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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 2017**

#### **GROUP RESULTS (unaudited)**

The unaudited Group loss attributable to Owners of the Company for the six months ended 30 September 2017 was HK\$28.1 million (2016 : HK\$16.6 million). Loss per share was 1.7 HK cents (2016 : 1.0 HK cent).

#### **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2017 (2016: Nil).

#### **MANAGEMENT DISCUSSION AND ANALYSIS**

##### ***BUSINESS REVIEW***

For the first six months of the financial year, the general decline in customer spending on luxury goods and Mainland China visitor traffic as well as closure of shops in previous financial year impacted on the Group's sales performance. Turnover and margin dropped by 19.4% and 1.5 percentage-points respectively compared with the same period last year. Mitigated by the inclusion of HK\$5.8 million write back of the onerous contract provision made for the JOYCE shop at Shanghai IAPM and saving of operating costs, the Group reported a loss attributable to Owners of the Company of HK\$28.1 million for the period, compared with a loss of HK\$16.6 million for the previous period.

In July, the Group opened a 700-square-foot JOYCE Beauty shop in Yuen Long Yoho Mall to extend JOYCE Beauty's customer base to West and North Territories and Shenzhen. During the period, the Group closed two non-performing shops upon lease expiry to improve shop productivity.

## **Outlook**

The Group expects the retail environment will remain challenging in the near term. Online specialty fashion retailing continues to impact on its core retail operations. Rental levels in prime shopping malls remain high relative to turnover. In addressing these challenges, the Group will continue to focus on driving sales through enhanced product offerings and customer service; improving cost and operational efficiency and reducing business risks through taking a cautious approach to business expansion and stock purchase planning.

## ***FINANCIAL REVIEW***

### **Results Review**

Net loss for the six months ended 30 September 2017 amounted to HK\$28.1 million as compared with net loss of HK\$16.6 million for the corresponding period last year. Loss per share was 1.7 HK cents (2016 : 1.0 HK cent).

Affected by the persistently stagnant luxury retail market as well as closure of shops in previous year, the Group recorded a drop of 19.4% in turnover to HK\$386.7 million for the period. Gross margin also decreased by 1.5 percentage points mainly a result of higher proportion of warehouse outlet sales during the period.

Hong Kong turnover dropped by 15.8% against the same period last year and accounted for 88.7% of the Group turnover (2016 : 84.9%). Hong Kong division incurred an operating loss of HK\$27.2 million for the period (2016 : HK\$8.5 million). The increase in loss was primarily caused by the decline in turnover coupled with a drop in gross margin.

Due to difficult retail trading conditions and also the closure of certain loss making shops in previous year, Mainland China turnover recorded a drop of 40.0% against the same period last year. However, with an improvement in operating cost efficiency and HK\$5.8 million write back of the onerous contract provision for the JOYCE shop at Shanghai IAPM, Mainland China division managed to make an operating profit of HK\$1.6 million for the period (2016 : loss of HK\$6.9 million).

For the period under review, loss contribution from the Marni joint venture business increased from HK\$0.4 million to HK\$0.6 million mainly due to a drop in turnover during the period.

### **Liquidity and Financial Resources**

At 30 September 2017, the Group's total cash deposits and cash on hand amounted to HK\$285.0 million (31/3/2017: HK\$323.9 million) and banking facilities totaled HK\$254.8 million (31/3/2017: HK\$254.8 million).

### **Foreign Exchange Risk Management**

Most of the Group's imported purchases are denominated in foreign currencies, primarily being in Euro. To minimize exposure on 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 402 staff as at 30 September 2017 (31/3/2017: 414). Employees are remunerated according to nature of their positions and market trend, with merit component 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 2017 amounted to HK\$69.6 million.

**JOYCE BOUTIQUE HOLDINGS LIMITED**  
**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT**  
**for the six months ended 30 September 2017**

	Note	Unaudited 30/09/2017 HK\$'000	Unaudited 30/09/2016 HK\$'000
Revenue	2	<b>386,669</b>	479,708
Other income		<b>18,046</b>	22,863
Direct costs and operating expenses	5	<b>(378,026)</b>	(454,439)
Selling and marketing expenses	5	<b>(11,856)</b>	(17,673)
Administrative expenses	5	<b>(47,951)</b>	(47,653)
Other gain	3	<b>5,808</b>	—
Operating loss		<b>(27,310)</b>	(17,194)
Finance costs	4	<b>(3)</b>	(5)
Share of loss of an associate		<b>(628)</b>	(366)
Loss before income tax		<b>(27,941)</b>	(17,565)
Income tax (expense)/ credit	6	<b>(147)</b>	1,000
<b>Loss attributable to owners of the Company</b>		<b>(28,088)</b>	(16,565)
<b>Loss per share</b>	7		
- Basic and diluted		<b>(1.7) HK cents</b>	(1.0) HK cent
<b>Dividends</b>	8	—	—

**JOYCE BOUTIQUE HOLDINGS LIMITED**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
**at 30 September 2017**

		Unaudited 30/09/2017	Audited 31/03/2017
	Note	HK\$'000	HK\$'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		56,469	61,305
Deposits, prepayments and other assets		60,910	64,922
Interest in an associate		6,687	7,290
Financial asset at fair value through profit or loss		4,846	4,846
Deferred income tax assets		7,161	7,161
		<u>136,073</u>	<u>145,524</u>
<b>Current Assets</b>			
Inventories		188,585	183,187
Trade and other receivables	9	38,650	23,120
Deposits, prepayments and other assets		23,783	27,425
Current income tax recoverable		99	3,671
Financial derivative assets		4,448	-
Cash and cash equivalents		284,989	323,942
		<u>540,554</u>	<u>561,345</u>
<b>Total Assets</b>		<u>676,627</u>	<u>706,869</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		162,400	162,400
Reserves		342,579	366,857
<b>Total Equity</b>		<u>504,979</u>	<u>529,257</u>
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Deferred income tax liabilities		1,945	1,211
Other non-current liabilities		6,714	6,869
		<u>8,659</u>	<u>8,080</u>
<b>Current Liabilities</b>			
Trade and bills payables	10	48,746	53,440
Other payables and accruals		109,145	112,346
Amount due to an associate		4,939	3,746
Current income tax liabilities		159	-
		<u>162,989</u>	<u>169,532</u>
<b>Total Liabilities</b>		<u>171,648</u>	<u>177,612</u>
<b>Total Equity And Liabilities</b>		<u>676,627</u>	<u>706,869</u>
<b>Net Current Assets</b>		<u>377,565</u>	<u>391,813</u>
<b>Total Assets Less Current Liabilities</b>		<u>513,638</u>	<u>537,337</u>

**JOYCE BOUTIQUE HOLDINGS LIMITED**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**for the six months ended 30 September 2017**

	<b>Unaudited</b> <b>30/09/2017</b> <b>HK\$'000</b>	Unaudited 30/09/2016 HK\$'000
<b>Loss for the period</b>	<b>(28,088)</b>	(16,565)
<b>Other comprehensive income/ (loss)</b>		
Net translation differences on foreign operations	(191)	87
Fair value gains on cash flow hedge, net of tax	<u>4,001</u>	<u>77</u>
<b>Total other comprehensive income</b>	<u><b>3,810</b></u>	<u>164</u>
<b>Total comprehensive loss for the period</b>	<u><b>(24,278)</b></u>	<u>(16,401)</u>

## 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 condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2017, 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 2017, as described in those annual financial statements.

The following new standards, amendments and interpretations are mandatory for the financial year beginning on 1 April 2017 but they do not have any significant impact to the results and financial position of the Group:

HKAS 7 (Amendments)	Disclosure initiative
HKAS 12 (Amendments)	Recognition of deferred tax assets for unrealized losses

The following new standards, amendments and interpretations have been issued but are not effective for the financial year beginning on 1 April 2017 and have not been early adopted by the Group:

HKAS 40 (Amendments)	Transfer of investment property
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
HKFRS 9	Financial instruments
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture
HKFRS 15	Revenue from contracts with customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HKFRS 16	Leases
HK (IFRIC) Int 22	Foreign currency transactions and advance consideration
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 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 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	
	30/09/2017 HK\$'000	30/09/2016 HK\$'000	30/09/2017 HK\$'000	30/09/2016 HK\$'000
<b>Geographical segments:</b>				
Hong Kong	342,791	407,143	(27,215)	(8,523)
China	41,281	68,826	1,630	(6,874)
Others	2,597	3,739	(1,725)	(1,797)
Total	<u>386,669</u>	<u>479,708</u>		
Operating loss			(27,310)	(17,194)
Finance costs			(3)	(5)
Share of loss of an associate			(628)	(366)
Loss before income tax			<u>(27,941)</u>	<u>(17,565)</u>
Income tax (expense)/ credit			(147)	1,000
Loss attributable to owners of the Company			<u>(28,088)</u>	<u>(16,565)</u>

## (3) Other gain

	30/09/2017 HK\$'000	30/09/2016 HK\$'000
Reversal of provision for onerous contract	<u>5,808</u>	<u>—</u>



**(4) Finance costs**

	<b>30/09/2017</b>	30/09/2016
	<b>HK\$'000</b>	HK\$'000
Interest on overdrafts	<u>3</u>	<u>5</u>

**(5) Expenses by nature**

	<b>30/09/2017</b>	30/09/2016
	<b>HK\$'000</b>	HK\$'000
Cost of inventories	<b>222,601</b>	245,117
Reversal of provision for inventories	<b>(23,467)</b>	(5,484)
Depreciation of property, plant and equipment	<b>10,812</b>	13,306
Operating lease rentals in respect of land and buildings	<b>120,048</b>	146,955
Staff costs	<b>69,551</b>	79,535
Other expenses	<b>38,288</b>	40,336
	<u><b>437,833</b></u>	<u>519,765</u>

**(6) Income tax expense/ (credit)**

Hong Kong profits tax has not been provided as the Group has no estimated assessable profit for the period ended 30 September 2017 (2016: Nil).

No provision for overseas profits tax has been made as the Group has no estimated overseas assessable profit (2016: Nil).

The amount of taxation charged/ (credited) to the consolidated income statement represents:

	<b>30/09/2017</b>	30/09/2016
	<b>HK\$'000</b>	HK\$'000
Hong Kong profits tax		
- Current income tax	—	—
- Under-provision in prior year	<b>147</b>	—
Deferred income tax	—	(1,000)
	<u><b>147</b></u>	<u>(1,000)</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\$28,088,000 (2016: HK\$16,565,000) and the weighted average number of ordinary shares of 1,624,000,000 (2016: 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 period ended 30 September 2017 and 2016.

**(8) Dividends**

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

The Board has resolved not to declare any interim dividend for the period ended 30 September 2017 (2016: Nil).

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

	<b>30/09/2017</b>	30/09/2016
	<b>HK\$'000</b>	HK\$'000
No interim dividend in respect of the previous financial year, approved and paid during the period (2016: Nil)	—	—
	<u>—</u>	<u>—</u>

**(9) Trade and other receivables**

Included in trade and other receivables are trade receivables with an ageing analysis based on invoice date at 30 September 2017 as follows:

	<b>30/09/2017</b>	31/03/2017
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>21,349</b>	18,234
Between 31 to 60 days	<b>1,402</b>	83
Between 61 to 90 days	<b>3,956</b>	249
Over 90 days	—	181
	<u><b>26,707</b></u>	<u>18,747</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 2017 based on due date is as follows:

	<b>30/09/2017</b>	31/03/2017
	<b>HK\$'000</b>	HK\$'000
Due within 30 days	<b>46,729</b>	51,546
Due between 31 to 60 days	<b>2,017</b>	1,894
	<b><u>48,746</u></b>	<u>53,440</u>

**(11) Review of unaudited interim financial statements**

The unaudited interim financial statements for the six months ended 30 September 2017 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  
**Kevin C. Y. Hui**  
*Company Secretary*

Hong Kong, 16 November 2017

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