensive income/(loss)</b>								
Net translation differences on foreign operations:								
- Subsidiaries	-	-	-	-	(216)	-	-	(216)
- Associate	-	-	-	-	25	-	-	25
Cash flow hedges:								
- Fair value changes on cash flow hedge	-	-	-	-	-	4,735	-	4,735
- Deferred income tax	-	-	-	-	-	(734)	-	(734)
<b>Total other comprehensive income/(loss)</b>	-	-	-	-	(191)	4,001	-	3,810
<b>Total comprehensive income/(loss)</b>	-	-	-	-	(191)	4,001	(28,088)	(24,278)
<b>Balance at 30 September 2017</b>	<b>162,400</b>	<b>3,728</b>	<b>76</b>	<b>139,196</b>	<b>6,740</b>	<b>4,001</b>	<b>188,838</b>	<b>504,979</b>

The comparative figures for the six months ended 30 September 2016 are set out as follows:

	Attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Capital surplus HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Hedging reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 April 2016	162,400	3,728	76	139,196	8,567	-	258,780	572,747
<b>Comprehensive income/(loss)</b>								
Loss for the period	-	-	-	-	-	-	(16,565)	(16,565)
<b>Other comprehensive income/(loss)</b>								
Net translation differences on foreign operations:								
- Subsidiaries	-	-	-	-	81	-	-	81
- Associate	-	-	-	-	6	-	-	6
Cash flow hedges:								
- Fair value changes on cash flow hedge	-	-	-	-	-	69	-	69
- Deferred income tax	-	-	-	-	-	8	-	8
<b>Total other comprehensive income</b>	-	-	-	-	87	77	-	164
<b>Total comprehensive income/(loss)</b>	-	-	-	-	87	77	(16,565)	(16,401)
<b>Balance at 30 September 2016</b>	<b>162,400</b>	<b>3,728</b>	<b>76</b>	<b>139,196</b>	<b>8,654</b>	<b>77</b>	<b>242,215</b>	<b>556,346</b>

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## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME for the six months ended 30 September 2017

	Unaudited 30/09/2017 HK\$'000	Unaudited 30/09/2016 HK\$'000
<b>Loss for the period</b>	<b>(28,088)</b>	(16,565)
<b>Other comprehensive (loss)/income</b>		
Net translation differences on foreign operations	(191)	87
Fair value gains on cash flow hedge, net of tax	4,001	77
<b>Total other comprehensive income</b>	<b>3,810</b>	164
<b>Total comprehensive loss for the period</b>	<b>(24,278)</b>	(16,401)

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS for the six months ended 30 September 2017

	Unaudited 30/09/2017 HK\$'000	Unaudited 30/09/2016 HK\$'000
Net cash (outflow)/inflow from operating activities	(32,761)	3,011
Net cash outflow from investing activities	(5,976)	(10,020)
Decrease in cash and cash equivalents	(38,737)	(7,009)
Effect of foreign exchange rate changes, net	(216)	81
<b>Cash and cash equivalents at beginning of period</b>	<b>323,942</b>	301,667
<b>Cash and cash equivalents at end of period</b>	<b>284,989</b>	294,739
<b>Analysis of balances of cash and cash equivalents</b>		
Cash at bank and in hand	165,529	176,074
Short-term bank deposits	119,460	118,665
	<b>284,989</b>	294,739

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## NOTES TO INTERIM FINANCIAL STATEMENTS

### (1) Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2017, as described in those annual financial statements.

The following new standards, amendments and interpretations are mandatory for the financial year beginning on 1 April 2017 but they do not have any significant impact to the results and financial position of the Group:

HKAS 7 (Amendments)	Disclosure initiative
HKAS 12 (Amendments)	Recognition of deferred tax assets for unrealized losses

The following new standards, amendments and interpretations have been issued but are not effective for the financial year beginning on 1 April 2017 and have not been early adopted by the Group:

HKAS 40 (Amendments)	Transfer of investment property
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
HKFRS 9	Financial instruments
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture
HKFRS 15	Revenue from contracts with customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HKFRS 16	Leases
HK (IFRIC) Int 22	Foreign currency transactions and advance consideration
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 cycle



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## (2) Segment information

The Group is principally engaged in sales of designer fashion garments, cosmetics and accessories.

The Group determines its operating segments based on the reports reviewed by the management who makes strategic decisions.

The management assesses the business by geographic location. The reportable operating segments identified are Hong Kong, Mainland China and other markets.

Segment loss represents the loss incurred by each segment before finance cost, tax and share of loss of an associate. This is the measurement basis reported to the management for the purpose of resource allocation and assessment of segment performance.

An analysis of the Group's reportable segment revenue and segment results by geographical location is as follows:

	Segment revenue		Segment results	
	30/09/2017 HK\$'000	30/09/2016 HK\$'000	30/09/2017 HK\$'000	30/09/2016 HK\$'000
<b>Geographical segments:</b>				
Hong Kong	342,791	407,143	(27,215)	(8,523)
China	41,281	68,826	1,630	(6,874)
Others	2,597	3,739	(1,725)	(1,797)
Total	<u>386,669</u>	<u>479,708</u>		
Operating loss			(27,310)	(17,194)
Finance costs			(3)	(5)
Share of loss of an associate			(628)	(366)
Loss before income tax			(27,941)	(17,565)
Income tax (expense)/credit			(147)	1,000
Loss attributable to owners of the Company			<u>(28,088)</u>	<u>(16,565)</u>

## (3) Other gain

	30/09/2017 HK\$'000	30/09/2016 HK\$'000
Reversal of provision for onerous contract	<u>5,808</u>	<u>–</u>

## (4) Finance costs

	30/09/2017 HK\$'000	30/09/2016 HK\$'000
Interest on overdrafts	<u>3</u>	<u>5</u>

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## (5) Expenses by nature

	30/09/2017 HK\$'000	30/09/2016 HK\$'000
Cost of inventories	222,601	245,117
Reversal of provision for inventories	(23,467)	(5,484)
Depreciation of property, plant and equipment	10,812	13,306
Operating lease rentals in respect of land and buildings	120,048	146,955
Staff costs	69,551	79,535
Other expenses	38,288	40,336
	<u>437,833</u>	<u>519,765</u>

## (6) Income tax expense/(credit)

Hong Kong profits tax has not been provided as the Group has no estimated assessable profit for the period ended 30 September 2017 (2016: Nil).

No provision for overseas profits tax has been made as the Group has no estimated overseas assessable profit (2016: Nil).

The amount of taxation charged/(credited) to the consolidated income statement represents:

	30/09/2017 HK\$'000	30/09/2016 HK\$'000
Hong Kong profits tax		
– Current income tax	–	–
– Under-provision in prior year	147	–
Deferred income tax	–	(1,000)
	<u>147</u>	<u>(1,000)</u>

## (7) Loss per share

The calculation of basic loss per share is based on the consolidated loss attributable to owners of the Company for the period of HK\$28,088,000 (2016: HK\$16,565,000) and the weighted average number of ordinary shares of 1,624,000,000 (2016: 1,624,000,000) shares in issue during the period.

Diluted loss per share was equal to basic loss per share as there was no dilutive potential share outstanding for the period ended 30 September 2017 and 2016.

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## (8) Dividends

### (a) Dividends attributable to the period

The Board has resolved not to declare any interim dividend for the period ended 30 September 2017 (2016: Nil).

### (b) Dividends attributable to the previous financial year, approved and paid during the period.

	30/09/2017 HK\$'000	30/09/2016 HK\$'000
No interim dividend in respect of the previous financial year, approved and paid during the period (2016: Nil)	—	—

## (9) Trade and other receivables

Included in trade and other receivables are trade receivables with an ageing analysis based on invoice date at 30 September 2017 as follows:

	30/09/2017 HK\$'000	31/03/2017 HK\$'000
Within 30 days	21,349	18,234
Between 31 to 60 days	1,402	83
Between 61 to 90 days	3,956	249
Over 90 days	—	181
	<u>26,707</u>	<u>18,747</u>

The Group has established credit policies for each of its core businesses. The general credit terms allowed range from 0 to 60 days.

## (10) Trade and bills payables

The ageing analysis of trade and bills payables at 30 September 2017 based on due date is as follows:

	30/09/2017 HK\$'000	31/03/2017 HK\$'000
Due within 30 days	46,729	51,546
Due between 31 to 60 days	2,017	1,894
	<u>48,746</u>	<u>53,440</u>

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## (11) Share capital

	2017		2016	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.10 each				
Beginning and end of the period	<u>3,000,000</u>	<u>300,000</u>	<u>3,000,000</u>	<u>300,000</u>
<b>Issued and fully paid:</b>				
Ordinary shares of HK\$0.10 each				
Beginning and end of the period	<u>1,624,000</u>	<u>162,400</u>	<u>1,624,000</u>	<u>162,400</u>

## (12) Commitments

### (a) Operating lease commitments – as lessee

At 30 September 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30/09/2017 HK\$'000	31/03/2017 HK\$'000
Land and buildings:		
Not later than one year	220,466	219,340
Later than one year and not later than five years	350,727	434,828
	<u>571,193</u>	<u>654,168</u>

Payment obligations in respect of operating leases with rentals varied with gross revenues are not included as future minimum lease payment.

### (b) Operating lease commitments – as lessor

At 30 September 2017, the Group had future aggregate minimum lease receipts under a non-cancellable operating lease as follows:

	30/09/2017 HK\$'000	31/03/2017 HK\$'000
Land and buildings:		
Not later than one year	23,408	28,819
Later than one year and not later than five year	6,513	14,924
	<u>29,921</u>	<u>43,743</u>

Receipts in respect of operating leases where rentals vary with gross revenues of the lessee are not included as future minimum lease receipts.

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**(c) Capital commitments**

Capital expenditure at the date of statement of financial position but not yet incurred is as follows:

	<b>30/09/2017</b> <b>HK\$'000</b>	31/03/2017 HK\$'000
Property, plant and equipment contracted but not provided for	<u>76</u>	<u>152</u>

**(13) Related party transactions**

Significant related party transactions, which were carried out in the normal course of the Group's business during the period, are as follows:

**(a) Transactions with fellow subsidiaries**

	<b>30/09/2017</b> <b>HK\$'000</b>	30/09/2016 HK\$'000
Rental expenses paid to fellow subsidiaries	<b>15,567</b>	14,852
Rental income received from fellow subsidiaries	<u>15,504</u>	<u>14,691</u>

**(b) Transactions with an associate**

	<b>30/09/2017</b> <b>HK\$'000</b>	30/09/2016 HK\$'000
Management fee received from an associate	<u>509</u>	<u>391</u>

**(14) Review of unaudited interim financial statements**

The unaudited interim financial statements for the six months ended 30 September 2017 have been reviewed with no disagreement by the Audit Committee of the Company.

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## CORPORATE GOVERNANCE CODE

During the financial period under review, all the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were met by the Company.

## CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors of the Company and all the Directors have confirmed that they have complied with the required standard set out in the Model Code during the period under review.

## DIRECTORS' INTERESTS IN SECURITIES

As recorded in the register kept by the Company under section 352 of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or to the Model Code (or any other applicable code), there were no interests, whether long or short positions, held or deemed to be interested as at 30 September 2017 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and its associated corporations held or deemed to be interested by any of them as at 30 September 2017.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties who/which were, directly or indirectly, interested in 5% or more of any class of voting shares of the Company as at 30 September 2017, and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register"):

<b>Names</b>	<b>No. of Ordinary Shares (percentage based on number of shares in issue)</b>
(i) JoyBo International Limited ("JBIL")	1,183,838,723 (72.90%)
(ii) Wisdom Gateway Limited ("WGL")	1,183,838,723 (72.90%)
(iii) HSBC Trustee (C.I.) Limited ("HSBC CI")	1,183,838,723 (72.90%)
(iv) Mr. Peter K. C. Woo	1,183,838,723 (72.90%)

### Notes:

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

All the interests stated above represented long positions. As at 30 September 2017, there were no short position interests recorded in the Register.

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## CHANGES IN INFORMATION OF DIRECTORS

Given below are changes in information of the Director(s) of the Company since the publication of the last annual report of the Company:

	<b>Effective Date</b>
Stephen T. H. Ng	
• Wharf Real Estate Investment Company Limited (“Wharf REIC”) (publicly listed in Hong Kong on 23 November 2017)	
– chairman and managing director	24 October 2017
• i-CABLE Communications Limited (“i-CABLE”)	
– resigned as executive director, chief executive officer and chairman	15 September 2017
Doreen Y. F. Lee	
• Wharf REIC	
– vice chairman	24 October 2017
Paul Y. C. Tsui	
• i-CABLE	
– resigned as non-executive director	15 September 2017

## 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 period under review.

By Order of the Board  
**Kevin C. Y. Hui**  
*Company Secretary*

Hong Kong, 16 November 2017

*As at the date of this interim report, the Board of Directors of the Company comprises Mr. Stephen T. H. Ng, Ms. Doreen Y. F. Lee and Mr. Paul Y. C. Tsui, together with three Independent Non-executive Directors, namely Mr. Antonio Chan, Mr. Eric K. K. Lo and Mr. T. Y. Ng.*

