

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 2016

致股東中期報告書
截至二〇一六年九月三十日止半年度

JOYCE

GROUP RESULTS (UNAUDITED)

The unaudited Group loss attributable to Shareholders contracted to HK\$16.6 million (2015: HK\$34.9 million). Loss per share was 1.0 cent (2015: 2.1 cents).

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2016 (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the first six months of the financial year, the decline in customer spending on luxury goods and Mainland China visitor traffic continued to affect the Group's sales performance. Retail rental remained high relative to revenue. Hong Kong reported an operating loss of HK\$8.5 million and Mainland China HK\$6.9 million.

The overall contraction in Group loss by HK\$18.3 million to HK\$16.6 million was mainly due to closure of under-performing shops and enhanced cost efficiency, as well as the non-recurring HK\$7.6 million onerous contract provision made for the JOYCE shop at Shanghai IAPM in last year's result.

During the period, 3 BOSS shops and 3 Stella McCartney shops in Hong Kong were closed upon franchise expiry. In China, with the reduction in off season merchandise, two JOYCE Warehouse outlets were closed upon lease expiry to reduce operating costs.

Business Development

The Group will continue to take a judicious approach to business expansion, focusing on consolidation of the JOYCE multi-label business towards higher-productivity stores. The Group completed a full renovation of the Central JOYCE flagship store in September and held a grand opening event in October to introduce a completely new look and unique shopping experience to customers. Going forward, the Group will further strengthen customer loyalty and drive sales from VIP customers through enhanced personal stylist services.

Outlook

In the near term, we expect the retail environment will remain challenging. Rental levels in prime shopping malls remain high relative to revenue. On-line and overseas shopping for luxury goods continue to impact on our core retail operations. In addressing these challenges, the Group will focus on driving cost efficiency and shop productivity, fashion editing and reducing business risks through taking a cautious approach to business expansion and stock purchase planning.

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FINANCIAL REVIEW

Results Review

Net loss attributable to Shareholders for the six months ended 30 September 2016 amounted to HK\$16.6 million as compared with net loss of HK\$34.9 million for the corresponding period last year.

The Group recorded a decline in revenue of 17.6% to HK\$479.7 million. Gross margin improved by 3.1 percentage points due to strengthened margin management. Coupled with a general reduction in operating costs and the closure of under-performing shops, the Group reported a net contraction in loss of HK\$20.5 million before tax (or HK\$18.3 million after tax). Last year's loss included the non-recurring HK\$7.6 million onerous contract provision made for the JOYCE shop at Shanghai IAPM.

In Hong Kong, revenue dropped by 15.2% against the same period last year and accounted for 84.9% of the Group revenue (2015: 82.5%). Operating loss reduced by HK\$4.1 million to HK\$8.5 million for the period mainly due to the closure of under-performing shops and an improvement in gross margin and operating costs efficiency.

In Mainland China, revenue declined by 31.8% versus the same period last year, partly due to a general decline in sales performance and partly due to closure of shops. Operating loss contracted by HK\$16.0 million to HK\$6.9 million, chiefly a result of the closure of under-performing shops and the non-recurring HK\$7.6 million onerous contract provision made for the JOYCE shop at Shanghai IAPM in last year's loss. Cumulatively, the Group has made a total of HK\$22.1 million onerous contract provision for the shop (31/3/2016: HK\$22.1 million) and has referred the case to court for arbitration of early termination of the lease.

For the period under review, the Marni joint venture business made a loss contribution of HK\$0.4 million (2015: HK\$1.0 million). The reduction in loss contribution is mainly due to an improvement in operating costs efficiency.

Liquidity and Financial Resources

At 30 September 2016, the Group's total cash deposits and cash on hand amounted to HK\$294.7 million (31/3/2016: HK\$301.7 million) and banking facilities totalled HK\$254.8 million (31/3/2016: HK\$254.8 million).

Foreign Exchange Risk Management

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

Human Resources

The Group employed 493 staff as at 30 September 2016 (31/3/2016: 537). Employees are remunerated according to the nature of their positions and market trend, with merit components incorporated in annual salary increments to reward and motivate individual performance. The Group provides various job-related training programs to staff. Total staff costs for the period ended 30 September 2016 amounted to HK\$79.5 million.

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CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT for the six months ended 30 September 2016

	Note	Unaudited 30/09/2016 HK\$'000	Unaudited 30/09/2015 HK\$'000
Revenue	2	479,708	582,127
Other income		22,863	20,262
		502,571	602,389
Direct costs and operating expenses	5	(454,439)	(553,614)
Selling and marketing expenses	5	(17,673)	(20,637)
Administrative expenses	5	(47,653)	(57,556)
Other loss	3	-	(7,572)
Operating loss		(17,194)	(36,990)
Finance costs	4	(5)	(10)
Share of loss of an associate		(366)	(1,047)
Loss before income tax		(17,565)	(38,047)
Income tax credit	6	1,000	3,193
Loss attributable to owners of the Company		(16,565)	(34,854)
Loss per share	7		
– Basic and diluted		(1.0 cent)	(2.1 cents)
Dividends	8	-	-

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION at 30 September 2016

	Note	Unaudited 30/09/2016 HK\$'000	Audited 31/03/2016 HK\$'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		47,495	50,327
Deposits, prepayments and other assets		90,799	62,755
Interest in an associate		8,437	8,797
Financial assets at fair value through profit or loss		5,760	5,760
Deferred income tax assets		10,241	9,233
		162,732	136,872
Current Assets			
Inventories		219,011	242,729
Trade and other receivables	9	32,133	23,275
Deposits, prepayments and other assets		48,243	59,437
Current income tax recoverable		3,260	6,845
Cash and cash equivalents		294,739	301,667
		597,386	633,953
Total Assets		760,118	770,825
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	162,400	162,400
Reserves		393,946	410,347
Total Equity		556,346	572,747
LIABILITIES			
Non-Current Liabilities			
Deferred income tax liabilities		1,336	1,336
Other non-current liabilities		15,027	19,593
		16,363	20,929
Current Liabilities			
Trade and bills payables	10	35,082	41,405
Other payables and accruals		144,872	133,063
Amount due to an associate		7,302	1,921
Financial derivative liabilities		51	-
Current income tax liabilities		102	760
		187,409	177,149
Total Liabilities		203,772	198,078
Total Equity And Liabilities		760,118	770,825
Net Current Assets		409,977	456,804
Total Assets Less Current Liabilities		572,709	593,676

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY for the six months ended 30 September 2016

	Attributable to owners 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 2016	162,400	3,728	76	139,196	8,567	-	258,780	572,747
Comprehensive income/(expenses)								
Loss for the period	-	-	-	-	-	-	(16,565)	(16,565)
Other comprehensive income/(expense)								
Net translation differences on foreign operations:								
- Subsidiaries	-	-	-	-	81	-	-	81
- Associate	-	-	-	-	6	-	-	6
Cash flow hedges:								
- Fair value gains for the period and reclassification due to basis adjustments on inventory	-	-	-	-	-	69	-	69
- Deferred income tax	-	-	-	-	-	8	-	8
Total other comprehensive income	-	-	-	-	87	77	-	164
Total comprehensive income/(expense)	-	-	-	-	87	77	(16,565)	(16,401)
Balance at 30 September 2016	162,400	3,728	76	139,196	8,654	77	242,215	556,346

The comparative figures for the six months ended 30 September 2015 are set out as follows:

	Attributable to owners 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 2015	162,400	3,728	76	139,196	9,299	(6,141)	369,275	677,833
Comprehensive income/(expenses)								
Loss for the period	-	-	-	-	-	-	(34,854)	(34,854)
Other comprehensive income/(expense)								
Net translation differences on foreign operations:								
- Subsidiaries	-	-	-	-	923	-	-	923
- Associate	-	-	-	-	13	-	-	13
Cash flow hedges:								
- Fair value gains for the period and reclassification due to basis adjustments on inventory	-	-	-	-	-	7,903	-	7,903
- Deferred income tax	-	-	-	-	-	(1,762)	-	(1,762)
Total other comprehensive income	-	-	-	-	936	6,141	-	7,077
Total comprehensive income/(expense)	-	-	-	-	936	6,141	(34,854)	(27,777)
Transactions with owners, recognized directly in equity								
Interim dividend paid for the year ended 31 March 2015	-	-	-	-	-	-	(32,480)	(32,480)
Balance at 30 September 2015	162,400	3,728	76	139,196	10,235	-	301,941	617,576

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2016

	Unaudited 30/09/2016 HK\$'000	Unaudited 30/09/2015 HK\$'000
Loss for the period	(16,565)	(34,854)
Other comprehensive income		
Net translation differences on foreign operations	87	936
Fair value gains on cash flow hedge, net of tax	77	6,141
Total other comprehensive income	164	7,077
Total comprehensive expense for the period	(16,401)	(27,777)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

for the six months ended 30 September 2016

	Unaudited 30/09/2016 HK\$'000	Unaudited 30/09/2015 HK\$'000
Net cash inflow/(outflow) from operating activities	3,011	(67,815)
Net cash outflow from investing activities	(10,020)	(27,052)
Net cash outflow from financing activities	-	(32,480)
Decrease in cash and cash equivalents	(7,009)	(127,347)
Effect of foreign exchange rate changes, net	81	545
Cash and cash equivalents at beginning of period	301,667	414,851
Cash and cash equivalents at end of period	294,739	288,049
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	176,074	169,822
Short-term bank deposits	118,665	118,227
	294,739	288,049

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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 condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2016, 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 2016, as described in those annual financial statements.

The following new standards, amendments and interpretations are mandatory for the financial year beginning on 1 April 2016 but they do not have any significant impact to the results and financial position of the Group:

HKAS 1 (Amendment)	Disclosure initiatives
HKAS 16 and 38 (Amendment)	Clarification of acceptable methods of depreciation and amortization
HKAS 16 and 41 (Amendment)	Agriculture: bearer plants
HKAS 27 (Amendment)	Equity method in separate financial statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: applying the consolidation exception
HKFRS 11 (Amendment)	Accounting for acquisition of interest in joint operations
HKFRS 14	Regulatory deferral accounts
Annual improvement project	Annual improvement 2012 – 2014 cycle

The following new standards, amendments and interpretations have been issued but are not effective for the financial year beginning on 1 April 2016 and have not been early adopted by the Group:

HKFRS 9	Financial instruments
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture
HKFRS 15	Revenue from contracts with customers
HKFRS 16	Leases

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(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 loss represents the loss incurred by each segment before finance cost, tax and share of loss 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 revenue and segment results by geographical location is as follows:

	Segment revenue		Segment results	
	30/09/2016 HK\$'000	30/09/2015 HK\$'000	30/09/2016 HK\$'000	30/09/2015 HK\$'000
Geographical segments:				
Hong Kong	407,143	480,273	(8,523)	(12,629)
China	68,826	100,844	(6,874)	(22,861)
Others	3,739	1,010	(1,797)	(1,500)
Total	<u>479,708</u>	<u>582,127</u>		
Operating loss			(17,194)	(36,990)
Finance costs			(5)	(10)
Share of loss of an associate			(366)	(1,047)
Loss before income tax			(17,565)	(38,047)
Income tax credit			1,000	3,193
Loss attributable to owners of the Company			<u>(16,565)</u>	<u>(34,854)</u>

(3) Other loss

	30/09/2016 HK\$'000	30/09/2015 HK\$'000
Provision for onerous contract	<u>-</u>	<u>7,572</u>

(4) Finance costs

	30/09/2016 HK\$'000	30/09/2015 HK\$'000
Interest on overdrafts	<u>5</u>	<u>10</u>

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(5) Expenses by nature

	30/09/2016 HK\$'000	30/09/2015 HK\$'000
Cost of inventories	245,117	302,558
(Reversal of provision)/provision for inventories	(5,484)	6,474
Depreciation of property, plant and equipment	13,306	21,953
Operating lease rentals in respect of land and buildings	146,955	158,944
Staff costs	79,535	88,510
Other expenses	40,336	53,368
	<u>519,765</u>	<u>631,807</u>

(6) Income tax credit

Hong Kong profits tax has not been provided as the Group has no estimated assessable profit for the period ended 30 September 2016. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the period ended 30 September 2015.

No provision for overseas profits tax has been made as the Group has no estimated overseas assessable profit (2015: Nil).

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

	30/09/2016 HK\$'000	30/09/2015 HK\$'000
Current income tax		
– Hong Kong profits tax	–	1,346
Deferred income tax	(1,000)	(4,539)
	<u>(1,000)</u>	<u>(3,193)</u>

(7) Loss per share

The calculation of basic loss per share is based on the consolidated loss attributable to owners of the Company for the period of HK\$16,565,000 (2015: HK\$34,854,000) and the weighted average number of ordinary shares of 1,624,000,000 (2015: 1,624,000,000) shares in issue during the period.

Diluted loss per share was equal to basic loss per share as there was no dilutive potential share outstanding for the periods ended 30 September 2016 and 2015.

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(8) Dividends

(a) Dividends attributable to the period

The Board has resolved not to declare any interim dividend for the period ended 30 September 2016 (2015: Nil).

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

	30/09/2016 HK\$'000	30/09/2015 HK\$'000
No interim dividend in respect of the previous financial year, approved and paid during the period (2015: 2.0 cents per share)	-	32,480

(9) Trade and other receivables

Included in trade and other receivables are trade receivables with an ageing analysis at 30 September 2016 (based on the invoice due date) as follows:

	30/09/2016 HK\$'000	31/03/2016 HK\$'000
Within 30 days	15,161	17,272
Between 31 to 60 days	788	1,617
Between 61 to 90 days	52	10
	<u>16,001</u>	<u>18,899</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 2016 (based on the invoice due date) is as follows:

	30/09/2016 HK\$'000	31/03/2016 HK\$'000
Due within 30 days	34,668	40,524
Due between 31 to 60 days	414	864
Due between 61 to 90 days	-	17
	<u>35,082</u>	<u>41,405</u>

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(11) Share capital

	2016		2015	
	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	<u>3,000,000</u>	<u>300,000</u>	3,000,000	300,000
Issued and fully paid:				
Ordinary shares of HK\$0.10 each				
Beginning and end of the period	<u>1,624,000</u>	<u>162,400</u>	1,624,000	162,400

(12) Commitments

(a) Operating lease commitments – as lessee

At 30 September 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30/09/2016 HK\$'000	31/03/2016 HK\$'000
Land and buildings:		
Not later than one year	243,430	244,448
Later than one year and not later than five years	487,063	444,779
Later than five years	25,000	56,054
	<u>755,493</u>	<u>745,281</u>

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 2016, the Group had future aggregate minimum lease receipts under a non-cancellable operating lease as follows:

	30/09/2016 HK\$'000	31/03/2016 HK\$'000
Land and buildings:		
Not later than one year	17,993	3,623
Later than one year and not later than five years	23,337	–
	<u>41,330</u>	<u>3,623</u>

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(c) Capital commitments

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

	30/09/2016 HK\$'000	31/03/2016 HK\$'000
Property, plant and equipment contracted but not provided for	—	8,741

(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 subsidiaries

	30/09/2016 HK\$'000	30/09/2015 HK\$'000
Rental expenses paid to fellow subsidiaries	14,852	17,273
Rental income received from fellow subsidiaries	14,691	17,068

(b) Transactions with an associate

	30/09/2016 HK\$'000	30/09/2015 HK\$'000
Management fee received from an associate	391	574

(14) Review of unaudited interim financial statements

The unaudited interim financial statements for the six months ended 30 September 2016 have been reviewed with no disagreement by the Audit Committee of the Company.

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CORPORATE GOVERNANCE CODE

During the financial period under review, all the code provisions set out in the Corporate Governance Code 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") were met by the Company.

CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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 of the Company and all the Directors have confirmed that they have complied with the required standard set out in the Model Code 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 2016 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 any class of voting shares of the Company as at 30 September 2016, 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 total number of shares in issue of the Company:

Names	No. of Ordinary Shares (percentage based on number of shares in issue)
(i) JoyBo International Limited ("JBIL")	1,183,838,723 (72.90%)
(ii) Wisdom Gateway Limited ("WGL")	1,183,838,723 (72.90%)
(iii) HSBC Trustee (C.I.) Limited ("HSBC CI")	1,183,838,723 (72.90%)
(iv) Mr. Peter K. C. Woo	1,183,838,723 (72.90%)

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Notes:

- (1) *The total number of shares of the Company in issue as at 30 September 2016 was 1,624,000,000.*
- (2) *Duplication occurs in respect of all of the shareholdings stated above in that they all represent the same block of shares.*
- (3) *HSBC CI's deemed shareholding interests stated above were held by virtue of its 100% shareholding interest in WGL. HSBC CI held the interest in WGL as the trustee of a trust of which Mr. Peter K. C. Woo is the settlor.*
- (4) *WGL's deemed shareholding interests stated above were held through its wholly-owned subsidiary, JBIL.*

All the interests stated above represented long positions and as at 30 September 2016, 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

Kevin C. Y. Hui

Company Secretary

Hong Kong, 16 November 2016

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 K. K. Lo and Mr. T. Y. Ng.

