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JOYCE

JOYCE BOUTIQUE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 647

Interim Results Announcement for the half-year period ended 30 September 2014

GROUP RESULTS

The unaudited Group profit attributable to Shareholders amounted to HK\$32.8 million, an increase of 5.8% as compared with the corresponding period last year. Earnings per share were 2.0 cents (2013: 1.9 cents).

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Although the US economy stabilized and fiscal uncertainty declined in Europe, slowing economic growth and austerity policies in Mainland China continued to affect the retail sector. Group performance was weighed down by a fall-off in customer sentiment, and a slowdown in the growth of tourist arrivals and spending.

Group turnover recorded a mild growth of 5.8% to HK\$653.6 million. Overall gross margin dropped by 1.0 percentage point, mainly due to deeper discounts given for stock clearance.

The Group continued to develop some of its key established brands and opened two new freestanding shops in Sogo, Causeway Bay, one for Stella McCartney and the other for Alexander Wang. In Beijing, the ETRO shop at China World Mall was closed following expiry of the franchise (and the space was taken up by its adjacent JOYCE store for the development of menswear collection) and the JOYCE pop-up store at Shin Kong Place was also closed upon expiry of its lease.

Business Development

For Hong Kong, the Group has plans to open three street level freestanding shops at 18 On Lan Street in Central, for its key potential brands, namely Rick Owens, Sacai and Thom Browne, in January 2015. The total footage for the three shops will be around 7,700 square feet and occupy three storeys of the new commercial building.

In Beijing, the Group has plans to open three points-of-sale for Alexander McQueen at Shin Kong Place – a 1,300 square-foot womenswear boutique and a 480 square-foot women's footwear corner in October 2014, and a 900 square-foot women's accessories shop tentatively in the third quarter of 2015. A 1,100 square-foot Sacai shop will also be opened at Sanlitun in April 2015.

Outlook

Looking ahead, the Group believes that surging staff and rental costs will continue to exert pressure on the Group's profitability and rapid development of online shopping further intensify market competition. It is observed that the recent Occupy Central movement has brought noticeable impact to the retail market and the Group business. The comp store Hong Kong turnover for October dropped by 19% versus the same month last year. The Group expects that the continuation of the movement will cast doubt on the already weak retail market and affect the Group's business in the second half of the financial year.

To meet these challenges, the Group will continue to take a prudent approach to business expansion and stock purchase planning. Sales stimulation programmes have also been devised to mitigate the negative impact of the movement.

FINANCIAL REVIEW

(I) Results Review

The Group reported a net profit of HK\$32.8 million for the six months ended 30 September 2014, representing an increase of HK\$1.8 million against the same period last year. Earnings per share were 2.0 Hong Kong cents (2013: 1.9 cents).

Group turnover of HK\$653.6 million represented a mild growth of 5.8%. Overall gross margin declined by 1.0 percentage point mainly due to the earlier launch of the Spring/Summer sale and deeper discounts given for stock clearance to combat the sluggish retail market in Hong Kong and China.

In Hong Kong, turnover grew by 6.9% against the same period last year and accounted for 81.9% of Group turnover (2013: 81.1%). Operating profit increased by 7.6% to HK\$36.6 million (2013: HK\$34.0 million), which was mainly driven by the better JOYCE Beauty sales performance during the period.

In Mainland China, turnover recorded a slow growth of 1.5%. Despite contributions from the JOYCE store at the Shanghai IAPM mall and the JOYCE warehouse outlets in Shanghai and Chengdu which were all opened in the second half of 2013, closure of the JOYCE pop-up store at Shin Kong Place and the ETRO store at China World Mall in Beijing in July 2014 partially offset that. Operating profit from Mainland China

declined by 30.7% to HK\$3.1 million (2013: HK\$4.4 million), mainly due to reduced margin for stock clearance and loss sustained by the new JOYCE store in Shanghai.

For the period under review, profit contribution from the Marni joint venture business increased by HK\$0.7 million to HK\$1.3 million due to improvement in both turnover and gross margin.

(II) Liquidity and Financial Resources

At 30 September 2014, the Group had total cash deposits and cash on hand of HK\$379.3 million (31/3/2014: HK\$461.5 million) and total banking facilities of HK\$254.8 million (31/3/2014: HK\$279.8 million).

(III) Foreign Exchange Risk Management

Most of the Group's imported purchases are denominated in foreign currencies, primarily Euro. To minimize exposure on 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.

(IV) Human Resources

The Group had 603 staff as at 30 September 2014 (31/3/2014: 578). 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 2014 amounted to HK\$95.6 million.

JOYCE BOUTIQUE HOLDINGS LIMITED
CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
for the six months ended 30 September 2014

	Note	Unaudited 30/09/2014 HK\$'000	Unaudited 30/09/2013 HK\$'000
Turnover	2	653,617	617,775
Other income		25,953	26,314
		<u>679,570</u>	<u>644,089</u>
Direct costs and operating expenses	4	(560,828)	(529,061)
Selling and marketing expenses	4	(25,901)	(27,568)
Administrative expenses	4	(54,796)	(50,030)
Operating profit		<u>38,045</u>	<u>37,430</u>
Finance costs	3	(9)	(17)
Share of profit of an associate		1,288	631
Profit before income tax		<u>39,324</u>	<u>38,044</u>
Income tax expense	5	(6,496)	(7,018)
Profit attributable to owners of the Company		<u>32,828</u>	<u>31,026</u>
Earnings per share	6		
- Basic and diluted		<u>2.0 cents</u>	<u>1.9 cents</u>
Dividends	7	—	—

JOYCE BOUTIQUE HOLDINGS LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
at 30 September 2014

	Note	Unaudited 30/09/2014 HK\$'000	Audited 31/03/2014 HK\$'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		61,424	75,157
Deposits, prepayments and other assets		53,041	60,325
Interest in an associate		18,714	17,417
Deferred income tax assets		11,035	12,488
		<u>144,214</u>	<u>165,387</u>
Current Assets			
Inventories		282,020	250,801
Trade and other receivables	8	56,559	38,975
Deposits, prepayments and other assets		43,576	33,536
Cash and cash equivalents		379,313	461,465
		<u>761,468</u>	<u>784,777</u>
Total Assets		<u>905,682</u>	<u>950,164</u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		162,400	162,400
Reserves		517,081	546,485
Total Equity		<u>679,481</u>	<u>708,885</u>
LIABILITIES			
Non-Current Liabilities			
Other non-current liabilities		9,135	9,135
		<u>9,135</u>	<u>9,135</u>
Current Liabilities			
Trade and bills payables	9	41,529	51,078
Other payables and accruals		155,166	170,451
Amount due to an associate		6,837	5,496
Financial derivative liabilities		8,532	—
Current income tax liabilities		5,002	5,119
		<u>217,066</u>	<u>232,144</u>
Total Liabilities		<u>226,201</u>	<u>241,279</u>
Total Equity and Liabilities		<u>905,682</u>	<u>950,164</u>
Net Current Assets		<u>544,402</u>	<u>552,633</u>
Total Assets Less Current Liabilities		<u>688,616</u>	<u>718,020</u>

JOYCE BOUTIQUE HOLDINGS LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 September 2014

	Unaudited 30/09/2014 HK\$'000	Unaudited 30/09/2013 HK\$'000
Profit for the period	32,828	31,026
Other comprehensive (expense)/income		
Net translation differences on foreign operations	1,831	(173)
Fair value (losses)/gains on cash flow hedge, net of tax	(7,223)	812
Total other comprehensive (expense)/income	(5,392)	639
Total comprehensive income for the period	27,436	31,665

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, 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 2014, 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 2014, 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 2014 but they do not have any significant impact to the results and financial position of the Group:

HKFRS 10, 12 and HKAS 27 (Amendment)	Consolidation for investment entities
HK(IFRIC) 21	Levies
HKAS 32 (Amendment)	Financial instruments: presentation – offsetting financial assets and financial liabilities
HKAS 39 (Amendment)	Novation of derivatives and continuation of hedge accounting

The following new, revised/amended standards and interpretations have been issued but are not effective for the financial year beginning on 1 April 2014, and have not been early adopted by the Group:

HKFRS 9	Financial instruments
HKFRS 11 (Amendment)	Accounting for acquisition of interest in joint operations
HKFRS 14	Regulatory deferral accounts
HKFRS 15	Revenue from contracts with customers
HKAS 19 (Amendment)	Employee benefits: defined benefit plans – employee contributions
HKAS 16 and 38 (Amendment)	Classification of acceptable methods of depreciation and amortisation
Annual Improvements Project	Annual improvements 2010–2012 cycle
Annual Improvements Project	Annual improvements 2011–2013 cycle

(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 segment results by geographical location is as follows:

	Segment turnover		Segment results	
	30/09/2014 HK\$'000	30/09/2013 HK\$'000	30/09/2014 HK\$'000	30/09/2013 HK\$'000
Geographical segments:				
Hong Kong	535,291	500,879	36,564	33,986
China	118,021	116,285	3,060	4,417
Others	305	611	(1,579)	(973)
Total	<u>653,617</u>	<u>617,775</u>		
Operating profit			38,045	37,430
Finance costs			(9)	(17)
Share of profit of an associate			1,288	631
Profit before income tax			<u>39,324</u>	<u>38,044</u>
Income tax expense			<u>(6,496)</u>	<u>(7,018)</u>
Profit attributable to owners of the Company			<u>32,828</u>	<u>31,026</u>

(3) Finance costs

	30/09/2014 HK\$'000	30/09/2013 HK\$'000
Interest on overdrafts	<u>9</u>	<u>17</u>

(4) **Expenses by nature**

	30/09/2014	30/09/2013
	HK\$'000	HK\$'000
Cost of inventories (including provision for inventories)	324,193	300,134
Depreciation of property, plant and equipment	21,529	24,308
Operating lease rentals in respect of land and buildings	141,530	135,738
Staff costs	95,585	83,616
Other expenses	58,688	62,863
	<u>641,525</u>	<u>606,659</u>

(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 2014 and 2013.

No provision for overseas profits tax has been made as the Group has no estimated overseas assessable profit (2013: Nil).

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

	30/09/2014	30/09/2013
	HK\$'000	HK\$'000
Current income tax		
- Hong Kong profits tax	4,977	5,181
Deferred income tax	1,519	1,837
	<u>6,496</u>	<u>7,018</u>

(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\$32,828,000 (2013: HK\$31,026,000) and the weighted average number of ordinary shares of 1,624,000,000 (2013: 1,624,000,000) shares in issue during the period.

Diluted earnings per share was equal to basic earnings per share as there was no dilutive potential share outstanding for the period ended 30 September 2014 and 2013.

(7) **Dividends**

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

The Board has resolved not to declare any interim dividend for the period ended 30 September 2014 (2013: Nil).

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

	30/09/2014	30/09/2013
	HK\$'000	HK\$'000
Interim dividend in respect of the previous financial year, approved and paid during the period, of 3.5 cents (2013: 3.5 cents) per share	<u>56,840</u>	<u>56,840</u>

(8) **Trade and other receivables**

Included in trade and other receivables are trade receivables with an ageing analysis at 30 September 2014 as follows:

	30/09/2014	31/03/2014
	HK\$'000	HK\$'000
Within 30 days	32,137	32,019
Between 31 to 60 days	6,908	1,653
Between 61 to 90 days	7,614	202
Over 90 days	3,568	290
	<u>50,227</u>	<u>34,164</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 2014 is as follows:

	30/09/2014	31/03/2014
	HK\$'000	HK\$'000
Due within 30 days	40,731	49,514
Due between 31 to 60 days	771	1,564
Due between 61 to 90 days	27	—
	<u>41,529</u>	<u>51,078</u>

(10) Review of unaudited interim financial statements

The unaudited interim financial statements for the six months ended 30 September 2014 have been reviewed with no disagreement by the Audit Committee of the Company.

CORPORATE GOVERNANCE CODE

During the financial period under review, all the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were met by the Company.

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, 21 November 2014

As at the date of this announcement, 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.