JOYCE BOUTIQUE HOLDINGS LIMITED

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

JOYCE

STOCK CODE 股份代號：647

INTERIM REPORT TO SHAREHOLDERS
for the half-year period ended 30 September 2013

致股東中期報告書
截至二〇一三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 2013 amounted to HK$31.0 million, an increase of 2.2% as compared with the profit of HK$30.3 million for the corresponding period last year. Earnings per share were 1.9 cents (2012: 1.9 cents).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The weak global economy and the slower growth of the China economy continued to dampen customer sentiment and affect consumer spending. The Group's net profit increased marginally, mainly as a result of an improvement in profit contribution from the Mainland China division to offset the decrease in contribution from the Hong Kong division. The China division benefitted from an overall improvement in sales performance and saving in operating overheads. The Hong Kong division was affected by a reduction in profit contribution from the BOSS business caused by the reduction in floor area of the BOSS Canton Road shop.

Despite the significant reduction in sales contributions from the BOSS business and the closure of some ETRO freestanding shops in Hong Kong and China, the Group was able to achieve a mild growth of 5.1% in turnover to HK$617.8 million, mainly due to better sales performance of the JOYCE multi-label stores and the JOYCE Beauty shops.

BOSS' share of Group turnover fell to 10.9% in the first half of 2013/14 from 14.6% in the previous period. Expiry of the Canton Road shop lease in August 2012 resulted in the collection's temporary relocation to a 1,600-square foot space followed by the shop's re-opening in April 2013 as a 2,800-square foot boutique, half the size of the original shop.

During the period, the Group secured the Hong Kong franchise of Stella McCartney, an established brand in JOYCE multi-label stores with growth potential. Two freestanding shops were opened, one in Landmark in August and another in Ocean Centre at the end of September. The Ocean Centre shop took over the existing space of the ETRO shop which was closed in August due to franchise expiry.

In Mainland China, the second JOYCE multi-label shop in Shanghai, occupying an area of 5,400 square feet, was opened in the brand-new IAPM mall in August. The shop is characterized by its edgier merchandising and closely-edited collections. In September, the Group also opened a 3,600-square foot JOYCE Warehouse at the Chengdu Times Outlets mall to optimize inventory management in Mainland China.

Business Development

In Hong Kong, the existing Dsquared[2] shop at On Lan Street will be relocated to IFC Mall in November 2013.

In Mainland China, an additional 5,100-square foot warehouse outlet is also scheduled to be opened at the Mega Mills mall in Shanghai in December 2013.

Outlook

Looking ahead, uncertainty in the global economic recovery and the slower economic growth in Mainland China will continue to affect customer sentiment and spending in the luxury retail market in Hong Kong and Mainland China in the second half of the financial year and the coming year. In addition, it is expected that rising staff costs and escalating rentals will continue to exert pressure on the Group's profitability. In view of the challenge ahead, the Group will take a cautious approach to stock purchase and focus on improving full price sell-through and productivity of new stores. More focused marketing initiatives will be launched for the new stores to drive traffic, increase the existing customer base and enhance customer loyalty of the new and current stores.

FINANCIAL REVIEW

Results Review

The Group reported a net profit of HK$31.0 million for the six months ended 30 September 2013, representing an increase of HK$0.7 million against the same period last year. Earnings per share were 1.9 cents (2012: 1.9 cents).

For the period under review, the Group recorded a turnover of HK$617.8 million, representing mild growth of 5.1% against the same period last year. Hong Kong turnover as a percentage of Group turnover fell from 82.6% to 81.1%. Overall gross margin declined by 0.6 percentage points mainly due to deeper discount given for stock clearance sales launched in Hong Kong and China.

The reduction in floor area of the BOSS shop at Canton Road slowed the growth of Hong Kong turnover to 3.2%. Decrease in profit contribution from BOSS and lower gross margin of Hong Kong led to a drop of operating profit for Hong Kong division by HK$5.4 million to HK$34.0 million (2012: HK$39.4 million).

Mainland China division reported turnover growth of 13.7% mainly due to an improvement in the overall shop performance and the new Shanghai JOYCE multi-label store at IAPM mall. Benefitting from an increase in gross margin and savings in operating costs, the division made an operating profit of HK$4.4 million (2012: a loss of HK$2.6 million).

Profit contribution from the Marni joint venture decreased from HK$1.5 million to HK$0.6 million due to the drop in both turnover and gross margin.

Liquidity and Financial Resources

At 30 September 2013, the Group had total cash deposits and cash on hand of HK$358.7 million (31/3/2013: HK$422.1 million) and total banking facilities of HK$279.8 million (31/3/2013: HK$279.8 million).

Foreign Exchange Risk Management

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

Human Resources

The Group had 567 staff as at 30 September 2013 (31/3/2013: 557). Staff are remunerated according to job nature and market trend, with a merit component in the annual increment review to reward and motivate individual performance. The Group also provides various job-related training programmes to staff. Total staff costs for the period ended 30 September 2013 amounted to HK$83.6 million.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

for the six months ended 30 September 2013

	Note	**Unaudited 30/09/2013 HK$'000**	Unaudited 30/09/2012 HK$'000
Turnover	2	**617,775**	587,843
Other income		**26,314**	22,917
		644,089	610,760
Direct costs and operating expenses	4	**(529,061)**	(495,008)
Selling and marketing expenses	4	**(27,568)**	(31,577)
Administrative expenses	4	**(50,030)**	(48,745)
Operating profit		**37,430**	35,430
Finance costs	3	**(17)**	(16)
Share of profit of an associate		**631**	1,458
Profit before income tax		**38,044**	36,872
Income tax expense	5	**(7,018)**	(6,528)
Profit attributable to equity holders of the Company		**31,026**	30,344
Earnings per share	6		
– Basic		**1.9 cents**	1.9 cents
– Diluted		**N/A**	N/A
Dividends	7	—	—

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

at 30 September 2013

	Note	**Unaudited 30/09/2013 HK$'000**	Audited 31/03/2013 HK$'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		**88,254**	89,481
Deposits, prepayments and other assets		**66,315**	64,915
Interest in an associate		**18,522**	17,945
Deferred income tax assets		**11,337**	13,452
		184,428	185,793
Current Assets			
Inventories		**299,367**	272,609
Trade and other receivables	8	**60,179**	72,698
Deposits, prepayments and other assets		**31,246**	24,252
Financial derivative assets		**1,467**	—
Cash and cash equivalents		**358,679**	422,050
		750,938	791,609
Total Assets		**935,366**	977,402
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	10	**162,400**	162,400
Reserves		**511,000**	536,175
Total Equity		**673,400**	698,575
LIABILITIES			
Non-Current Liability			
Financial liability at fair value through profit or loss		**7,122**	7,122
Current Liabilities			
Trade and bills payables	9	**53,514**	58,009
Other payables and accruals		**179,021**	197,867
Amount due to an associate		**5,482**	2,495
Financial derivative liabilities		**—**	216
Current income tax liabilities		**16,827**	13,118
		254,844	271,705
Total Liabilities		**261,966**	278,827
Total Equity And Liabilities		**935,366**	977,402
Net Current Assets		**496,094**	519,904
Total Assets Less Current Liabilities		**680,522**	705,697

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2013

	Attributable to equity holders of the Company							
	Share capital HK$'000	**Share premium HK$'000**	**Capital surplus HK$'000**	**Contributed surplus HK$'000**	**Exchange fluctuation reserve HK$'000**	**Hedging reserve HK$'000**	**Retained profits HK$'000**	**Total HK$'000**
Balance at 1 April 2013	**162,400**	**3,728**	**76**	**139,196**	**3,606**	**(173)**	**389,742**	**698,575**
Comprehensive income								
Profit attributable to equity holders	–	–	–	–	–	–	**31,026**	**31,026**
Other comprehensive (expense)/income								
Net translation differences on foreign operations:								
– Subsidiaries	–	–	–	–	**(120)**	–	–	**(120)**
– Associate	–	–	–	–	**(53)**	–	–	**(53)**
Cash flow hedges:								
– Fair value gains for the period	–	–	–	–	–	**1,090**	–	**1,090**
– Deferred income tax recognised	–	–	–	–	–	**(278)**	–	**(278)**
Total other comprehensive (expense)/income	–	–	–	–	**(173)**	**812**	–	**639**
Total comprehensive (expense)/income	–	–	–	–	**(173)**	**812**	**31,026**	**31,665**
Transactions with owners								
Interim dividend paid for the year ended 31 March 2013	–	–	–	–	–	–	**(56,840)**	**(56,840)**
Balance at 30 September 2013	**162,400**	**3,728**	**76**	**139,196**	**3,433**	**639**	**363,928**	**673,400**

The comparative figures for the six months ended 30 September 2012 are set out as follows:

	Attributable to equity holders of the Company							
	Share capital HK$'000	Share premium HK$'000	Capital surplus HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 April 2012	162,400	3,728	76	139,196	4,191	1,478	406,637	717,706
Comprehensive income								
Profit attributable to equity holders	–	–	–	–	–	–	30,344	30,344
Other comprehensive income/(expense)								
Net translation differences on foreign operations:								
– Subsidiaries	–	–	–	–	(710)	–	–	(710)
– Associate	–	–	–	–	(35)	–	–	(35)
Cash flow hedges:								
– Fair value losses for the period	–	–	–	–	–	(1,818)	–	(1,818)
– Deferred income tax recognised	–	–	–	–	–	340	–	340
Total other comprehensive income/(expense)	–	–	–	–	(745)	(1,478)	–	(2,223)
Total comprehensive income/(expense)	–	–	–	–	(745)	(1,478)	30,344	28,121
Transactions with owners								
Interim dividend paid for the year ended 31 March 2012	–	–	–	–	–	–	(81,200)	(81,200)
Balance at 30 September 2012	162,400	3,728	76	139,196	3,446	–	355,781	664,627

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2013

	Unaudited 30/09/2013 HK$'000	Unaudited 30/09/2012 HK$'000
Profit for the period	**31,026**	30,344
Other comprehensive (expense)/income		
Net translation differences on foreign operations	**(173)**	(745)
Fair value gains/(losses) on cash flow hedge, net of tax	**812**	(1,478)
Total other comprehensive income/(expense)	**639**	(2,223)
Total comprehensive income for the period	**31,665**	28,121

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

for the six months ended 30 September 2013

	Unaudited 30/09/2013 HK$'000	Unaudited 30/09/2012 HK$'000
Net cash inflow/(outflow) from operating activities	**16,690**	(17,442)
Net cash outflow from investing activities	**(23,101)**	(28,878)
Net cash outflow from financing activities	**(56,840)**	(81,200)
Decrease in cash and cash equivalents	**(63,251)**	(127,520)
Effect of foreign exchange rate changes, net	**(120)**	(710)
Cash and cash equivalents at beginning of period	**422,050**	495,429
Cash and cash equivalents at end of period	**358,679**	367,199
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	**149,479**	67,996
Short-term bank deposits	**209,200**	299,203
	358,679	367,199

NOTES TO INTERIM FINANCIAL STATEMENTS

(1) Basis of preparation and accounting policies

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

These unaudited consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2013, 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 2013, as described in those annual financial statements.

The following new, revised, amended standards and interpretations are mandatory for the first time for the financial year beginning on 1 April 2013 but are not currently relevant to the Group:

HKFRS 1 (Amendments)	First time adoption on government loans
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 1 (Amendment)	Presentation of Financial Statements on Other Comprehensive Income
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Associates and Joint Ventures
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements Project	Annual Improvements 2009 – 2011 Cycle

The following new, revised/amended standards and interpretations have been issued but are not effective for the financial year beginning on 1 April 2013, and have not been early adopted by the Group:

HKFRS 9	Financial Instruments
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory Effective Date and Transition Disclosures
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

(2) Segment information

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

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

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

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

An analysis of the Group's reportable segment turnover and operating profit by geographical location is as follows:

	Segment turnover		Segment results	
	30/09/2013	30/09/2012	**30/09/2013**	30/09/2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Geographical segments:				
Hong Kong	**500,879**	485,298	**33,986**	39,387
China	**116,285**	102,287	**4,417**	(2,561)
Others	**611**	258	**(973)**	(1,396)
Total	**617,775**	587,843		
Operating profit			**37,430**	35,430
Finance costs			**(17)**	(16)
Share of profit of an associate			**631**	1,458
Profit before income tax			**38,044**	36,872
Income tax expense			**(7,018)**	(6,528)
Profit attributable to equity holders			**31,026**	30,344

(3) Finance costs

	30/09/2013 HK$'000	30/09/2012 HK$'000
Interest on bank loans and overdrafts	**17**	16

(4) Expenses by nature

	30/09/2013 HK$'000	30/09/2012 HK$'000
Cost of inventories (including provision for inventories)	**300,134**	282,394
Depreciation of property, plant and equipment	**24,308**	17,606
Operating lease rentals in respect of land and buildings	**135,738**	133,122
Staff costs	**83,616**	81,522
Other expenses	**62,863**	60,686
	606,659	575,330

(5) Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the period ended 30 September 2013.

No provision for overseas profits tax has been made as the Group has unutilised tax losses brought forward to offset its estimated assessable profit (2012: Nil).

The amount of taxation charged to the consolidated income statement represents:

	30/09/2013 HK$'000	30/09/2012 HK$'000
Current income tax		
– Hong Kong profits tax	**5,181**	5,608
Deferred income tax	**1,837**	920
	7,018	6,528

(6) 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$31,026,000 (2012: HK$30,344,000) and the weighted average number of ordinary shares of 1,624,000,000 (2012: 1,624,000,000) shares in issue during the period.

Diluted earnings per share was not presented as there was no dilutive potential ordinary share in issue for the periods ended 30 September 2013 and 2012.

(7) Dividends

(a) Dividends attributable to the period

The Board has resolved not to declare any interim dividend for the period ended 30 September 2013 (2012: Nil).

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

	30/09/2013 HK$'000	30/09/2012 HK$'000
Interim dividend in respect of the previous financial year, approved and paid during the period, of 3.5 cents (2012: 5.0 cents) per share	**56,840**	81,200

(8) Trade and other receivables

Included in trade and other receivables are trade receivables with an ageing analysis at 30 September 2013 as follows:

	30/09/2013 HK$'000	31/03/2013 HK$'000
Within 30 days	**31,386**	37,283
Between 31 to 60 days	**7,033**	7,877
Between 61 to 90 days	**3,070**	9,653
Over 90 days	**1,457**	15,092
	42,946	69,905

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 2013 is as follows:

	30/09/2013 HK$'000	31/03/2013 HK$'000
Due within 30 days	**52,390**	56,938
Due between 31 to 60 days	**995**	1,066
Due between 61 to 90 days	**129**	5
Due after 90 days	**–**	–
	53,514	58,009

(10) Share capital

	2013		2012	
	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:				
Ordinary shares of HK$0.10 each				
Beginning and end of the period	**1,624,000**	**162,400**	1,624,000	162,400

(11) Commitments

(a) Operating lease commitments – as lessee

At 30 September 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30/09/2013 HK$'000	31/03/2013 HK$'000
Land and buildings:		
Not later than one year	**239,713**	239,869
Later than one year and not later than five years	**246,246**	301,587
	485,959	541,456

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

(b) Operating lease commitments – as lessor

At 30 September 2013, the Group had future aggregate minimum lease receipts under a non-cancellable operating lease as follows:

	30/09/2013 HK$'000	31/03/2013 HK$'000
Land and buildings:		
Not later than one year	**25,039**	25,878
Later than one year and not later than five years	**8,183**	18,912
	33,222	44,790

(c) Capital commitments

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

	30/09/2013 HK$'000	31/03/2013 HK$'000
Property, plant and equipment contracted but not provided for	**–**	8,840

(12) Related party transactions

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

(a) Transactions with fellow subsidiaries

	30/09/2013 HK$'000	30/09/2012 HK$'000
Rental expenses paid to fellow subsidiaries	**14,787**	13,995
Rental income received from a fellow subsidiary	**21,959**	19,271

(b) Transactions with an associate

	30/09/2013 HK$'000	30/09/2012 HK$'000
Management fee received from an associate	**808**	828

(13) Review of unaudited interim financial statements

The unaudited interim financial statements for the six months ended 30 September 2013 have been reviewed with no disagreement by the Audit Committee of the Company.

CORPORATE GOVERNANCE CODE

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

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 the code of conduct adopted by the Company regarding directors' securities transactions during the period under review.

DIRECTORS' INTERESTS IN SECURITIES

As recorded in the register kept by the Company under section 352 of the Securities and Futures Ordinance (the "SFO") in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or to the Model Code, there were no interests, both long and short positions, held as at 30 September 2013 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and its associated corporations held by any of them at any time during the financial period.

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 2013, 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) JoyBo International Limited	1,183,838,723 (72.90%)
(ii) Wisdom Gateway Limited	1,183,838,723 (72.90%)
(iii) HSBC Trustee (Guernsey) Limited	1,183,838,723 (72.90%)
(iv) Mr. Peter K. C. Woo	1,183,838,723 (72.90%)

Note: Duplication occurs in respect of all of the shareholdings stated above in that they all represent the same block of shares.

All the interests stated above represented long positions and as at 30 September 2013, there were no short position interests recorded in the Register.

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
H. O. Hung
Company Secretary

Hong Kong, 22 November 2013

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.