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 2012

## GROUP RESULTS

The unaudited Group profit attributable to Shareholders for the six months ended 30 September 2012 amounted to HK$30.3 million, a decrease of 58.3% as compared with the profit of HK$72.8 million for the corresponding period last year. Earnings per share were 1.9 cents (2011: 4.5 cents).

## INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2012 (six-month period ended 30 September 2011: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### *BUSINESS REVIEW*

For the first six months of the financial year, the deepening financial crisis in Europe and uncertainty in the global economy continued to weigh on consumer sentiment and affect customer spending. The Group's net profit declined by 58.3% to HK$30.3 million compared to the same period last year. This significant decline was mainly attributable to the 4.3% decrease in turnover, the 3.4 percentage-point decrease in gross margin and the escalating rental costs.

During the period, the Group opened three new shops for its JOYCE Beauty business at Pacific Place, at the new Hysan Place office and retail tower in Causeway Bay and at New Town Plaza in Shatin.

The lease of the Boss shop at Canton Road expired at the end of August and the shop space was surrendered temporarily to landlord for restructuring work to be completed in the first quarter of 2013. The new shop space will be reduced to 2,800 sq. ft. (versus original space of 5,700 sq. ft.).

In the interim, the shop was relocated to a 1,600-square-foot space for temporary operation. As a result of the area reduction and rent revision on lease renewal, it is expected that the contribution from this shop will be significantly affected.

In May 2012, the Group's headquarters were relocated from JOYCE Building on Wong Chuk Hang Road to the new One Island South office tower nearby to accommodate future growth. Due to non-renewal of the warehouse lease which expired in September, the Group also relocated the warehouse from JOYCE Building to Oceanic Industrial Centre at Ap Lei Chau. The new space occupies a total gross area of 75,000 sq. ft. which will cater to future operational needs.

**Business Development**

Following the opening of its first Beijing flagship store in China World Mall in September 2011, the mainland China division opened the second Beijing JOYCE multi-label store at Shin Kong Place at October end. The new store occupying an area of 3,900 sq. ft. mirrors the same concept to that of JOYCE shops in Hong Kong Pacific Place and The Lee Gardens, offering a unique edit of contemporary brands which caters to the young fashion insiders that are key growing group of JOYCE. A new second Shanghai JOYCE multi-label store to be built on the same concept will also be opened at the new forthcoming IAPM mall on Huaihai Road which will be open in the second quarter of 2013.

**Outlook**

Looking ahead, the unfolding Eurozone debt crisis and the slowing growth in the Chinese economy will continue to cast uncertainties to the recovery of the global economy. The Group expects that the stagnant retail market prevailing in the first half of the financial year will continue its impact to the second half. The Group also believes that high cost inflation in Hong Kong and China, in particular the rising staff costs and the escalating rentals due to keen competition among brands for staff and prime retail spaces, and the big reduction in retail area of the Boss shop at Canton Road will exert considerable pressure on the Group's profitability in the coming year.

In view of the challenge ahead, the Group will take a cautious approach to stock purchasing and shop expansion and focus on improving productivity of new shops through maximizing gross margins and sell-through and exercising stringent control on overheads.

***FINANCIAL REVIEW***

**(I) Results Review**

The Group recorded a turnover of HK$587.8 million for the six months ended 30 September 2012, representing a drop of 4.3% over the same period last year. This was mainly attributable to the prevailing stagnant retail market for the Spring/Summer season. The Hong Kong division accounted for 82.6% (2011: 87.4%) of the Group's turnover and recorded a 9.6% drop in turnover. The China division achieved a 32.0% increase in turnover mainly due to sales contribution from new shops opened in the second half of 2011.

Gross margin declined by 3.4 percentage points mainly due to deeper on sale discount and increased stock provision for slower stock-turn of the Spring/Summer season.

Affected by the drop in turnover, the reduction in gross margin and escalating rental costs, the operating profit of the Hong Kong division significantly declined to HK$39.4 million (2011: HK$90.4 million).

The operating loss sustained from the mainland China division for the period totaled HK$2.6 million (2011: a profit contribution of HK$0.3 million). The loss was mainly attributable to the increase in stock provision and marketing costs incurred for the new shops in Beijing, including the JOYCE multi-label flagship in phase 3 of China World Mall.

For the period under review, the profit contribution from the Marni joint venture business also declined by 60.8% to HK$1.5 million, chiefly a result of decreased turnover and reduced gross margin.

**(II) Liquidity and Financial Resources**

At 30 September 2012, the Group's financial position remained firm with total cash deposits and cash on hand amounting to HK$367.2 million (31/3/2012: HK$495.4 million).

At 30 September 2012, the Group had available banking facilities in a total amount of HK$279.8 million (31/3/2012: HK$279.8 million).

With its firm 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 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 571 staff as at 30 September 2012 (31/3/2012: 570). 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 2012 amounted to HK$81.5 million.

**JOYCE BOUTIQUE HOLDINGS LIMITED**
**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT**
**for the six months ended 30 September 2012**

| | Note | **Unaudited 30/09/2012 HK$'000** | Unaudited 30/09/2011 HK$'000 |
|---|---|---|---|
| Turnover | 2 | **587,843** | 614,549 |
| Other income | | **22,917** | 7,658 |
| | | **610,760** | 622,207 |
| Direct costs and operating expenses | 4 | **(495,008)** | (455,691) |
| Selling and marketing expenses | 4 | **(31,577)** | (29,452) |
| Administrative expenses | 4 | **(48,745)** | (47,799) |
| Operating profit | | **35,430** | 89,265 |
| Finance costs | 3 | **(16)** | (27) |
| Share of profit of an associate | | **1,458** | 3,716 |
| Profit before income tax | | **36,872** | 92,954 |
| Income tax expense | 5 | **(6,528)** | (20,127) |
| **Profit attributable to equity holders of the Company** | | **30,344** | 72,827 |
| | | | |
| **Earnings per share** | 6 | | |
| - Basic | | **1.9 cents** | 4.5 cents |
| - Diluted | | **N/A** | N/A |
| | | | |
| **Dividends** | 7 | **—** | — |

**JOYCE BOUTIQUE HOLDINGS LIMITED**
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**
**at 30 September 2012**

| | Note | **Unaudited 30/09/2012 HK$'000** | Audited 31/03/2012 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | | **115,575** | 99,774 |
| Deposits, prepayments and other assets | | **71,533** | 60,196 |
| Interest in an associate | | **16,145** | 19,251 |
| Deferred income tax assets | | **9,379** | 9,959 |
| | | **212,632** | 189,180 |
| **Current Assets** | | | |
| Inventories | | **283,055** | 262,303 |
| Trade and other receivables | 8 | **42,809** | 33,745 |
| Deposits, prepayments and other assets | | **18,220** | 26,672 |
| Amount due from an associate | | **3,621** | — |
| Financial derivative assets | | — | 2,059 |
| Cash and cash equivalents | | **367,199** | 495,429 |
| | | **714,904** | 820,208 |
| **Total Assets** | | **927,536** | 1,009,388 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | |
| Share capital | | **162,400** | 162,400 |
| Reserves | | **502,227** | 555,306 |
| **Total Equity** | | **664,627** | 717,706 |
| **LIABILITIES** | | | |
| **Non-Current Liability** | | | |
| Financial liability at fair value through profit or loss | | **9,948** | 9,948 |
| **Current Liabilities** | | | |
| Trade and bills payables | 9 | **50,903** | 68,613 |
| Other payables and accruals | | **182,197** | 192,275 |
| Amount due to an associate | | — | 3,472 |
| Current income tax liabilities | | **19,861** | 17,374 |
| | | **252,961** | 281,734 |
| **Total Liabilities** | | **262,909** | 291,682 |
| **Total Equity And Liabilities** | | **927,536** | 1,009,388 |
| **Net Current Assets** | | **461,943** | 538,474 |
| **Total Assets Less Current Liabilities** | | **674,575** | 727,654 |

**JOYCE BOUTIQUE HOLDINGS LIMITED**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**
**for the six months ended 30 September 2012**

| | **Unaudited 30/09/2012 HK$'000** | Unaudited 30/09/2011 HK$'000 |
|---|---|---|
| **Profit for the period** | **30,344** | 72,827 |
| **Other comprehensive (expense)/income** | | |
| Net translation differences on foreign operations | **(745)** | 19 |
| Fair value losses on cash flow hedge, net of tax | **(1,478)** | (1,432) |
| **Total other comprehensive expense** | **(2,223)** | (1,413) |
| **Total comprehensive income for the period** | **28,121** | 71,414 |

## 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 2012, 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 2012, as described in those annual financial statements.

The following amended standards are mandatory for the first time for the financial year beginning on 1 April 2012 but are not relevant to the Group:

| | |
|---|---|
| HKFRS 1 (Amendment) | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters |
| HKFRS 7 (Amendment) | Disclosures – Transfers of Financial Assets |
| HKAS 12 (Amendment) | Deferred Tax: Recovery of Underlying Assets |

The following new, revised/amended standards and interpretations have been issued but are not effective for the financial year beginning on 1 April 2012, and have not been early adopted by the Group:

| | |
|---|---|
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2009 – 2011 Cycle |
| HKFRS 7 (Amendment) | Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities |
| HKFRS 7 and HKFRS 9 (Amendment) | Mandatory Effective Date and Transition Disclosures |
| HKFRS 9 | Financial Instruments |
| HKFRS 10 | Consolidated Financial Statements |
| 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 (Amendment) | Employee Benefits |
| HKAS 27 (Revised 2011) | Separate Financial Statements |
| HKAS 28 (Revised 2011) | Associates and Joint Ventures |
| HKAS 32 (Amendment) | Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities |
| HK(IFRIC) – Int 20 | Stripping Costs in the Production Phase of a Surface Mine |

## (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/(loss) by geographical location is as follows:

| | **Segment turnover** | | **Segment results** | |
|---|---|---|---|---|
| | **30/09/2012** | 30/09/2011 | **30/09/2012** | 30/09/2011 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Geographical segments:** | | | | |
| Hong Kong | **485,298** | 536,878 | **39,387** | 90,391 |
| China | **102,287** | 77,485 | **(2,561)** | 255 |
| Others | **258** | 186 | **(1,396)** | (1,381) |
| Total | **587,843** | 614,549 | | |
| Operating profit | | | **35,430** | 89,265 |
| Finance costs | | | **(16)** | (27) |
| Share of profit of an associate | | | **1,458** | 3,716 |
| Profit before income tax | | | **36,872** | 92,954 |
| Income tax expense | | | **(6,528)** | (20,127) |
| Profit attributable to equity holders | | | **30,344** | 72,827 |

## (3) Finance costs

| | **30/09/2012** | 30/09/2011 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest on bank loans and overdrafts | **16** | 27 |

## (4) Expenses by nature

| | **30/09/2012 HK$'000** | 30/09/2011 HK$'000 |
|---|---|---|
| Cost of inventories (including provision for inventories) | **282,394** | 273,846 |
| Depreciation of property, plant and equipment | **17,606** | 10,714 |
| Operating lease rentals in respect of land and buildings | **133,122** | 115,086 |
| Staff costs | **81,522** | 75,679 |
| Other expenses | **60,686** | 57,617 |
| | **575,330** | 532,942 |

## (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 2012.

No provision for overseas profits tax has been made as the Group has no estimated overseas assessable profit (2011: Nil).

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

| | **30/09/2012 HK$'000** | 30/09/2011 HK$'000 |
|---|---|---|
| Current income tax | | |
| - Hong Kong profits tax | **5,608** | 20,127 |
| Deferred income tax | **920** | – |
| | **6,528** | 20,127 |

## (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$30,344,000 (2011: HK$72,827,000) and the weighted average number of ordinary shares of 1,624,000,000 (2011: 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 period ended 30 September 2012 and 2011.

## (7) Dividends

### (a) Dividends attributable to the period

The Board has resolved not to declare any interim dividend for the period ended 30 September 2012 (2011: Nil).

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

| | **30/09/2012** | 30/09/2011 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interim dividend in respect of the previous financial year, approved and paid during the period, of 5.0 cents (2011: 4.0 cents) per share | **81,200** | 64,960 |

## (8) Trade and other receivables

Included in trade and other receivables are trade receivables with an ageing analysis at 30 September 2012 as follows:

| | **30/09/2012** | 31/03/2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 30 days | **26,982** | 29,537 |
| Between 31 to 60 days | **5,750** | 1,861 |
| Between 61 to 90 days | **99** | 1,419 |
| Over 90 days | — | — |
| | **32,831** | 32,817 |

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 2012 is as follows:

| | **30/09/2012** | 31/03/2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Due within 30 days | **50,003** | 66,248 |
| Due between 31 to 60 days | **853** | 2,337 |
| Due between 61 to 90 days | **47** | — |
| Due after 90 days | — | 28 |
| | **50,903** | 68,613 |

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

The unaudited interim financial statements for the six months ended 30 September 2012 have been reviewed with no disagreement by the Audit Committee of the Company.

## CORPORATE GOVERNANCE CODE

During the financial period under review, the Company has complied with all the provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except in respect of one code provision (viz. Code Provision A.6.7) providing for Independent Non-executive Directors ("INED(s)") and other Non-executive Directors of the Company to, *inter alia*, attend general meetings. One INED was absent from the last Annual General Meeting of the Company held in September 2012 due to his being absent from Hong Kong on the date of the meeting.

## 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, 23 November 2012

*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.*