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JOYCE

Joyce Boutique Group Limited

(Incorporated in Hong Kong with limited liability)

Stock Code: 647

Interim Results Announcement for the half-year period ended 30 September 2019

GROUP RESULTS (unaudited)

The unaudited Group loss attributable to owners of the Company for the six months ended 30 September 2019 was HK\$54.9 million (2018: HK\$24.2 million). Loss per share was 3.4 HK cents (2018: 1.5 HK cents).

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the Group focused on driving comparable store sales through customer engagement and acquisition and enhanced product offerings. However, on top of soft economic performance and market conditions, outbreak of social unrest has seriously impacted on inbound tourism and customer sentiment in Hong Kong since June. As a result, the Group recorded a 11.0% drop in revenue in the first quarter, followed by a 26.0% drop in the second quarter and an overall 18.4% drop in revenue in the first half of the financial year against the same period last year. Compared with the same period last year, net loss for the first half of the financial year increased by HK\$30.7 million to HK\$54.9 million.

On 26 August, the Group completed a scheme of reorganisation whereby the holding company of the Group was changed from Joyce Boutique Holdings Limited (a Bermuda incorporated company) to Joyce Boutique Group Limited (a Hong Kong incorporated company). Since then, Joyce Boutique Holdings Limited and all its subsidiaries have become subsidiaries of Joyce Boutique Group Limited, which has become listed on the Hong Kong Stock Exchange instead of Joyce Boutique Holdings Limited.

With an improvement in aged stock liquidation in China, the Group closed the Joyce Warehouse outlet in Beijing to improve operating cost efficiency.

Outlook

Looking ahead, the social unrest in Hong Kong continued in the second half of the financial year and is significantly impacting tourist traffic and consumer sentiment in Hong Kong. Moreover, the slowing down of the Chinese economy, weakening of renminbi, high rental levels relative to revenue and the China/US trade disputes will also cast doubt on the recovery of the retail market of Hong Kong and China in the near term.

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

FINANCIAL REVIEW

Results Review

Net loss for the six months ended 30 September 2019 amounted to HK\$54.9 million, compared with last year's net loss of HK\$24.2 million. Loss per share was 3.4 HK cents (2018: 1.5 HK cents).

Impacted by business disruption of the social unrest in Hong Kong, revenue declined by 18.4% to HK\$337.7 million. Gross margin also decreased by 2.5 percentage points.

Hong Kong revenue declined by 19.6% against the same period last year and accounted for 86.7% of the Group revenue (2018: 87.9%). Coupled with a drop in gross margin due to increased stock provision for slower stock-turn, operating loss increased by HK\$18.1 million to HK\$39.4 million (2018: HK\$21.3 million).

Despite a 9.9% decrease in revenue, Mainland China division recorded an operating profit of HK\$1.5 million, compared with a HK\$0.2 million profit for the same period last year. The improvement in profit performance was mainly caused by an improvement in gross margin and a tight control on operating expenses.

Affected by a 24.8% drop in sales and 2.4 percentage points decline in gross margin, the Marni JV posted a loss contribution of HK\$2.6 million (2018: HK\$0.5 million).

Liquidity and Financial Resources

At 30 September 2019, the Group's financial position remained liquid with total cash deposits and cash on hand amounted to HK\$266.5 million (31/3/2019: HK\$349.4 million) and banking facilities totaled HK\$254.8 million (31/3/2019: HK\$254.8 million).

Foreign Exchange Risk Management

Most of the Group's imported purchases are denominated in foreign currencies, primarily in Euro. To minimise 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 374 staff as at 30 September 2019 (31/3/2019: 363). 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 period ended 30 September 2019 amounted to HK\$67.8 million.

Joyce Boutique Group Limited
CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
for the six months ended 30 September 2019

	Note	Unaudited 30/09/2019 HK\$'000	Unaudited 30/09/2018 HK\$'000
Revenue	2	337,694	413,876
Other income		11,350	21,898
Direct costs and operating expenses	4	(340,117)	(392,739)
Selling and marketing expenses	4	(11,278)	(14,984)
Administrative expenses	4	(38,076)	(51,761)
Operating loss		<u>(40,427)</u>	<u>(23,710)</u>
Finance costs	3	(5,265)	(22)
Share of loss of an associate		(2,582)	(512)
Loss before income tax		<u>(48,274)</u>	<u>(24,244)</u>
Income tax expense	5	(6,650)	-
Loss attributable to owners of the Company		<u>(54,924)</u>	<u>(24,244)</u>
Loss per share	6		
- Basic and diluted		<u>(3.4) HK cents</u>	<u>(1.5) HK cents</u>
Dividends	7	<u>—</u>	<u>—</u>

Joyce Boutique Group Limited
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
at 30 September 2019

		Unaudited	Audited
		30/09/2019	31/03/2019
	Note	HK\$'000	HK\$'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		28,112	31,156
Right-of-use assets		320,022	-
Deposits and prepayments		49,194	39,823
Interest in an associate		5,792	8,529
Financial asset at fair value through profit or loss		1,154	1,154
Deferred income tax assets	5	-	6,650
		<u>404,274</u>	<u>87,312</u>
Current Assets			
Inventories		146,189	156,177
Trade and other receivables	8	29,418	25,135
Deposits and prepayments		37,417	33,884
Cash and cash equivalents		266,536	349,426
		<u>479,560</u>	<u>564,622</u>
Total Assets		<u>883,834</u>	<u>651,934</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	10	162,400	162,400
Reserves		216,799	290,576
Total Equity		<u>379,199</u>	<u>452,976</u>
LIABILITIES			
Non-Current Liabilities			
Lease liabilities		291,979	-
Other non-current liabilities		6,913	6,913
Deferred income tax liabilities		318	318
		<u>299,210</u>	<u>7,231</u>
Current Liabilities			
Trade and bills payables	9	46,431	64,268
Other payables and accruals and contract liabilities		93,552	113,946
Lease liabilities		56,636	-
Amount due to an associate		8,806	7,829
Financial derivative liabilities		-	5,684
		<u>205,425</u>	<u>191,727</u>
Total Liabilities		<u>504,635</u>	<u>198,958</u>
Total Equity And Liabilities		<u>883,834</u>	<u>651,934</u>

Joyce Boutique Group Limited
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 September 2019

	Unaudited 30/09/2019 HK\$'000	Unaudited 30/09/2018 HK\$'000
Loss for the period	(54,924)	(24,244)
Other comprehensive income		
Net translation differences on foreign operations	<u>36</u>	<u>199</u>
Total other comprehensive income	<u>36</u>	<u>199</u>
Total comprehensive loss for the period	<u>(54,888)</u>	<u>(24,045)</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

(1) Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2019 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 2019, 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 2019, as described in those annual financial statements.

In the current period, the Group has applied, for the first time the following new standards and amendments which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Annual Improvements Project	Annual Improvement 2015-2017 Cycle

Except as disclosed in Note 1.1 for the adoption of HKFRS 16, the adoption of the above new standards and amendments did not have any significant impact on the preparation of these condensed consolidated interim financial information.

The following new standards and amendments have been issued but are not effective for the financial year beginning on 1 April 2019 and have not been early adopted by the Group.

HKAS 1 and HKAS 8 (Amendments)	Definition of Materials
HKFRS 3 (Amendments)	Definition of Business
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 17	Insurance Contracts
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The Group will apply the above new standards and amendments when they become effective. The Group anticipates that the application of the above new standards and amendments to existing standards have no material impact on the results and the financial position of the Group.

1.1 Adoption of HKFRS 16 “Leases”

The Group has adopted HKFRS 16 retrospectively from 1 April 2019 but has not restated comparatives for the year ended 31 March 2019, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening condensed consolidated statement of financial position on 1 April 2019.

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as at 1 April 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 April 2019 were ranging from 3.1% to 4.7%.

	2019
	HK’000
Operating lease commitments disclosed as at 31 March 2019	432,593
Less: Leases committed but not yet commenced as at 1 April 2019	<u>(56,575)</u>
Operating lease commitments of leases commenced as at 1 April 2019	<u>376,018</u>
Discounted using the lessee’s incremental borrowing rate at the date of initial application	<u>326,002</u>
Lease liabilities recognised as at 1 April 2019	<u>326,002</u>
Of which are:	
Current lease liabilities	147,209
Non-current lease liabilities	<u>178,793</u>
	<u>326,002</u>

All the recognised right-of-use assets relate to properties leases which were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The following table shows the adjustment for change in accounting policy recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

	Audited 31 March 2019 As originally presented HK'000	Unaudited 1 April 2019 HKFRS 16 HK'000	Restated HK'000
Statement of financial position (extracted)			
Non-Current Assets			
Right-of-use of assets	-	288,553	288,553
Interest in an associate	8,529	(156)	8,373
Total Assets	651,934	288,397	940,331
Non-Current Liabilities			
Lease liabilities	-	147,209	147,209
Current Liabilities			
Other payables and accruals and contract liabilities	113,946	(18,716)	95,230
Lease liabilities	-	178,793	178,793
Total Liabilities	198,958	307,286	506,244
Equity			
Reserves	290,576	(18,889)	271,687
Total Equity	452,976	(18,889)	434,087

Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) - Int 4 "Determining whether an Arrangement contains a Lease".

The estimated effects of adopting HKFRS 16 on the condensed consolidated income statement for the six months ended 30 September 2019 are as follows:

	Six months ended 30 September 2019 HK\$'000
Decrease/(increase) in expenses	
Rental under HKAS 17 "Leases"	106,231
Depreciation of right-of-use assets	(94,338)
Interest on lease liabilities	(5,261)
Decrease in loss attributable to owners of the Company	<u>6,632</u>
Decrease in loss per share (basic and diluted)	<u>0.4 HK cents</u>

(b) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses and retail stores. Rental contracts are typically made for fixed periods but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Until the financial year ended 31 March 2019, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

(i) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). No potential future cash outflows have not been included in the lease liability because it is reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current interim period, no such significant event or a significant change in circumstances occurred.

(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	
	30/09/2019 HK\$'000	30/09/2018 HK\$'000	30/09/2019 HK\$'000	30/09/2018 HK\$'000
Geographical segments:				
Hong Kong	292,707	363,858	(39,403)	(21,334)
China	44,627	49,528	1,452	245
Others	360	490	(2,476)	(2,621)
Total	<u>337,694</u>	<u>413,876</u>		
Operating loss			(40,427)	(23,710)
Finance costs			(5,265)	(22)
Share of loss of an associate			(2,582)	(512)
Loss before income tax			<u>(48,274)</u>	<u>(24,244)</u>
Income tax expense			<u>(6,650)</u>	-
Loss attributable to owners of the Company			<u>(54,924)</u>	<u>(24,244)</u>

(3) Finance costs

	30/09/2019 HK\$'000	30/09/2018 HK\$'000
Interest on lease liabilities	5,261	—
Interest on overdrafts	4	22
	<u>5,265</u>	<u>22</u>

(4) Expenses by nature

	30/09/2019	30/09/2018
	HK\$'000	HK\$'000
Cost of inventories	175,397	213,013
Provision for impairment of inventories	7,046	8
Depreciation of property, plant and equipment	5,714	8,316
Depreciation of right-of-use assets	94,338	-
Rentals in respect of land and buildings (Note)	9,693	120,549
Staff costs	67,814	70,399
Other expenses	29,469	47,199
	<u>389,471</u>	<u>459,484</u>

Note: These expenses included turnover rent of HK\$9,203,000 and other rental expenses of HK\$490,000 for the six months ended 30 September 2019.

(5) Income tax expense

Hong Kong profits tax and PRC corporate income tax have not been provided for as the Group has no estimated assessable profit for the period ended 30 September 2019 (2018: Nil).

No provision for overseas profits tax has been made as the Group has no estimated overseas assessable profit (2018: Nil).

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

	30/09/2019	30/09/2018
	HK\$'000	HK\$'000
Deferred income tax (Note)	<u>6,650</u>	<u>—</u>

Note: The deferred income tax amount represents de-recognition of the deferred income tax assets brought forward from previous year due to uncertainty of the realisation of the related tax benefit through future taxable profits.

(6) 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\$54,924,000 (2018: loss of HK\$24,244,000) and the weighted average number of ordinary shares of 1,624,000,000 (2018: 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 2019 and 2018.

(7) Dividends

The Board has resolved not to declare any interim dividend for the period ended 30 September 2019 (2018: Nil).

(8) Trade and other receivables

Included in trade and other receivables are trade receivables with an ageing analysis based on invoice date at 30 September 2019 as follows:

	30/09/2019	31/03/2019
	HK\$'000	HK\$'000
Within 30 days	21,922	22,805
Between 31 to 60 days	259	382
Between 61 to 90 days	941	125
Over 90 days	391	299
	<u>23,513</u>	<u>23,611</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 2019 based on due date is as follows:

	30/09/2019	31/03/2019
	HK\$'000	HK\$'000
Due within 30 days	44,118	60,924
Due between 31 to 60 days	1,542	2,556
Due between 61 to 90 days	416	316
Over 90 days	355	472
	<u>46,431</u>	<u>64,268</u>

(10) Share capital

	2019	Share capital	2018	Share capital
	Number of shares	HK\$'000	Number of shares	HK\$'000
At beginning of the period- JBHL	1,624,000,000	162,400	1,624,000,000	162,400
Cancellation of the shares of JBHL pursuant to the Reorganisation Proposal (Note (ii))	(1,624,000,000)	(162,400)	-	-
Issue of new JBGL shares (Note (iii)):				
On incorporation	1	-	-	-
Pursuant to the Reorganisation Proposal	1,623,999,999	162,400	-	-
At end of the period	1,624,000,000	162,400	1,624,000,000	162,400

Notes:

- (i) On 6 June 2019, the Board put forward a reorganisation proposal for changing of the holding company of the Group from Joyce Boutique Holdings Limited (“JBHL”) to Joyce Boutique Group Limited (“JBGL”) by way of a scheme of arrangement (“Reorganisation Proposal”)
- (ii) On 26 August 2019, pursuant to the Reorganisation Proposal, all the 1,624,000,000 ordinary shares of JBHL outstanding as at 26 August 2019 were cancelled and the issued share capital of JBHL was reduced accordingly. In consideration of the cancellation of the 1,624,000,000 ordinary shares of JBHL outstanding as at 26 August 2019, the holders of these ordinary shares received ordinary shares of JBGL issued and credited as fully paid, on the basis of one ordinary share of JBGL for each ordinary share of JBHL then held.
- (iii) JBGL was incorporated in Hong Kong on 6 May 2019, 1 share was issued and allocated at incorporation date. During the period, 1,623,999,999 shares were issued and allotted pursuant to the Reorganisation Proposal.

(11) Review of unaudited interim financial statements

The unaudited interim financial statements for the six months ended 30 September 2019 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, 14 November 2019

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.