

# JOYCE

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## JOYCE BOUTIQUE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立的有限公司)

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INTERIM REPORT TO SHAREHOLDERS  
for the half-year period ended 30 September 2002

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致股東中期報告書  
截至二〇〇二年九月三十日止半年度

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## GROUP RESULTS

The unaudited Group loss attributable to Shareholders for the six months ended 30 September 2002 amounted to HK\$11.3 million, compared to a loss of HK\$26.1 million in the same period last year. Loss per share was 0.7 cents.

## INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2002 (2001 : Nil).

## BUSINESS REVIEW & PROSPECTS

Joyce has managed to achieve a turnover of HK\$249.6 million, representing a 10.8% growth over the corresponding period last year, despite the prevailing soft retailing market in the first half of the fiscal year. The improvement in sales performance was mainly due to the very active and effective marketing and promotional programmes held during the period.

The net loss for the period is HK\$11.3 million, reduced from HK\$26.1 million loss for the corresponding period last year. The improvement in net loss is a direct consequence of the better performance of Joyce Hong Kong, the cost saving measures implemented by the Company and the gradual closure of the loss making Ad Hoc shops since last year.

The Joyce Hong Kong retail division has recorded HK\$193.7 million in turnover, which represents an increase of 18.6% over last year. A breakeven divisional result is achieved, which represents an improvement of HK\$13.0 million as compared to the same period last year. Most of the retail shops within the division have recorded satisfactory performance.

The Kowloon Joyce flagship shop was relocated to Canton Road in March. With a better location and lower premises cost, the improved profitability of the shop has contributed to the better performance of the Hong Kong retail division.

Joyce Café and Joyce Flowers ceased operations in July and September respectively upon the leases' expiry. This was due to the failure to secure lease renewal at a sustainable rental level for the operations. The one-off write off for the closure costs is HK\$2.7 million.

Joyce has acquired the exclusive franchise for Marc Jacobs in Taiwan. The first Marc Jacobs free-standing boutique was opened in Taipei Regent Hotel in August. More Marc Jacobs and Marc by Marc Jacobs, the younger line of Marc Jacobs, stores are planned to be opened in Taipei, Taichung and Kaohsiung in the coming fiscal year.

The net cash position, as at the end of September, was HK\$209.5 million. Compared to last year, it has been maintained at similar level.

The Company will continue to remain cautious for the overall performance in the second half of the fiscal year with the current sluggish market conditions.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**for the six months ended 30 September 2002**

	Note	Unaudited 30/09/2002 HK\$'000	Unaudited 30/09/2001 HK\$'000
Turnover		249,568	225,185
Other revenues		2,770	11,020
	2	<u>252,338</u>	<u>236,205</u>
Direct costs and operating expenses		(218,473)	(222,667)
Selling and marketing expenses		(11,630)	(9,081)
Administrative expenses		(30,708)	(30,347)
Other operating expenses		(2,709)	—
Operating loss	3	<u>(11,182)</u>	<u>(25,890)</u>
Borrowing costs	4	<u>(107)</u>	<u>(178)</u>
<b>Loss attributable to shareholders</b>		<u><b>(11,289)</b></u>	<u><b>(26,068)</b></u>
<b>Loss per share</b>	6		
- Basic		<u><b>(0.7) cents</b></u>	<u><b>(1.6) cents</b></u>
- Diluted		<u><b>N/A</b></u>	<u><b>N/A</b></u>

**CONSOLIDATED BALANCE SHEET**  
at 30 September 2002

	Note	Unaudited 30/09/2002 HK\$'000	Audited 31/03/2002 HK\$'000
<b>Non-current assets</b>			
Fixed assets		40,374	56,701
Deposits, prepayments and other assets		26,489	28,288
		<u>66,863</u>	<u>84,989</u>
<b>Current assets</b>			
Inventories		89,887	98,057
Trade and other receivables	8	14,634	18,264
Deposits, prepayments and other assets		13,814	24,750
Bank balances and deposits		214,997	213,789
		<u>333,332</u>	<u>354,860</u>
<b>Current liabilities</b>			
Trade and bills payables	9	34,990	41,348
Other payables and accruals		43,379	63,182
Short-term bank loans and overdrafts		5,542	5,846
		<u>83,911</u>	<u>110,376</u>
<b>Net current assets</b>		<u>249,421</u>	<u>244,484</u>
<b>Total assets less current liabilities</b>		<u>316,284</u>	<u>329,473</u>
<b>Capital and reserves</b>			
Share capital		160,000	160,000
Reserves		156,284	169,473
		<u>316,284</u>	<u>329,473</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
for the six months ended 30 September 2002

		(Restated)
	<b>Unaudited</b>	Unaudited
	<b>30/09/2002</b>	30/09/2001
	<b>Note</b>	HK\$'000
	<b>HK\$'000</b>	HK\$'000
Net cash inflow/(outflow) from operating activities	<b>6,308</b>	(29,578)
Net cash outflow relating to investing activities	<b>(3,189)</b>	(14,839)
Net cash inflow relating to financing activities	<b>12</b>	3,905
Increase/(decrease) in cash and cash equivalents	<b>3,131</b>	(40,512)
Effect of foreign exchange rate changes	<b>(1,608)</b>	(130)
<b>Cash and cash equivalents at beginning of period</b>	<b>1 (c) 213,175</b>	260,840
<b>Cash and cash equivalents at end of period</b>	<b>214,698</b>	220,198
<b>Analysis of balances of cash and cash equivalents</b>		
Deposits and cash	<b>214,997</b>	220,506
Bank overdrafts	<b>(299)</b>	(308)
	<b>214,698</b>	220,198

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the six months ended 30 September 2002

	<b>Unaudited</b>	Unaudited
	<b>30/09/2002</b>	30/09/2001
	<b>HK\$'000</b>	HK\$'000
Total equity at 1 April	<b>329,473</b>	414,737
Exchange differences on translation of accounts of foreign entities	<b>(1,900)</b>	(130)
Loss attributable to shareholders	<b>(11,289)</b>	(26,068)
<b>Total equity at 30 September</b>	<b>316,284</b>	388,539

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**Notes to the Accounts****(1) Basis of preparation**

These unaudited consolidated interim accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" and Appendix 16 of Listing Rules of The Stock Exchange of Hong Kong Limited. The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2002 except for the changes in accounting policies as described below.

**(a) SSAP 1 (Revised) "Presentation of Financial Statements"**

The consolidated statement of recognised gains and losses is replaced by the consolidated statement of changes in equity.

**(b) SSAP 11 (Revised) "Foreign Currency Translation"**

The profit and loss accounts of foreign enterprises are translated into Hong Kong dollars at the weighted average exchange rates during the period. This is a change in accounting policy from prior years where these were translated at the exchange rates ruling at the balance sheet date. The effect of such change is not material to the accounts.

**(c) SSAP 15 (Revised) "Cash Flow Statements"**

A revised classification of activities from which cash flows are derived has been made.

With effect from 1 April 2002, with the introduction of SSAP 15 (Revised) "Cash Flow Statements", the Group defines cash and cash equivalents as cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value and were within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. The accounting policy has been adopted retrospectively. In adjusting prior year's figures, cash and cash equivalents as at 1 April 2001 and 2002 were restated and increased by HK\$1,857,000 and HK\$5,232,000 respectively. In addition, certain presentational changes have been made on adoption of SSAP 15 (Revised).

**(2) Segment information**

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

An analysis of the Group's segment information for the period by business segment is as follows:

	Segment Revenue		Segment Results	
	30/09/2002 HK\$'000	30/09/2001 HK\$'000	30/09/2002 HK\$'000	30/09/2001 HK\$'000
<b>Business segments:</b>				
Retail	249,238	230,058	(7,273)	(24,354)
Food & beverages - closed (Note)	3,100	6,147	(3,909)	(1,536)
	<u>252,338</u>	<u>236,205</u>		
Operating loss			(11,182)	(25,890)
Borrowing costs			(107)	(178)
Loss attributable to shareholders			<u>(11,289)</u>	<u>(26,068)</u>

Note: The loss making food & beverages segment closed business on 20 July 2002, incurring a closure cost of HK\$2,709,000.

The Group is organised into two main business segments as follows:

Retail - sales of designer fashion garments, cosmetics, homeware and accessories

Food and beverages - restaurant operations

There are no sales or other transactions between the business segments.

An analysis of the Group's segment information for the period by geographical segment is as follows:

	Segment Revenue		Segment Results	
	30/09/2002 HK\$'000	30/09/2001 HK\$'000	30/09/2002 HK\$'000	30/09/2001 HK\$'000
<b>Geographical segments:</b>				
Hong Kong	226,377	208,243	(9,230)	(23,117)
Taiwan	25,638	27,637	(1,881)	(2,711)
Others	323	325	(71)	(62)
Total	<u>252,338</u>	<u>236,205</u>	<u>(11,182)</u>	<u>(25,890)</u>

The Group operates in two main geographical areas as follows:

Hong Kong - retail and food and beverages

Taiwan - retail only

There are no sales or other transactions between the geographical segments.

**(3) Operating loss**

Operating loss is arrived at after charging/(crediting) the followings:

	<b>30/09/2002</b>	30/09/2001
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold	<b>128,492</b>	110,615
Depreciation	<b>17,350</b>	17,682
Staff costs	<b>39,251</b>	45,695
Auditors' remuneration	<b>300</b>	300
Closure costs of cafe	<b>2,709</b>	—
Write back of provision for claims	<b>(2,445)</b>	—
	<b><u>          </u></b>	<b><u>          </u></b>

**(4) Borrowing costs**

	<b>30/09/2002</b>	30/09/2001
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans and overdrafts	<b>107</b>	178
	<b><u>          </u></b>	<b><u>          </u></b>

**(5) Taxation**

No provision for Hong Kong and overseas profits tax has been made as there were no net assessable profits generated during the period ended 30 September 2002 (2001 : Nil).

**(6) Loss per share****(a) Basic loss per share**

The calculation of basic loss per share is based on the loss attributable to shareholders for the period of HK\$11,289,000 (2001 : HK\$26,068,000) and 1,600,000,000 shares in issue throughout the financial period ended 30 September 2002 and the previous year's corresponding period.

**(b) Diluted loss per share**

As the share options of the Company would not result in the issue of ordinary shares for less than fair value, there was no dilutive effect on the loss per share for either the period ended 30 September 2001 or 30 September 2002.

**(7) Interim dividend**

The Board has resolved not to declare any interim dividend for the period ended 30 September 2002 (2001 : Nil).



**(8) Trade and other receivables**

Included in trade and other receivables are trade receivables with an ageing analysis at 30 September 2002 as follows:

	<b>30/09/2002</b>	31/03/2002
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>10,473</b>	12,594
Between 31 to 60 days	<b>171</b>	107
Between 61 to 90 days	<b>2</b>	10
Over 90 days	<b>8</b>	19
	<b><u>10,654</u></b>	<u>12,730</u>

**(9) Trade and bills payable**

The ageing analysis of trade and bills payables at 30 September 2002 is as follows:

	<b>30/09/2002</b>	31/03/2002
	<b>HK\$'000</b>	HK\$'000
Amounts payable:		
Within 30 days	<b>27,424</b>	26,268
Between 31 to 60 days	<b>3,814</b>	10,496
Between 61 to 90 days	<b>3,487</b>	4,072
Over 90 days	<b>265</b>	512
	<b><u>34,990</u></b>	<u>41,348</u>

**(10) Commitments****(a) Operating lease commitments**

At 30 September 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>30/09/2002</b>	31/03/2002
	<b>HK\$'000</b>	HK\$'000
Land and buildings:		
Not later than one year	<b>74,158</b>	82,714
Later than one year and not later than five years	<b>112,396</b>	116,729
Later than five years	<b>3,795</b>	—
	<b><u>190,349</u></b>	<u>199,443</u>

**(b) Forward exchange contracts**

	<b>30/09/2002</b>	31/03/2002
	<b>HK\$'000</b>	HK\$'000
Forward foreign exchange contracts outstanding	<b><u>78,980</u></b>	<u>117,710</u>

**(c) Capital commitments**

There were no significant capital commitments outstanding at 30 September 2002 (31/03/2002 : Nil).

**(11) Contingent liabilities**

There were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to bank facilities up to HK\$347,550,000 (31/03/2002 : HK\$347,550,000).

**(12) Material related party transactions**

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

	<b>30/09/2002</b>	30/09/2001
	<b>HK\$'000</b>	HK\$'000
Rental expenses paid to an associate of the ultimate holding company	<b>1,195</b>	1,364
Rental expenses paid to a fellow subsidiary	<b><u>1,370</u></b>	<u>1,370</u>

Note: The rental expenses related to the leasing of certain retail areas/shops were based on estimated open market rentals.

**(13) Comparative figures**

Certain comparative figures have been adjusted as a result of changes in accounting policies for cash and cash equivalents in the condensed consolidated cash flow statement, and the consolidated statement of recognised gains and losses is replaced by the consolidated statement of changes in equity, in order to comply with SSAPs 15 (revised) and 1 (revised) respectively (see Note (1) to the Accounts).

**(14) Review of unaudited interim accounts**

The unaudited interim accounts for the six months ended 30 September 2002 have been reviewed by the audit committee of the Company.

## COMMENTARY ON INTERIM ACCOUNTS

### (I) Review of 2002/2003 Interim Results and Segmental Performance

Group loss attributable to Shareholders for the six months ended 30 September 2002 amounted to HK\$11.3 million, an improvement of 57% over the corresponding period last year. Loss per share was 0.7 cents.

The Group's turnover for the period was HK\$249.6 million, showing a 10.8% growth over the corresponding period last year.

The gross margin was lower than the same period last year mainly due to increased promotional campaigns in the period.

Operating costs have, in general, reduced due to the cost saving measures implemented by the Company. The staff costs have generally reduced as a result of the company-wide manpower streamlining programme done in the first quarter of 2002 and a general cut in the staff salary. The relocation of Joyce at Nathan Road to Canton Road in March this year has proved successful with significant rental savings and improved turnover per square foot.

Following the expiry of the lease of Joyce Café at the end of June, as it is rather difficult to secure a rental level which is sustainable by the operations, the Company has decided to discontinue the business accordingly. As a result, a closure cost of HK\$2.7 million was incurred. Together with the operating loss, the total loss for Joyce Café is HK\$3.9 million.

The loss making Ad Hoc division, which ceased business completely in August as planned, sustained a loss of HK\$3.2 million for the period.

No provision for Hong Kong and overseas profits tax has been made as there were no net assessable profits generated during the period.

### (II) Liquidity and Financial Resources

At 30 September 2002, the Group's total net deposits and cash amounted to HK\$209.5 million, representing total deposits and cash of HK\$215.0 million less total bank borrowings of HK\$5.5 million which are all repayable within one year.

At 30 September 2002, the Group had banking facilities in a total amount of HK\$258.3 million.

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

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 foreign exchange contracts outstanding as at 30 September 2002 is shown in Note (10) to the accounts.

**(III) Employees**

The Group has approximately 350 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 periodically. Total staff costs for the six months ended 30 September 2002 amounted to HK\$39.3 million.

**COMPLIANCE WITH CODE OF BEST PRACTICE**

None of the Directors of the Company is aware of any information which would reasonably indicate that the Company was not in compliance with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), at any time during the six months ended 30 September 2002.

**DIRECTORS' INTERESTS IN SHARES**

At 30 September 2002, Directors of the Company had the following beneficial interests in the share capital of the Company, of the ultimate holding company of the Company, namely, Wheelock and Company Limited ("Wheelock"), of a subsidiary and an associate of Wheelock, namely, New Asia Realty and Trust Company, Limited ("New Asia") and The Wharf (Holdings) Limited ("Wharf") respectively:-

	No. of Ordinary Shares	Nature of Interest
<b>The Company</b>		
Mr. Walter K. W. Ma	368,000,000	Other Interest (See Note below)
Mrs. Joyce E. Ma	368,000,000	Other Interest (See Note below)
Ms. Adrienne M. Ma	368,000,000	Other Interest (See Note below)
Ms. Yvette T. Ma	368,000,000	Other Interest (See Note below)
<b>Wheelock</b>		
Mr. Gonzaga W. J. Li	1,486,491	Personal Interest
Mr. Stephen T. H. Ng	300,000	Personal Interest
Mr. T. Y. Ng	70,000	Personal Interest
Mr. Harry S. S. Wong	180,000	Personal Interest
<b>New Asia</b>		
Mr. Gonzaga W. J. Li	2,900	Personal Interest
<b>Wharf</b>		
Mr. Gonzaga W. J. Li	686,549	Personal Interest
Mr. Stephen T. H. Ng	650,057	Personal Interest
Mr. T. Y. Ng	178,016	Personal Interest

*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 in which the Ma Family was taken, under certain provisions of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") 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 the shareholding is entirely duplicated and included in the shareholding interest of J. W. Mark Limited and Asiatrust Limited, as mentioned below in the section headed "Substantial Shareholders' Interests".*

At 30 September 2002, Directors of the Company had the following personal interests in options to subscribe for ordinary shares of the Company granted under the Share Option Scheme of the Company:-

Name of Directors	Date granted (Day/Month/Year)	No. of ordinary share represented by unexercised options outstanding as at	No. of ordinary share represented by unexercised options outstanding as at	Period during which rights exercisable (Day/Month/Year)	Price per share to be paid on exercise of options	Consideration paid for the options granted
		01/04/2002	30/09/2002			
Mrs. Joyce E. Ma	04/11/1997	6,000,000	6,000,000	08/04/1998 to 07/10/2002	HK\$0.475	HK\$10
Ms. Adrienne M. Ma	(1) 04/11/1997	1,600,000	1,600,000	08/04/1998 to 07/10/2002	HK\$0.475	HK\$10
	(2) 28/06/2000	13,800,000	13,800,000	26/12/2000 to 25/06/2005	HK\$0.186	HK\$10

Except as disclosed above, as recorded in the register kept the Company under section 29 of the SDI Ordinance in respect of information required to be notified to the Company and the Stock Exchange pursuant to that Ordinance or to the Model Code for Securities Transactions by Directors of Listed Companies:

- (i) there were no interests held as at 30 September 2002 by any Directors and Chief Executive of the Company in securities of the Company and its associated corporations (within the meaning of the SDI Ordinance), and
- (ii) there existed during the financial period no rights to subscribe for equity or debt securities of the Company which were held by any 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 period of any such rights by any of them.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties which were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital of the Company and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at 30 September 2002 as recorded in the register kept by the Company under section 16(1) of the SDI Ordinance:

	Names	No. of Ordinary Shares
(i)	Wheelock International Limited	831,862,723
(ii)	Ansett Limited	831,862,723
(iii)	Wheelock (Hong Kong) Limited	831,862,723
(iv)	Baber Holdings Limited	831,862,723
(v)	Wheelock Pacific Limited	831,862,723
(vi)	Wheelock and Company Limited	831,862,723
(vii)	Bermuda Trust (Guernsey) Limited	831,862,723
(viii)	J. W. Mark Limited	*368,000,000
(ix)	Asiatrust Limited	*368,000,000

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

*Note: 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 (vii) above in that they all represent the same block of shares.*

## SHARE OPTIONS

Details of share options granted to Directors of the Company under the Company's Share Option Scheme are set out in the above section headed "Directors' Interests in Shares".

Particulars, and movements during the financial period, of the Company's outstanding share options, which were granted to eight employees (all being participants with options not exceeding the individual limit, and including all those Directors who were granted share options) working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance, were as follows:

	Date granted (Date/Month/Year)	No. of ordinary share represented by unexercised options outstanding as at 01/04/2002	No. of ordinary share represented by unexercised options outstanding as at 30/09/2002	Period during which rights exercisable (Day/Month/Year)	Price per share to be paid on exercise of options
(1)	04/11/1997	13,300,000	13,300,000	08/04/1998 to 07/10/2002	HK\$0.475
(2)	28/06/2000	19,800,000	19,800,000	26/12/2000 to 25/06/2005	HK\$0.186
		33,100,000	33,100,000		

Except as disclosed above, no share option of the Company was issued, exercised, cancelled, lapsed or outstanding throughout the period under review.

## 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  
**Wilson W. S. Chan**  
*Secretary*

Hong Kong, 21 November 2002