

Joyce Boutique Holdings Limited

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立的有限公司)

JOYCE

INTERIM REPORT TO SHAREHOLDERS

for the half-year period ended 30 September, 2004

致股東中期報告書

截至二〇〇四年九月三十日止半年度

GROUP RESULTS

The unaudited Group profit attributable to Shareholders for the six months ended 30 September 2004 amounted to HK\$18.1 million, as compared with the profit of HK\$1.5 million for the corresponding period last year. Earnings per share were 1.1 cents.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2004 (2003: Nil).

BUSINESS REVIEW & PROSPECTS

The Group achieved a turnover of HK\$281.4 million for the six-month period, which represents an 11.5% increment on turnover over the last corresponding period. With good improvements in turnover and margins for the period and strict adherence to fiscal discipline, the Group reported an interim profit of HK\$18.1 million, including a non-recurring exchange gain of HK\$2.0 million. This shows a marked improvement from the HK\$1.5 million net profit as reported in the last corresponding period.

Contributing to the Group's performance are the rapid economic recuperation and a significant recovery in consumer's buying sentiments after the SARS crisis; and the expansion of the Hugo Boss retail network in Hong Kong. The Hugo Boss expansion programme has been successful, with turnover increasing by nearly 50%. This has more than mitigated the loss of turnover from the closure of the multi-label Joyce store in Taipei at the end of May 2004.

Within this 2004/05 interim period, the Group opened the last of the four Hugo Boss flagship shops in Hong Kong. The new 4,800 square-foot Boss shop at 8 Queen's Road Central opened its doors in April. In August, the Group renovated and expanded the 1,750 square-foot Dries Van Noten shop at Landmark to a 3,000 square-foot boutique. During the same month, the Group also opened the first Anna Sui shop in Hong Kong at Times Square. As the Group acquired the exclusive franchise rights for Etro commencing this Fall/Winter 2004 season, it re-opened the Etro shop at Lee Gardens in September. In November, Joyce opened several designer corners and a Joyce Beauty corner in the new Lane Crawford store at International Finance Centre 2. These new shops added approximately 18% of additional retail space to the Group's total retail portfolio.

In Taiwan, the Group opened two new shops at Breeze Center Taipei, one for Marni and one for Dries Van Noten in October.

In China, the Group's sub-franchising business continues to grow. The first half of the year under review saw the addition of eight new shops to the sub-franchising portfolio, bringing a total of eleven shops in the China division. In April, two Versace and two Versus shops were opened in Chengdu and Xian respectively. Six months later, the first Etro shop in China was opened in Shanghai while another new Versace shop was opened in Chongqing. In the coming November, another Versace and Versus shop will be opened in Kunming and Chongqing respectively.

The Group's net cash position as at 30 September 2004 was HK\$267.7 million.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the six months ended 30 September 2004

	Note	Unaudited 30/09/2004 HK\$'000	Unaudited 30/09/2003 HK\$'000
Turnover	(2)	281,380	252,445
Other revenues		2,067	1,453
		283,447	253,898
Direct costs and operating expenses		(231,965)	(226,832)
Selling and marketing expenses		(11,527)	(12,268)
Administrative expenses		(23,891)	(26,490)
Realised foreign exchange gains		2,029	13,629
Operating profit	(3)	18,093	1,937
Borrowing costs	(4)	(36)	(124)
Profit before taxation		18,057	1,813
Taxation	(5)	—	(300)
Profit attributable to shareholders		18,057	1,513
Earnings per share	(6)		
- Basic		1.1 cents	0.1 cent
- Diluted		1.1 cents	N/A

CONSOLIDATED BALANCE SHEET
at 30 September 2004

	Note	Unaudited 30/09/2004 HK\$'000	Audited 31/03/2004 HK\$'000
NON-CURRENT ASSETS			
Fixed assets		37,573	33,174
Deposits, prepayments and other assets		<u>22,461</u>	<u>20,589</u>
		<u>60,034</u>	<u>53,763</u>
CURRENT ASSETS			
Inventories		103,104	94,419
Trade and other receivables	(8)	30,391	27,940
Deposits, prepayments and other assets		8,324	10,120
Bank balances and cash		<u>269,643</u>	<u>266,802</u>
		<u>411,462</u>	<u>399,281</u>
CURRENT LIABILITIES			
Trade and bills payables	(9)	48,701	43,533
Other payables and accruals		77,144	78,551
Short-term bank loans and overdrafts		<u>1,922</u>	<u>5,255</u>
		<u>127,767</u>	<u>127,339</u>
NET CURRENT ASSETS		<u>283,695</u>	<u>271,942</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>343,729</u>	<u>325,705</u>
FINANCED BY:			
SHAREHOLDERS' FUND			
Share capital	(10)	160,380	160,380
Reserves		<u>183,349</u>	<u>165,325</u>
		<u>343,729</u>	<u>325,705</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2004

	Unaudited 30/09/2004 HK\$'000	Unaudited 30/09/2003 HK\$'000
Total equity at 1 April	325,705	294,938
Exchange differences on translation of accounts of foreign entities	(33)	(263)
Profit attributable to shareholders	18,057	1,513
Issue of new shares upon exercise of share options		
Share capital	—	380
Share premium	—	327
Total equity at 30 September	<u>343,729</u>	<u>296,895</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 September 2004

	Unaudited 30/09/2004 HK\$'000	Unaudited 30/09/2003 HK\$'000
Net cash inflow from operating activities	17,998	28,623
Net cash outflow relating to investing activities	(11,791)	(7,550)
Net cash outflow relating to financing activities	(3,485)	(395)
Increase in cash and cash equivalents	2,722	20,678
Effect of foreign exchange rate changes, net	(33)	(263)
Cash and cash equivalents at beginning of period	<u>266,802</u>	<u>226,187</u>
Cash and cash equivalents at end of period	<u>269,491</u>	<u>246,602</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	269,643	246,602
Bank overdrafts	(152)	—
	<u>269,491</u>	<u>246,602</u>

Notes to Interim 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" issued by the Hong Kong Institute of Certified Public Accountants 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 2004.

(2) Segment information

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

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

	Segment turnover		Segment results	
	30/09/2004	30/09/2003	30/09/2004	30/09/2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Geographical segments:				
Hong Kong	252,267	213,766	18,991	5,114
Taiwan	20,866	34,871	(199)	(2,615)
Others	8,247	3,808	(699)	(562)
Total	<u>281,380</u>	<u>252,445</u>		
Operating profit			18,093	1,937
Borrowing costs			(36)	(124)
Profit before taxation			<u>18,057</u>	1,813
Taxation			—	(300)
Profit attributable to shareholders			<u>18,057</u>	<u>1,513</u>

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

No business segment analysis is provided as over 90% of the Group's turnover and profit contribution came from the retail business during the period.

(3) Operating profit

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

	30/09/2004	30/09/2003
	HK\$'000	HK\$'000
Cost of inventories (including provision for inventories)	146,379	142,608
Depreciation	6,854	14,464
Staff costs	39,262	37,109
Auditors' remuneration	285	285
Realised foreign exchange gains on forward exchange contracts	(2,029)	(13,629)
	<u>(2,029)</u>	<u>(13,629)</u>

(4) Borrowing costs

	30/09/2004	30/09/2003
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	36	124
	<u>36</u>	<u>124</u>

(5) Taxation

No provision for Hong Kong profits tax has been made as the Group has sufficient tax losses brought forward from previous years to offset against the net assessable profits generated during the period ended 30 September 2004 (2003: Nil).

No provision for overseas profits tax has been made as there were no net assessable profits generated during the period ended 30 September 2004 (2003: Nil).

Taxation in the consolidated profit and loss account represents:

	30/09/2004	30/09/2003
	HK\$'000	HK\$'000
Deferred taxation		
Reversal of temporary differences	—	(525)
Effect of increase in tax rate	—	225
	<u>—</u>	<u>(300)</u>

(6) Earnings per share**(a) Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to Shareholders for the period of HK\$18,057,000 (2003: HK\$1,513,000) and the weighted average number of 1,603,800,000 (2003: 1,600,539,891) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the period is based on 1,603,800,000 ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average number of 6,915,179 ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised. 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 earnings per share for the period ended 30 September 2003.

(7) Interim dividend

The Board has resolved not to declare any interim dividend for the period ended 30 September 2004 (2003: Nil).

(8) Trade and other receivables

Included in trade and other receivables are trade receivables with an ageing analysis at 30 September 2004 as follows:

	30/09/2004	31/03/2004
	HK\$'000	HK\$'000
Within 30 days	14,527	14,832
Between 31 to 60 days	769	566
Between 61 to 90 days	17	6
	<u>15,313</u>	<u>15,404</u>

(9) Trade and bills payables

The ageing analysis of trade and bills payables at 30 September 2004 is as follows:

	30/09/2004	31/03/2004
	HK\$'000	HK\$'000
Within 30 days	37,171	31,110
Between 31 to 60 days	8,221	8,246
Between 61 to 90 days	2,277	3,144
Over 90 days	1,032	1,033
	<u>48,701</u>	<u>43,533</u>

(10) Share capital

	No. of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
Balance at 31/03/2004 and 30/09/2004	3,000,000,000	300,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
Balance at 31/03/2003	1,600,000,000	160,000
Exercise of share options	<u>3,800,000</u>	<u>380</u>
Balance at 30/09/2003, 31/03/2004 and 30/09/2004	<u>1,603,800,000</u>	<u>160,380</u>

Share options

On 23 September 1997, the Company's Shareholders passed a resolution approving the adoption of a share option scheme (the "Share Option Scheme") for the executive directors and employees of the companies comprising the Group. The Share Option Scheme will remain in force until 22 September 2007. As at 30 September 2004, there were outstanding options brought forward from prior years in respect of a total of 16,000,000 (31/03/2004: 16,000,000) shares granted to a director and an employee of the Company for a nominal consideration of HK\$10 per grant of option. All options are exercisable at the subscription price of HK\$0.186 per share during the period from 26 December 2000 to 25 June 2005, both days inclusive. During the period, no options were granted to directors or employees and no options lapsed upon the expiration of share options under the Share Option Scheme.

During the period, the Company's Shareholders passed a resolution approving the adoption of a new executive share incentive scheme (the "New Scheme") for the executive directors and employees of the companies comprising the Group, pursuant to which the Company may, following the adoption of the New Scheme, grant them options under the New Scheme and the Share Option Scheme to subscribe for shares of the Company, subject to a maximum aggregate of 156,580,000 shares of the Company. The New Scheme will remain in force for the period from 27 August 2004 to 26 August 2014. Pursuant to a decision of the Share Option Committee dated 1 September 2004, total options of 19,500,000 shares, which are exercisable at the subscription price of HK\$0.405 per share during the period from 1 September 2005 to 31 August 2009, both days inclusive, were granted to 23 employees of the Company for a nominal consideration of HK\$10 per grant of option in accordance with the terms of the New Scheme.

As at 30 September 2004, the Company had 35,500,000 outstanding share options. The exercise in full of such options would, under the present capital structure of the Company, result in the issue of 35,500,000 (31/03/2004: 16,000,000) additional ordinary shares for aggregate proceeds, before related issue expenses, of HK\$10,873,500 (31/03/2004: HK\$2,976,000).

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

At 30 September 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30/09/2004	31/03/2004
	HK\$'000	HK\$'000
Land and buildings:		
Not later than one year	86,838	80,136
Later than one year and not later than five years	115,545	128,936
	<u>202,383</u>	<u>209,072</u>

(b) Forward exchange contracts

	30/09/2004	31/03/2004
	HK\$'000	HK\$'000
Forward exchange contracts outstanding	<u>222,291</u>	<u>140,164</u>

(c) Capital commitments

There were no significant capital commitments outstanding at 30 September 2004 (31/03/2004: Nil).

(12) Contingent liabilities

At 30 September 2004, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to bank facilities up to HK\$288,418,000 (31/03/2004: HK\$350,418,000).

(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:

	30/09/2004	30/09/2003
	HK\$'000	HK\$'000
Rental expenses paid to a fellow subsidiary (Note)	<u>1,281</u>	<u>1,302</u>

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

(14) Review of unaudited interim accounts

The unaudited interim accounts for the six months ended 30 September 2004 have been reviewed by the audit committee of the Company.

COMMENTARY ON INTERIM ACCOUNTS

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

Group profit attributable to Shareholders for the six-month period ended 30 September 2004 amounted to HK\$18.1 million, compared to a profit of HK\$1.5 million for the same period last year. Earnings per share were 1.1 cents.

The Group's turnover for the period was HK\$281.4 million, representing an increase of 11.5% over the same period last year. The significant increase is partly due to the successful upgrade and revamp programme of the Boss shops in Hong Kong and partly due to the SARS impact on last year's turnover.

The gross margin also rose by 4.5 percentage points over the same period last year. The gross margin of last corresponding period was significantly affected by the lengthened sales promotions launched as a result of the SARS.

The improved performance in turnover and margin, coupled with a tight fiscal discipline on operating overheads, has contributed to the markedly improved results of the period. The Group achieved a net profit of HK\$18.1 million for the period, including a non-recurring realised forex gain of HK\$2.0 million on forward exchange contracts. The last corresponding period only recorded a profit of HK\$1.5 million after the inclusion of the non-recurring forex gain of HK\$13.6 million.

(II) Liquidity and Financial Resources

At 30 September 2004, the Group's total net deposits and cash amounted to HK\$267.7 million, representing total deposits and cash of HK\$269.6 million less total bank borrowings and overdraft of HK\$1.9 million which are all repayable within one year.

At 30 September 2004, the Group had banking facilities in a total amount of HK\$245.2 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 2004 is shown in Note (11) to the Accounts.

(III) Employees

The Group has approximately 360 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 six months ended 30 September 2004 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 2004.

DIRECTORS' INTERESTS IN SHARES

At 30 September 2004, 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 (22.9%)	Other Interest (See Note below)
Mrs. Joyce E. Ma	368,000,000 (22.9%)	Other Interest (See Note below)
Ms. Adrienne M. Ma	368,000,000 (22.9%)	Other Interest (See Note below)
Ms. Yvette T. Ma	368,000,000 (22.9%)	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 of J. W. Mark Limited and Asiatruster Limited mentioned below in the section headed "Substantial Shareholders' Interests".

Set out below are particulars of interests (all being personal interests) in options to subscribe for ordinary shares of the Company granted under the Company's share option scheme adopted in 1997 (the "Share Option Scheme") held by a Director of the Company during the financial period (no movement in the relevant options recorded during the period):

Name of Director	Date granted (Day/Month/Year)	No. of ordinary shares represented by unexercised options outstanding during the period	Period during which rights exercisable (Day/Month/Year)	Price per share to be paid on exercise of options (HK\$)	Consider- ation paid for the options granted (HK\$)
Ms. Adrienne M. Ma	28/06/2000	10,000,000	26/12/2000 to 25/06/2005	0.186	10

Except as disclosed above, as recorded in the register kept 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 30 September 2004 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 period no rights to subscribe for 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 period of any such rights by any of them.

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, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at 30 September 2004 as recorded in the register kept by the Company under section 336 of the SFO 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 (51.9%)
(ii) Wisdom Gateway Limited	831,862,723 (51.9%)
(iii) Bermuda Trust (Guernsey) Limited	831,862,723 (51.9%)
(iv) Mr. Peter K. C. Woo	831,862,723 (51.9%)
(v) J. W. Mark Limited	*368,000,000 (22.9%)
(vi) Asiatruster Limited	*368,000,000 (22.9%)
(vii) Rizzoli Corriere della Sera Media Group S.p.A.	156,000,000 (9.7%)

* *J. W. Mark Limited's and Asiatruster 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 headed "Directors' Interests in Shares".*

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 Asiatruster 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.

All the interests stated above represented long positions and as at 30 September 2004, there were no short positions recorded in the said register.

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.

Details of share options granted to Director(s) of the Company under the Share Option Scheme are set out in the above section headed "Directors' Interests in Shares". No share option under the New Scheme was granted to any Director of the Company during the period under review.

(i) Share Option Scheme

Set out below are particulars during the financial period of the Company's outstanding share options under the Share Option Scheme which were granted to 2 employees (one of whom is a Director of the Company), both 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 (no movement in the relevant options recorded during the period):

Date granted (Date/Month/Year)	No. of ordinary shares represented by unexercised options outstanding during the period	Period during which rights exercisable (Day/Month/Year)	Price per share to be paid on exercise of options (HK\$)
28/06/2000	16,000,000	26/12/2000 to 25/06/2005	0.186

(ii) New Scheme

Set out below are particulars and movements during the financial period of the Company's outstanding share options under the New Scheme which were granted 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:

Date granted (Date/Month/Year)	No. of ordinary shares represented by unexercised options outstanding as at 01/04/2004	No. of ordinary shares represented by options granted during the financial period	No. of ordinary shares represented by unexercised options outstanding as at 30/09/2004	Period during which rights exercisable (Day/Month/Year)	Price per share to be paid on exercise of options (HK\$)
17/09/2004	N/A	19,500,000	19,500,000	01/09/2005 to 31/08/2009	0.405

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

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, 12 November 2004

As at the date of this interim report, the Board of Directors of the Company comprises Mr. Walter K. W. Ma, Mrs. Joyce E. Ma, Ms. Adrienne M. Ma, Mr. Michael E. Brillhart, Mr. Antonio Chan, Mr. Michael C. Kalyk, Ms. Doreen Y. F. Lee, Mr. Eric F. C. Li, Mr. Gonzaga W. J. Li, Mr. Eric K. K. Lo, Ms. Yvette T. Ma, Mr. Stephen T. H. Ng, Mr. T. Y. Ng and Mr. Paul Y. C. Tsui.