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# JOYCE

## **JOYCE BOUTIQUE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

Stock Code: 647

### **2017/18 Results Announcement**

#### **OVERVIEW AND PROSPECTS**

Group revenue for the year declined by 9.8% to HK\$860.7 million (2016/17: HK\$954.4 million), compared with a 19.1% decrease in the previous year. The fall in revenue was partly due to the closure of shops.

Two consecutive years of negative growth in Hong Kong's retail sector extended into the first half of the financial year. A 19.4% drop in first-half turnover narrowed to a 9.8% decline for the full financial year following an improvement in sales during the second half of the year. Despite a reduction in operating costs, profitability suffered as a result of continued weakness in sales and margin.

Gross margin declined by 1.0 percentage point, following an improvement in the previous year, mainly due to a higher proportion of revenue contributed by the liquidation of aged stock.

Net loss attributable to owners of the Company totalled HK\$54.7 million for the year, compared with a loss of HK\$41.9 million in the previous year. Loss per share was 3.4 HK cents (2016/17: 2.6 HK cents).

The Hong Kong division's operating loss for the year rose to HK\$50.7 million versus HK\$31.8 million in the previous year, reflecting a 6.5% fall in division revenue.

The Mainland China division's operating loss narrowed to HK\$2.4 million from HK\$3.7 million in the previous year, subsequent to the closure of underperforming shops.

While the business outlook remains somewhat uncertain, the Group targets to reduce its operating losses. Despite a gradual recovery in the retail sector and growth in sales driven by a recent rise in inbound tourism, Hong Kong as a luxury-shopping destination still faces stiff and growing competition from other Asian markets, and sustaining the current rebound will be challenging. Moreover, rental levels in prime shopping locations remain high relative to revenue, and the online shopping trend continues to adversely impact local bricks-and-mortar retail operations.

Going forward, the Group remains focused on restoring growth in comparable-store sales, driving store traffic and gaining new customers, through enhanced product offerings, and innovative in-store events and marketing. Customer loyalty and acquisition programmes and professional personal-stylist services are being enhanced to strengthen customer engagement and increase customer visits and spending levels.

However, the various challenges that face the luxury fashion retailing industry generally and the company specifically should not be under-estimated. Substantial pressure on trading performance would not easily cease. The Board remains grateful to the entire JOYCE team and to all Group stakeholders for their ongoing support.

## **DIVIDEND**

In view of this year's results and an uncertain outlook for the coming financial year, the Board has resolved not to declare a dividend for this financial year (2016/17: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### ***BUSINESS REVIEW***

At the financial year-end, the Group operated a total of 39 shops (2017: 39). This portfolio comprised 25 shops in Hong Kong (including 3 multi-label JOYCE stores, one JOYCE pop-up corner in Lane Crawford IFC store, 8 mono-brand shops, 12 JOYCE Beauty shops and one JOYCE Warehouse outlet), and 6 shops in Mainland China (including 2 multi-label JOYCE stores, 2 JOYCE Beauty shops and 2 JOYCE Warehouse outlets). In addition, the Group operated 8 Marni shops in Hong Kong and Taiwan under its 49%-held joint venture partnership with Marni Group S.r.l.

In view of the difficult trading environment, the Group continues to adopt a very selective approach to expansion. The Group opened a JOYCE Beauty shop in the Yuen Long Yoho Mall in Hong Kong in July 2017, and 2 JOYCE Beauty concession corners in Lane Crawford stores in Shanghai and Chengdu in December 2017. During the year, the Group closed 3 non-performing shops in order to improve shop productivity.

### ***FINANCIAL REVIEW***

#### **(I) Review of 2017/18 Results**

The Group recorded a net loss attributable to owners of the Company of HK\$54.7 million for the year ended 31 March 2018, compared with a net loss of HK\$41.9 million for the previous year. Loss per share was 3.4 HK cents (2016/17: 2.6 HK cents).

Group revenue declined by 9.8% to HK\$860.7 million (2016/17: HK\$954.4 million). A 1.0 percentage point decrease in gross margin was mainly due to a higher proportion of revenue contributed by liquidation of aged stocks.

Hong Kong division's revenue dropped by 6.5% against the previous year and accounted for 88.7% of Group revenue (2016/17: 85.6%). As a result, the operating

loss of the Hong Kong division widened by HK\$18.9 million to HK\$50.7 million for the period (2016/17: HK\$31.8 million).

Mainland China division's revenue recorded a drop of 30.4% against the same period last year, partly due to a general decline in sales performance and partly due to closures of shops. Gross margin also declined by 4.6 percentage points due to the relatively higher proportion of revenue contributed by liquidation of aged stocks. The Mainland China division's operating loss contracted by HK\$1.3 million to HK\$2.4 million, chiefly due to the closure of under-performing shops and savings in operating costs. This year's operating loss included a HK\$5.8 million (2016/17: HK\$6.2 million) reversal of the onerous contract provision made for the JOYCE shop at Shanghai IAPM after reaching an out-of-court settlement with the mall's landlord.

For the year under review, the 49%-held joint venture with Marni S.r.l. posted a profit contribution of HK\$3.1 million (2016/17: loss of HK\$1.5 million) resulting from improvement of gross margin and operating efficiency.

## **(II) Liquidity and Financial Resources**

At 31 March 2018, the Group's financial position remained liquid with total cash deposits and cash on hand amounting to HK\$340.8 million. No bank borrowings were outstanding at 31 March 2018.

## **(III) 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.

## **(IV) Finance**

At 31 March 2018, the Group had banking facilities totalling HK\$254.8 million (2017: HK\$254.8 million).

## **(V) Employees**

The Group employed 399 staff as at 31 March 2018. Employees are remunerated according to the nature of their positions and market trends, with merit components incorporated in annual salary increments to reward and motivate individual performance. The Group provides appropriate various job-related training programs to staff. Total staff costs for the year ended 31 March 2018 amounted to HK\$158.5 million.

**CONSOLIDATED INCOME STATEMENT**  
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 HK\$'000	2017 HK\$'000
Revenue	2	<b>860,701</b>	954,368
Other income		<b>37,227</b>	41,884
Direct costs and operating expenses	3	<b>(816,248)</b>	(906,521)
Selling and marketing expenses	3	<b>(39,141)</b>	(42,335)
Administrative expenses	3	<b>(105,320)</b>	(91,558)
Other gains, net	4	<b>4,290</b>	5,323
Operating loss		<b>(58,491)</b>	(38,839)
Finance costs	5	<b>(11)</b>	(9)
Share of profit/(loss) of an associate		<b>3,111</b>	(1,514)
Loss before income tax		<b>(55,391)</b>	(40,362)
Income tax credit/(expense)	6	<b>666</b>	(1,492)
<b>Loss attributable to owners of the Company</b>		<b><u>(54,725)</u></b>	<b><u>(41,854)</u></b>
Dividends	7	<b><u>—</u></b>	<b><u>—</u></b>
<b>Loss per share</b>			
- Basic and diluted	8	<b><u>(3.4) HK cents</u></b>	<b><u>(2.6) HK cents</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 31 MARCH 2018

	Note	2018 HK\$'000	2017 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		45,737	61,305
Deposits, prepayments and other assets		58,802	64,922
Interest in an associate		10,472	7,290
Financial asset at fair value through profit or loss		1,231	4,846
Deferred income tax assets		6,603	7,161
		<u>122,845</u>	<u>145,524</u>
<b>Current assets</b>			
Inventories		158,026	183,187
Trade and other receivables	9	44,032	23,120
Deposits, prepayments and other assets		17,787	27,425
Current income tax recoverable		99	3,671
Financial derivative assets		3,081	—
Cash and cash equivalents		340,834	323,942
		<u>563,859</u>	<u>561,345</u>
<b>Total assets</b>		<u>686,704</u>	<u>706,869</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		162,400	162,400
Reserves		321,030	366,857
<b>Total equity</b>		<u>483,430</u>	<u>529,257</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		—	1,211
Other non-current liabilities		7,922	6,869
Financial derivative liabilities		419	—
		<u>8,341</u>	<u>8,080</u>
<b>Current liabilities</b>			
Trade and bills payables	10	56,414	53,440
Other payables and accruals		131,773	112,346
Amount due to an associate		6,181	3,746
Financial derivative liabilities		565	—
		<u>194,933</u>	<u>169,532</u>
<b>Total liabilities</b>		<u>203,274</u>	<u>177,612</u>
<b>Total equity and liabilities</b>		<u>686,704</u>	<u>706,869</u>
<b>Net current assets</b>		<u>368,926</u>	<u>391,813</u>
<b>Total assets less current liabilities</b>		<u>491,771</u>	<u>537,337</u>

## Notes to the Financial Statements

### (1) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and requirements of the Companies Ordinance (Cap. 622 of the laws of Hong Kong). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and financial derivative assets and liabilities.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) New and amended standards adopted by the Group:

The following new and amended standards have been published and are mandatory for the Group’s accounting periods beginning on 1 April 2017, but are not currently relevant to the Group.

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle: HKFRS 12 Amendments	Disclosure to Interest in Other Entities

The amendments do not have significant impact on the Group’s results and financial position.

(b) New and amended standards which have been issued but are not effective for the Group’s financial year beginning 1 April 2017 and have not been early adopted by the Group:

HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
HKAS 40 (Amendments)	Transfers of Investment Property <sup>1</sup>
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Annual Improvement Project	Annual Improvement 2015-2017 Cycle <sup>2</sup>

<sup>1</sup> Effective for accounting period beginning on or after 1 January 2018

<sup>2</sup> Effective for accounting period beginning on or after 1 January 2019

<sup>3</sup> Effective for accounting period beginning on or after 1 January 2021

<sup>4</sup> Effective date to be determined.

Management is in the process of making an assessment of the impact of these new and amended standards and interpretations and further details of which will be disclosed in the Company's 2017/18 annual report. The Group will adopt these new standards and interpretations when they become effective.

## (2) Revenue and segment information

The Group determines its operating segments based on the reports reviewed by the management who makes strategic decisions. The management assesses the Group's 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 profit/(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 operating loss by geographical location is as follows:

	2018			Total HK\$'000
	Hong Kong HK\$'000	PRC HK\$'000	Others HK\$'000	
Revenue	763,608	90,681	6,412	860,701
Operating loss	(50,658)	(2,437)	(5,396)	(58,491)
Finance costs				(11)
Share of profit of an associate				3,111
Loss before income tax				(55,391)
Income tax credit				666
Loss attributable to owners of the Company				(54,725)
Other segment information				
Segment capital expenditures	7,328	1,606	—	8,934
Segment depreciation of property, plant and equipment	17,697	3,390	580	21,667
Segment impairment charge of property, plant and equipment	1,697	—	1,569	3,266
Segment (utilisation of provision for )/provision for inventories	(18,139)	(7,148)	306	(24,981)
Segment reversal of provision for onerous contract	—	(5,808)	—	(5,808)

## (2) Revenue and segment information (continued)

	2017			Total HK\$'000
	Hong Kong HK\$'000	PRC HK\$'000	Others HK\$'000	
Revenue	817,002	130,242	7,124	954,368
Operating loss	(31,778)	(3,674)	(3,387)	(38,839)
Finance costs				(9)
Share of loss of an associate				(1,514)
Loss before income tax				(40,362)
Income tax expense				(1,492)
Loss attributable to owners of the Company				(41,854)
Other segment information				
Segment capital expenditures	32,834	8,197	55	41,086
Segment depreciation of property, plant and equipment	18,619	6,377	631	25,627
Segment impairment charge of property, plant and equipment	221	1,868	—	2,089
Segment (utilisation of provision for)/provision for inventories	(8,835)	(308)	438	(8,705)
Segment reversal of provision for onerous contract	—	(6,237)	—	(6,237)

## (3) Expenses by nature

	2018 HK\$'000	2017 HK\$'000
Cost of inventories	474,818	498,577
Utilisation of provision for impairment of inventories	(24,981)	(8,705)
	449,837	489,872
Depreciation of property, plant and equipment	21,667	25,627
Impairment charge on property, plant and equipment	3,266	2,089
Operating lease rentals in respect of land and buildings		
- minimum lease payments	215,078	251,685
- contingent rents	17,314	26,657
Auditor's remuneration	802	1,157
Loss on disposal of property, plant and equipment	—	494
Net exchange losses/(gains)	5,371	(2,631)
Staff costs (including directors' and chief executive's remuneration)		
Wages and salaries	150,958	145,529
Pension costs – defined contribution schemes	7,493	8,997
	158,451	154,526
Other expenses	88,923	90,938
	960,709	1,040,414



#### (4) Other gains, net

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Fair value loss on financial asset at fair value through profit or loss	<b>(3,615)</b>	(914)
Reversal of provision for onerous contract	<b>5,808</b>	6,237
Net fair value gains from financial derivatives	<b>2,097</b>	—
	<b>4,290</b>	5,323

#### (5) Finance costs

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Interest on bank overdrafts	<b>11</b>	9

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

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profit for the year ended 31 March 2018 (2017: Nil).

No provision for overseas profits tax has been made as the Group has no estimated overseas assessable profit (2017: Nil).

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

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Hong Kong profits tax		
- Current income tax	—	—
- Overprovision in prior years	<b>(13)</b>	(455)
Deferred income tax	<b>(653)</b>	1,947
	<b>(666)</b>	1,492

## (7) Dividends

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
No interim dividend proposed (2017:Nil)	—	—
No final dividend proposed (2017: Nil)	—	—
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	—	—
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The Board has resolved not to declare any dividend for the year ended 31 March 2018 (2017: Nil).

## (8) Loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the year of HK\$54,725,000 (2017: loss of HK\$41,854,000) and the weighted average number of ordinary shares of 1,624,000,000 (2017: 1,624,000,000) shares in issue during the year.

Diluted loss per share was equal to basic loss per share as there was no dilutive potential share outstanding for each of the year ended 31 March 2018 and 2017.

## (9) Trade and other receivables

Included in trade and other receivables are trade receivables with an ageing analysis at 31 March 2018 as follows:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>41,387</b>	18,234
Between 31 to 60 days	<b>961</b>	83
Between 61 to 90 days	<b>76</b>	249
Over 90 days	<b>161</b>	181
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	<b>42,585</b>	18,747
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The Group has established credit policies and the general credit terms allowed range from 0 to 60 days.

Included in trade and other receivables is HK\$22,573,000 (2017: HK\$5,462,000) being amount due from fellow subsidiaries. The amount is unsecured, interest free and repayable in accordance to the Group's established credit policies.

## **(10) Trade and bills payables**

The ageing analysis of trade and bills payables at 31 March 2018 is as follows:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Due within 30 days	<b>54,295</b>	51,546
Due between 31 to 60 days	<b>1,397</b>	1,894
Due between 61 to 90 days	<b>722</b>	—
	<b>56,414</b>	53,440

## **(11) Review of results**

The financial results for the year ended 31 March 2018 have been reviewed with no disagreement by the Audit Committee of the Company.

## **CORPORATE GOVERNANCE CODE**

During the financial year ended 31 March 2018, 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 year under review.

## **BOOK CLOSURE**

The Register of Members of the Company will be closed from Thursday, 9 August 2018 to Wednesday, 15 August 2018, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to ascertain Shareholders' right to attend and to vote at the forthcoming Annual General Meeting to be held on Wednesday, 15 August 2018, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 8 August 2018.

By Order of the Board  
**Kevin C. Y. Hui**  
*Company Secretary*

Hong Kong, 15 June 2018

*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.*