

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 2008

致股東中期報告書

截至二〇〇八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 2008 amounted to HK\$1.6 million, as compared with the profit of HK\$13.0 million for the corresponding period last year. Earnings per share were 0.1 cent (2007: 0.8 cents).

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of the fiscal year, Hong Kong retail sales growth had slowed down as the stagnant global economy and higher inflation dampened consumer sentiment. For the period under review, as benefited from the rapid growth in turnover of the China division, the Group managed to maintain a double digit growth in turnover of 10.7%. However, the Hong Kong division recorded only a mild growth of 5.0% as a result of the weakened consumer sentiment and the temporary closure of two Boss shops which underwent renovation during the period.

The reduced gross margin due to increased sales promotions together with the escalating rental costs had eroded the profit for the period. The Group reports a group profit attributable to Shareholders of HK\$1.6 million as compared to a profit of HK\$13.0 million for the same period last year.

For the period under review, the Group opened two more Boss shops at Lee Gardens Two and Harbour City respectively and its first DSquared2 flagship store in Central. In Mainland China, the Group continued its expansion plan with the opening of one more Anna Sui store in Qingdao and the first Joyce warehouse outlet in Shanghai. Another Anna Sui store has already been scheduled to open in Dalian in December.

May 2008 marked the First Anniversary of the Joyce flagship store in Plaza 66, Shanghai. To celebrate the occasion, an exclusive event was held on the Bund combining the synergies of fashion and art together with an extremely successful charity auction that gained much publicity.

October 2008 heralded the opening of the dramatic new DSquared2 shop with a fashion show and after-show party held at Shaw Studios. The brand's charismatic designers, twins Dean and Dan Caten made a special appearance ensuring plenty of local and international media coverage.

Outlook

The outlook for the retail market in the coming quarters will be challenging due to the outbreak of the US subprime mortgage crisis and the global economic crisis. The negative wealth effects from the stock and property market corrections will make consumers more cautious in their spending. Retail business, in particular in luxury retail market, is likely to be stagnant for the coming quarters. The Group believes that the full impact of the global economic crisis is yet to be seen in the coming quarters.

The Group expects to face a stagnant retail market with keen competition in the coming quarters. To meet the upcoming challenges, the management has started to implement series of cost control measures to save costs and to adopt a prudent approach to new expansion plans and investment opportunities.

FINANCIAL REVIEW

(I) Results Review

Group profit attributable to Shareholders for the six months ended 30 September 2008 amounted to HK\$1.6 million, compared to a profit of HK\$13.0 million for the same period last year. Earnings per share were 0.1 cent (2007: 0.8 cents).

The Group's turnover for the six months ended 30 September 2008 was HK\$478.7 million, representing an increase of 10.7% over the same period last year. The Hong Kong division remained to be the core business of the Group, accounting for 85.6% (2007: 90.3%) of the total Group's turnover. Affected by the sluggish retail market and the temporary closure of two Boss shops for renovation during the period, the Hong Kong division only achieved a mild growth of 5.0%. The China division continued its strong growth momentum and recorded a turnover growth of 64.8%, accounting for 14.2% (2007: 9.6%) of the Group's turnover for the period.

During the period, more sales discount promotions were launched to boost the turnover. This has led to a drop in the overall gross profit margin by 2.5 percentage points. Although the premises costs to sales ratio increased by 0.3 percentage points to 24.5% due to the escalating rental costs, the Group managed to reduce the overall operating overheads to sales ratio through stringent cost control.

The China division in its development stage recorded an operating loss of HK\$9.0 million (2007: HK\$6.6 million) for the period, which also dragged down the overall net profit of the Group.

During the period, the profit contribution from the Marni joint venture decreased significantly by HK\$4.3 million to HK\$1.3 million, which was mainly attributable to poor sales performance for the period.

(II) Liquidity and Financial Resources

At 30 September 2008, the Group's financial position remained strong even after the payment of HK\$22.7 million final dividend of previous year. The total net cash deposits and cash on hand amounted to HK\$183.1 million, representing total deposits and cash of HK\$198.8 million less total short-term bank borrowings of HK\$15.7 million which are all repayable within one year.

At 30 September 2008, the Group had banking facilities in a total amount of HK\$252.5 million (31/03/2008: HK\$252.5 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) Human Resources

The Group had 562 staff as at 30 September 2008 (31/03/2008: 536). 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 2008 amounted to HK\$61.3 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 2008

	Note	Unaudited 30/09/2008 HK\$'000	Unaudited 30/09/2007 HK\$'000
Turnover	2	478,679	432,539
Other income		5,019	9,573
		<u>483,698</u>	<u>442,112</u>
Direct costs and operating expenses	4	(432,194)	(377,843)
Selling and marketing expenses	4	(17,709)	(15,773)
Administrative expenses	4	(33,292)	(39,080)
Operating profit		<u>503</u>	<u>9,416</u>
Finance costs	3	(195)	(8)
Share of profit of an associate	5	1,272	—
Share of profit of jointly controlled entity	5	—	5,628
Profit before income tax		<u>1,580</u>	<u>15,036</u>
Income tax expense	6	—	(2,000)
Profit attributable to equity holders of the Company		<u>1,580</u>	<u>13,036</u>
Earnings per share	7		
– Basic		<u>0.1 cent</u>	<u>0.8 cents</u>
– Diluted		<u>N/A</u>	<u>0.8 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET
at 30 September 2008

	Note	Unaudited 30/09/2008 HK\$'000	Audited 31/03/2008 HK\$'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		83,318	71,730
Rental deposits		38,231	40,127
Interest in an associate	5	20,443	—
Interest in jointly controlled entity	5	—	19,322
Deferred income tax assets		317	317
		<u>142,309</u>	<u>131,496</u>
Current Assets			
Inventories		277,184	234,418
Trade and other receivables	9	51,781	49,162
Deposits, prepayments and other assets		22,299	22,773
Financial derivative assets		—	22,762
Bank balances and cash		198,847	251,129
		<u>550,111</u>	<u>580,244</u>
Total Assets		<u>692,420</u>	<u>711,740</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	11	162,400	162,400
Reserves		292,527	344,324
Total Equity		<u>454,927</u>	<u>506,724</u>
LIABILITIES			
Current Liabilities			
Trade and bills payables	10	66,071	70,703
Other payables and accruals		107,583	93,892
Amount due to an associate		25,061	—
Amount due to jointly controlled entity		—	31,086
Current income tax liabilities		9,335	9,335
Financial derivative liabilities		13,757	—
Short-term bank loans		15,686	—
Total Liabilities		<u>237,493</u>	<u>205,016</u>
Total Equity and Liabilities		<u>692,420</u>	<u>711,740</u>
Net Current Assets		<u>312,618</u>	<u>375,228</u>
Total Assets less Current Liabilities		<u>454,927</u>	<u>506,724</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2008

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital surplus	Contributed surplus	Exchange fluctuation reserve	Employee compensation reserve	Hedging reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2008	162,400	3,728	76	139,196	(2,442)	2,892	15,329	185,545	506,724
Exchange differences on translation of accounts of foreign entities	—	—	—	—	(31)	—	—	—	(31)
Fair value losses on cash flow hedge	—	—	—	—	—	—	(30,610)	—	(30,610)
Profit attributable to equity holders	—	—	—	—	—	—	—	1,580	1,580
Total recognised (loss)/income	—	—	—	—	(31)	—	(30,610)	1,580	(29,061)
Final dividend paid	—	—	—	—	—	—	—	(22,736)	(22,736)
Balance at 30 September 2008	162,400	3,728	76	139,196	(2,473)	2,892	(15,281)	164,389	454,927

The comparative figures for the six months ended 30 September 2007 are set out as follows:

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital surplus	Contributed surplus	Exchange fluctuation reserve	Employee compensation reserve	Hedging reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2007	162,005	1,515	76	139,196	(7,308)	4,593	2,922	155,505	458,504
Exchange differences on translation of accounts of foreign entities	—	—	—	—	(167)	—	—	—	(167)
Fair value gains on cash flow hedge	—	—	—	—	—	—	9,637	—	9,637
Profit attributable to equity holders	—	—	—	—	—	—	—	13,036	13,036
Total recognised (loss)/income	—	—	—	—	(167)	—	9,637	13,036	22,506
Employee share option scheme:									
– issue of new shares upon exercise of share options	395	1,205	—	—	—	—	—	—	1,600
– transfer of reserve upon exercise of share options	—	1,008	—	—	—	(1,008)	—	—	—
Final dividend paid	—	—	—	—	—	—	—	(22,736)	(22,736)
Balance at 30 September 2007	162,400	3,728	76	139,196	(7,475)	3,585	12,559	145,805	459,874

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 September 2008

	Unaudited 30/09/2008 HK\$'000	Unaudited 30/09/2007 HK\$'000
Net cash (outflow)/inflow from operating activities	(21,994)	26,198
Net cash outflow from investing activities	(23,207)	(29,273)
Net cash outflow from financing activities	(22,736)	(21,136)
Decrease in cash and cash equivalents	(67,937)	(24,211)
Effect of foreign exchange rate changes, net	(31)	(167)
Cash and cash equivalents at beginning of period	251,129	262,662
Cash and cash equivalents at end of period	183,161	238,284
Analysis of balances of cash and cash equivalents		
Bank balances and cash	198,847	238,284
Short-term bank loans	(15,686)	—
	183,161	238,284

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 Listing Rules.

These unaudited consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2008, 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 2008, as described in those annual financial statements.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 April 2008 but are not currently relevant for the Group.

HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

The adoption of the above new and revised standards, amendments and interpretations has had no material impact on the Group’s results and financial position.

The following new standards, amendments and interpretations have been issued by HKICPA but are not effective for the financial year ending 31 March 2009 and have not been early adopted.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 and HKFRS 7 Amendments	Reclassification of Financial Assets
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

(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	
	30/09/2008	30/09/2007	30/09/2008	30/09/2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Geographical segments:				
Hong Kong	409,969	390,609	10,654	15,730
China	68,152	41,344	(9,009)	(6,553)
Others	558	586	(1,142)	239
Total	<u>478,679</u>	<u>432,539</u>		
Operating profit			503	9,416
Finance costs			(195)	(8)
Share of profit of an associate			1,272	—
Share of profit of jointly controlled entity			—	5,628
Profit before income tax			<u>1,580</u>	<u>15,036</u>
Income tax expense			—	(2,000)
Profit attributable to equity holders			<u>1,580</u>	<u>13,036</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) Finance costs

	30/09/2008	30/09/2007
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	<u>195</u>	<u>8</u>

(4) Expenses by nature

	30/09/2008	30/09/2007
	HK\$'000	HK\$'000
Cost of inventories (including provision for inventories)	261,993	225,713
Depreciation of property, plant and equipment	15,685	14,072
Operating lease rentals in respect of land and buildings	105,955	97,835
Staff costs	61,313	58,695
Net cost of transferring shares in jointly controlled entity (Note 5)	155	—
Other expenses	38,094	36,381
	<u>483,195</u>	<u>432,696</u>

(5) Interest in jointly controlled entity / associate

At 31 March 2008, the Group had 50% equity shareholdings in jointly controlled entity. On 1 April 2008, the Group transferred 1% of its shareholdings in the jointly controlled entity to its joint venture partner, Marni International S.A. and it became an associated company of the Group thereafter.

(6) Income tax expense

No provision for Hong Kong profits tax has been made as there were no assessable profits generated during the period ended 30 September 2008.

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the period ended 30 September 2007.

No provision for overseas profits tax has been made as there were no net assessable profits generated during the period ended 30 September 2008 (2007: Nil).

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

	30/09/2008	30/09/2007
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	—	3,500
Deferred income tax	—	(1,500)
	<u>—</u>	<u>2,000</u>

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

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holders for the period of HK\$1,580,000 (2007: HK\$13,036,000) and the weighted average number of ordinary shares of 1,624,000,000 (2007: 1,622,324,590) shares in issue during the period.

(b) Diluted earnings per share

No disclosure of diluted earnings per share for the period ended 30 September 2008 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 2007 is based on 1,622,976,688 ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average number of 652,098 ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

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

The Board has resolved not to declare any interim dividend for the period ended 30 September 2008 (2007: Nil).

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

	30/09/2008	30/09/2007
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the period, of 1.4 cents (2007: 1.4 cents) per share	<u>22,736</u>	<u>22,736</u>

(9) Trade and other receivables

Included in trade and other receivables are trade receivables with an ageing analysis at 30 September 2008 as follows:

	30/09/2008	31/03/2008
	HK\$'000	HK\$'000
Within 30 days	31,752	25,648
Between 31 to 60 days	4,840	6,148
Between 61 to 90 days	660	3,881
Over 90 days	—	8
	<u>37,252</u>	<u>35,685</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 2008 is as follows:

	30/09/2008	31/03/2008
	HK\$'000	HK\$'000
Due within 30 days	52,982	56,913
Due between 31 to 60 days	9,147	11,511
Due between 61 to 90 days	2,569	2,113
Due after 90 days	1,373	166
	<u>66,071</u>	<u>70,703</u>

(11) Share capital

	2008		2007	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each				
Beginning and end of the period	3,000,000	300,000	3,000,000	300,000
Issued and fully paid:				
Beginning of the period	1,624,000	162,400	1,620,050	162,005
Issue of new shares upon exercise of share options	—	—	3,950	395
End of the period	1,624,000	162,400	1,624,000	162,400

No options were exercised during the period ended 30 September 2008. Options exercised during the period ended 30 September 2007 resulted in 3,950,000 shares being issued, with exercise proceeds of HK\$1,600,000. The related weighted average price at the time of exercise was HK\$0.57 per share.

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

At 30 September 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30/09/2008 HK\$'000	31/03/2008 HK\$'000
Land and buildings:		
Not later than one year	153,250	176,369
Later than one year and not later than five years	226,717	232,570
Later than five years	67,974	82,038
	447,941	490,977

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

(b) Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	30/09/2008	31/03/2008
	HK\$'000	HK\$'000
Property, plant and equipment contracted but not provided for	<u>3,486</u>	<u>976</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 subsidiary

	30/09/2008	30/09/2007
	HK\$'000	HK\$'000
Rental expenses paid to a fellow subsidiary	<u>5,892</u>	<u>7,788</u>

(b) Transactions with jointly controlled entity

	30/09/2008	30/09/2007
	HK\$'000	HK\$'000
Management fee received from jointly controlled entity	<u>—</u>	<u>1,858</u>

(c) Transactions with an associate

	30/09/2008	30/09/2007
	HK\$'000	HK\$'000
Management fee received from an associate	<u>1,348</u>	<u>—</u>

(14) Review of unaudited interim financial statements

The unaudited interim financial statements for the six months ended 30 September 2008 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

As recorded in the register kept by the Company under section 352 of the Securities and Futures Ordinance ("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, there were no interests, both long and short positions, held during the financial period by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), nor had there been any exercises during the financial period of any rights to subscribe for any shares, underlying shares or debentures of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, 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 2008, 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 (51.22%)
(ii) Wisdom Gateway Limited	831,862,723 (51.22%)
(iii) HSBC Trustee (Guernsey) Limited	831,862,723 (51.22%)
(iv) Mr. Peter K. C. Woo	831,862,723 (51.22%)
(v) J. W. Mark Limited	368,000,000 (22.66%)
(vi) Asiatrust Limited	368,000,000 (22.66%)
(vii) Mr. Walter K. W. Ma	368,000,000 (22.66%)

Note: For the avoidance of doubt and double counting, it should be noted that duplication 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 and that duplication also occurs in respect of shareholdings stated against parties (v) to (vii) above in that they all represent the same block of shares.

All the interests stated above represented long positions and as at 30 September 2008, there were no short position interests recorded in the Register.

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 12 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	11,250,000	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
Company Secretary

Hong Kong, 5 December 2008

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 F. C. Li and Mr. Eric K. K. Lo.

