

JOYCE

Joyce Boutique Holdings Limited

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立的有限公司)

Stock Code 股份代號: 647

INTERIM REPORT TO SHAREHOLDERS

for the half-year period ended 30 September 2006

致股東中期報告書

截至二〇〇六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 2006 amounted to HK\$18.2 million, as compared with the profit of HK\$22.4 million for the corresponding period last year. Earnings per share were 1.1 cents (2005: 1.4 cents).

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Despite the scale down of retail operations in Taiwan, the Group managed to achieve a turnover of HK\$378.0 million for the first six months of the 2006/07 fiscal year, which is 8.7% higher than the turnover for the same period last year. The turnover growth was mainly attributable to the new mono-brand shops opened during the period. Escalating premises costs in Hong Kong, however, has impacted the bottom line, resulting in a decrease in net profit for the period by HK\$4.2 million to HK\$18.2 million.

During the period under review, four new stores were opened in Hong Kong. These included the three mono-brand boutiques for Jil Sander, Anna Sui and Etro in the new retail wing of Ocean Centre, as well as the BOSS corner in the Sogo department store in Causeway Bay.

The Joyce flagship store in Central is scheduled for an expansion, to be completed by March 2007, which will increase the total floor space by 10,000 square feet, resulting in a 26,000 square feet specialty store.

On the China side, the Group has started rolling out its direct retail portfolio in Shanghai by opening a Jil Sander boutique in Plaza 66 in April 2006 and a Pleats Please mono-brand shop in Times Square in October 2006.

Looking ahead, the Group is scheduled to expand its China direct retail portfolio by opening more new mono-brand stores in Shanghai, Beijing and Chengdu in the coming six months. The first Joyce multi-label flagship store is also scheduled to open in Plaza 66, Shanghai in March 2007. An Anna Sui mono-brand shop is planned to open in Plaza 66, Shanghai at the end of this year. Four stores will also be opened in the new Mitsukoshi department store in Beijing for Anna Sui, Jil Sander, Pleats Please and Etro in the spring of 2007, and a third Anna Sui shop and the first See by Chloe shop at Maison Mode, Chengdu in the first quarter of 2007.

While development and expansion focus will be placed in the Hong Kong and China regions, the relative unstable political and economic environment of Taiwan has reinforced the Group's decision to scale down its Taiwan operation. With the exception of the boutiques operating under the jointly controlled entity, all stores have been closed during the period with no significant losses incurred.

FINANCIAL REVIEW

(I) Results Review

The Group's turnover for the period was HK\$378.0 million, representing an increase of 8.7% over the same period last year. The increase was mainly driven by the Hong Kong retail segment with a remarkable growth of 12.4%, while the scale down of the Taiwan retail segment has led to a drop in turnover contribution from the region by 31.1%.

Although facing keen competitions in the retail market, the Group is able to maintain its gross profit margin through effective hedging of the Euro. Gross profit margin only slightly dropped by 0.5% over the same period last year.

The jointly controlled entity in which the Group has a 50% interest continues its robust growth by contributing a net profit of HK\$2.1 million for the period.

Group profit attributable to Shareholders for the six-month period ended 30 September 2006 amounted to HK\$18.2 million, compared to a profit of HK\$22.4 million for the same period last year. Earnings per share were 1.1 cents (2005: 1.4 cents). The decrease in net profit was mainly attributed to the escalating premises costs in Hong Kong. Premises costs, as a percentage of turnover, increased from 18.7% to 21.5% during the period as a result of the continuous uptrend of the retail rental market.

(II) Liquidity and Financial Resources

At 30 September 2006, the Group's financial position remained strong even after the payment of HK\$32.4 million final dividend of previous year. At 30 September 2006, the Group had total bank deposits and cash amounted to HK\$253.4 million with no outstanding borrowings.

At 30 September 2006, the Group had available banking facilities in a total amount of HK\$291.5 million (31/3/2006: HK\$316.5 million).

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

(III) Foreign Exchange Risk Management

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.

(IV) Contingent Liability

At 30 September 2006, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to bank facilities up to HK\$430.1 million (31/3/2006: HK\$462.1 million).

(V) Human Resources

The Group had approximately 450 staff as at 30 September 2006 (31/3/2006: 440). Staff are remunerated according to nature of the job and market trend, with a 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 period ended 30 September 2006 amounted to HK\$55.3 million.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the financial period under review, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the six months ended 30 September 2006

	Note	Unaudited 30/09/2006 HK\$'000	Unaudited 30/09/2005 HK\$'000
Turnover	2	378,007	347,618
Other revenues		8,663	4,512
		<u>386,670</u>	<u>352,130</u>
Direct costs and operating expenses		(312,339)	(273,181)
Selling and marketing expenses		(18,661)	(17,178)
Administrative expenses		(33,666)	(36,909)
Other operating expenses		(3,597)	—
Operating profit		<u>18,407</u>	<u>24,862</u>
Borrowing costs	3	(17)	(36)
Share of profit of jointly controlled entity		2,147	863
Profit before taxation	4	<u>20,537</u>	<u>25,689</u>
Taxation	5	(2,300)	(3,300)
Profit attributable to shareholders		<u>18,237</u>	<u>22,389</u>
Earnings per share	6		
- Basic		<u>1.1 cents</u>	<u>1.4 cents</u>
- Diluted		<u>N/A</u>	<u>1.4 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET
at 30 September 2006

	Note	Unaudited 30/09/2006 HK\$'000	Audited 31/03/2006 HK\$'000
Non-Current Assets			
Property, plant and equipment		51,671	55,530
Rental deposits		36,027	28,257
Interest in jointly controlled entity		5,544	3,397
		<u>93,242</u>	<u>87,184</u>
Current Assets			
Inventories		156,851	157,124
Trade and other receivables	8	40,762	67,857
Deposits, prepayments and other assets		17,633	17,653
Financial derivative assets		1,683	1,303
Deferred tax assets		1,800	4,100
Bank balances and cash		253,430	245,473
		<u>472,159</u>	<u>493,510</u>
Total Assets		<u>565,401</u>	<u>580,694</u>
Equity			
Capital and reserves attributable to the Company's shareholders			
Share capital	10	162,005	162,005
Reserves		261,815	275,796
Total Equity		<u>423,820</u>	<u>437,801</u>
Current Liabilities			
Trade and bills payables	9	41,769	48,580
Other payables and accruals		91,796	87,402
Amount due to jointly controlled entity		8,016	5,406
Short-term bank loans		—	1,505
Total Liabilities		<u>141,581</u>	<u>142,893</u>
Total Equity And Liabilities		<u>565,401</u>	<u>580,694</u>
Net Current Assets		<u>330,578</u>	<u>350,617</u>
Total Assets Less Current Liabilities		<u>423,820</u>	<u>437,801</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2006

	Attributable to shareholders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Capital surplus HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Employee compensation reserve HK\$'000	Hedging reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 April 2006	162,005	1,515	76	139,196	(7,253)	4,074	1,315	136,873	437,801
Fair value losses on cash flow hedge	—	—	—	—	—	—	(336)	—	(336)
Profit attributable to shareholders	—	—	—	—	—	—	—	18,237	18,237
Total recognised (loss)/income	—	—	—	—	—	—	(336)	18,237	17,901
Employee share option scheme: - value of employees services	—	—	—	—	—	519	—	—	519
Final dividend paid	—	—	—	—	—	—	—	(32,401)	(32,401)
Balance at 30 September 2006	162,005	1,515	76	139,196	(7,253)	4,593	979	122,709	423,820

The comparative figures for the six months ended 30 September 2005 are set out as follows:

	Attributable to shareholders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Capital surplus HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Employee compensation reserve HK\$'000	Hedging reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 April 2005	161,980	1,376	76	139,196	(7,248)	—	—	95,251	390,631
Exchange differences on translation of accounts of foreign entities	—	—	—	—	(3)	—	—	—	(3)
Fair value losses on cash flow hedge	—	—	—	—	—	—	(1,180)	—	(1,180)
Profit attributable to shareholders	—	—	—	—	—	—	—	22,389	22,389
Total recognised (loss)/income	—	—	—	—	(3)	—	(1,180)	22,389	21,206
Employee share option scheme: - value of employees services	—	—	—	—	—	3,553	—	—	3,553
Final dividend paid	—	—	—	—	—	—	—	(32,396)	(32,396)
Balance at 30 September 2005	161,980	1,376	76	139,196	(7,251)	3,553	(1,180)	85,244	382,994

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 September 2006

	Unaudited 30/09/2006 HK\$'000	Unaudited 30/09/2005 HK\$'000
Net cash inflow from operating activities	46,695	34,529
Net cash outflow from investing activities	(4,832)	(22,772)
Net cash outflow from financing activities	(33,906)	(28,175)
Increase / (decrease) in cash and cash equivalents	<u>7,957</u>	<u>(16,418)</u>
Effect of foreign exchange rate changes, net	—	14
Cash and cash equivalents at beginning of period	<u>245,473</u>	<u>293,586</u>
Cash and cash equivalents at end of period	<u>253,430</u>	<u>277,182</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<u>253,430</u>	<u>277,182</u>

NOTES TO INTERIM ACCOUNTS**(1) Basis of preparation and accounting policies**

The unaudited condensed consolidated interim accounts 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, and the applicable discloseable provisions of Appendix 16 of the Listing Rules of the Stock Exchange.

These unaudited consolidated interim accounts should be read in conjunction with the annual accounts for the year ended 31 March 2006.

The accounting policies and the methods of computation used in the preparation of the interim accounts are consistent with those described in the annual accounts for the year ended 31 March 2006 except for the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") which are effective for accounting periods beginning on or after 1 January 2006 as set out below:

HKAS 19 (Amendment)	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates - Net investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendments)	Financial Instruments: Recognition and Measurement and Insurance Contracts - Financial Guarantee Contracts
HKFRS-Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above new and revised accounting standards has had no material impact on the Group's results and financial position.

Certain new standards, amendments and interpretations to existing standards have been published that are relevant to the Group's business and are mandatory for the Group's accounting periods beginning on or after 1 April 2007. The Group has not early adopted these new standards, amendments and interpretations for the period ended 30 September 2006.

(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	
	30/09/2006 HK\$'000	30/09/2005 HK\$'000	30/09/2006 HK\$'000	30/09/2005 HK\$'000
Geographical segments:				
Hong Kong	346,571	308,201	14,903	24,778
Taiwan	18,207	26,421	3,373	(1,779)
Others	13,229	12,996	131	1,863
Total	<u>378,007</u>	<u>347,618</u>		
Operating profit			18,407	24,862
Borrowing costs			(17)	(36)
Share of profit of jointly controlled entity			2,147	863
Profit before taxation			<u>20,537</u>	<u>25,689</u>
Taxation			(2,300)	(3,300)
Profit attributable to shareholders			<u>18,237</u>	<u>22,389</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) Borrowing costs

	30/09/2006 HK\$'000	30/09/2005 HK\$'000
Interest on bank loans and overdrafts	<u>17</u>	<u>36</u>

(4) Profit before taxation

Profit before taxation is arrived at after charging the followings:

	30/09/2006	30/09/2005
	HK\$'000	HK\$'000
Cost of inventories (including provision for inventories)	189,725	172,776
Depreciation of property, plant and equipment	11,068	9,801
Impairment charge of property, plant and equipment	3,597	—
Staff costs	54,769	51,141
Employee share option expenses	519	3,553
Share of tax of jointly controlled entity (included in share of profit of jointly controlled entity)	427	—

(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 2006 (2005: Nil).

No provision for overseas profits tax has been made as there were no net assessable profits generated during the period ended 30 September 2006 (2005: Nil).

The amount of taxation charged to the consolidated profit and loss account represents:

	30/09/2006	30/09/2005
	HK\$'000	HK\$'000
Deferred taxation		
Reversal of temporary differences	2,300	3,300

(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\$18,237,000 (2005: HK\$22,389,000) and 1,620,050,000 (2005: 1,619,800,000) ordinary shares in issue throughout the period.

(b) Diluted earnings per share

No disclosure of diluted earnings per share for the period ended 30 September 2006 is shown as the exercise price of the Company's outstanding share options were higher than the average market price of the Company's ordinary shares during the period, and thus there has no dilutive effect on the earnings per share for the current period.

The calculation of diluted earnings per share for the period ended 30 September 2005 is based on 1,619,800,000 ordinary shares in issue throughout the period plus the weighted average number of 6,710,919 ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

(7) Dividends**(a) Dividends attributable to the period**

The Board has resolved not to declare any interim dividend for the period ended 30 September 2006 (2005: Nil).

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

	30/09/2006	30/09/2005
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the period, of 2.0 cents (2005: 2.0 cents) per share	<u>32,401</u>	<u>32,396</u>

(8) Trade and other receivables

Included in trade and other receivables are trade receivables with an ageing analysis at 30 September 2006 as follows:

	30/09/2006	31/03/2006
	HK\$'000	HK\$'000
Within 30 days	29,085	31,834
Between 31 to 60 days	3,317	9,027
Between 61 to 90 days	64	16,308
Over 90 days	1	28
	<u>32,467</u>	<u>57,197</u>

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

(9) Trade and bills payables

The ageing analysis of trade and bills payables at 30 September 2006 is as follows:

	30/09/2006	31/03/2006
	HK\$'000	HK\$'000
Due within 30 days	34,986	37,669
Due between 31 to 60 days	4,197	7,654
Due between 61 to 90 days	1,235	2,516
Due after 90 days	1,351	741
	<u>41,769</u>	<u>48,580</u>

(10) Share capital

There was no movement in the share capital of the Company during the six months ended 30 September 2006.

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

At 30 September 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30/09/2006	31/03/2006
	HK\$'000	HK\$'000
Land and buildings:		
Not later than one year	149,354	118,082
Later than one year and not later than five years	307,648	277,140
Later than five years	191,499	213,178
	<u>648,501</u>	<u>608,400</u>

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

(b) Capital commitments

At 30 September 2006, the Group had no significant capital commitments (31/3/2006: Nil).

(12) Contingent liabilities

At 30 September 2006, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to bank facilities up to HK\$430,132,000 (31/03/2006: HK\$462,132,000).

(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:

	30/09/2006	30/09/2005
	HK\$'000	HK\$'000
Rental expenses paid to fellow subsidiaries (Note)	<u>9,890</u>	<u>5,231</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 2006 have been reviewed with no disagreement by the Audit Committee of the Company.

MODEL CODE FOR DIRECTORS' DEALING IN SECURITIES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in 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 and all the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions.

DIRECTORS' INTERESTS IN SHARES

At 30 September 2006, 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 in 368,000,000 shares (See Note below)
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 of J. W. Mark Limited and Asiatruct Limited as mentioned below in the section headed "Substantial Shareholders' Interests".

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:

- (i) there were no interests, both long and short positions, held as at 30 September 2006 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 as at 30 September 2006, 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") 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 (51.3%)
(ii) Wisdom Gateway Limited	831,862,723 (51.3%)
(iii) HSBC Trustee (Guernsey) Limited	831,862,723 (51.3%)
(iv) Mr. Peter K. C. Woo	831,862,723 (51.3%)
(v) J. W. Mark Limited	*368,000,000 (22.7%)
(vi) Asiatruster Limited	*368,000,000 (22.7%)

* *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 2006, there were no short position interests recorded in the 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 Share Scheme") which has since co-existed with the share option scheme approved by the Shareholders of the Company in 1997 (the "Share Option Scheme").

(i) Share Option Scheme

No share option of the Company was issued, exercised, cancelled, lapsed or outstanding under the Share Option Scheme throughout the financial period.

(ii) New Share Scheme

Set out below are particulars during the financial period of the Company's outstanding share options under the New Share Scheme which were granted to 20 employees (none of them being Director of the Company), all of them working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance and all being participants with options not exceeding the respective individual limits:

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\$)
17/09/2004	18,000,000	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 under the New Share Scheme 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, 30 November 2006

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. Jeffrey L. Flowers, Ms. Doreen Y. F. Lee, Mr. Gonzaga W. J. Li, Ms. Yvette T. Ma, Mr. Stephen T. H. Ng, Mr. T. Y. Ng and Mr. Paul Y. C. Tsui, together with four independent Non-executive Directors, namely, Mr. Michael E. Brillhart, Mr. Antonio Chan, Mr. Eric F. C. Li and Mr. Eric K. K. Lo.

