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MOISELLE

MOISELLE INTERNATIONAL HOLDINGS LIMITED

慕詩國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 130)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

The board of directors (the “Board”) of Moisselle International Holdings Limited (the “Company”) announces that the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2015, together with the comparative figures for the corresponding period in 2014, are as follows:

CONSOLIDATED INCOME STATEMENT

<i>(in HK\$'000)</i>	<i>Note</i>	Unaudited Six months ended 30 September 2015	2014
Revenue		161,203	205,099
Cost of sales		(39,188)	(37,129)
Gross profit		122,015	167,970
Other revenue		4,608	4,378
Other net loss		(716)	(210)
Selling and distribution costs		(121,616)	(121,915)
Administrative and other operating expenses		(34,006)	(38,565)
(Loss)/profit from operations		(29,715)	11,658
Finance costs		(66)	(1)
Share of loss of associate		(117)	(55)
Share of loss of joint venture		(1,859)	(82)
(Loss)/profit before taxation	4	(31,757)	11,520
Income tax	5	(144)	(2,814)
(Loss)/profit for the period		<u>(31,901)</u>	<u>8,706</u>
Attributable to:			
Equity shareholders of the Company		<u>(31,901)</u>	<u>8,706</u>
(Loss)/earnings per share	7		
Basic		<u>HK\$(0.11)</u>	<u>HK\$0.03</u>
Diluted		<u>HK\$(0.11)</u>	<u>HK\$0.03</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended	
	30 September	
<i>(in HK\$'000)</i>	2015	2014
(Loss)/profit for the period	(31,901)	8,706
Other comprehensive income for the period		
(after tax)		
Item that may be reclassified subsequently		
to profit or loss:		
Exchange differences on translation of		
financial statements of subsidiaries outside		
Hong Kong	644	127
Total comprehensive income for the period	(31,257)	8,833
Attributable to:		
Equity shareholders of the Company	(31,257)	8,833

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2015 (Unaudited)	As at 31 March 2015 (Audited)
<i>(in HK\$'000)</i>	<i>Note</i>		
Non-current assets			
Investment properties		126,509	126,509
Other property, plant and equipment		388,652	395,567
		<u>515,161</u>	<u>522,076</u>
Interest in an associate		1,028	965
Interest in a joint venture		–	–
Other assets		20,377	17,923
Deferred tax assets		8,859	8,375
		<u>545,425</u>	<u>549,339</u>
Current assets			
Inventories		65,063	70,479
Trade and other receivables	8	43,898	51,149
Tax recoverable		4,230	4,230
Cash and bank deposits		160,077	183,892
		<u>273,268</u>	<u>309,750</u>
Current liabilities			
Trade and other payables	9	52,876	59,387
Tax payable		1,121	758
Secured bank loan		8,526	–
		<u>62,523</u>	<u>60,145</u>
Net current assets		<u>210,745</u>	<u>249,605</u>
Total assets less current liabilities		<u>756,170</u>	<u>798,944</u>
Non-current liabilities			
Deferred tax liabilities		69,867	69,867
NET ASSETS		<u>686,303</u>	<u>729,077</u>
Capital and reserves			
Share capital		2,880	2,880
Reserves		683,423	726,197
TOTAL EQUITY		<u>686,303</u>	<u>729,077</u>

Notes:

1. Basis of preparation

These unaudited consolidated interim financial statements are prepared in accordance with the requirements of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited, including compliance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants.

2. Principal accounting policies

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31 March 2015, except in relation to the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which term collectively includes HKASs and Interpretations) which are effective for accounting periods beginning on or after 1 January 2015 and are adopted for the first time by the Group. The adoption of the new and revised HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s consolidated financial statements for the six months ended 30 September 2015.

3. Segment reporting

The Group manages its businesses by geographical locations. In a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- The Hong Kong operation represents the sales of house brands and imported brands in Hong Kong.
- The Outside Hong Kong operation represents the manufacture of house brands in Mainland China and sales of house brands and imported brands in Mainland China, Macau, Taiwan and Singapore.

(in HK\$'000)	Unaudited Six months ended 30 September					
	Hong Kong		Outside Hong Kong		Total	
	2015	2014	2015	2014	2015	2014
Revenue from external customers	87,929	108,754	73,274	96,345	161,203	205,099
Inter-segment revenue	11,799	24,737	23,973	27,120	35,772	51,857
Reportable segment revenue	<u>99,728</u>	<u>133,491</u>	<u>97,247</u>	<u>123,465</u>	<u>196,975</u>	<u>256,956</u>
Reportable segment (loss)/profit	(15,581)	10,533	(18,026)	(3,043)	(33,607)	7,490
Other revenue and net loss					3,892	4,168
Finance costs					(66)	(1)
Share of loss of associate					(117)	(55)
Share of loss of joint venture					(1,859)	(82)
(Loss)/profit before taxation					<u>(31,757)</u>	<u>11,520</u>

4. (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging:

	Unaudited Six months ended 30 September	
<i>(in HK\$'000)</i>	2015	2014
Depreciation	10,205	13,072
Impairment losses on fixed assets	2,440	1,272
Impairment losses on trade debtors	214	92
Interest on bank advances	66	1
Net loss on disposal of fixed assets	–	15
	<u> </u>	<u> </u>

5. Income tax

	Unaudited Six months ended 30 September	
<i>(in HK\$'000)</i>	2015	2014
Current tax		
Hong Kong Profits Tax	55	1,956
Outside Hong Kong	572	812
	<u>627</u>	<u>2,768</u>
Deferred tax		
Origination and reversal of temporary differences	(483)	46
	<u>144</u>	<u>2,814</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the six months ended 30 September 2015. Taxation for the People's Republic of China ("PRC") and overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

6. Interim dividend

The directors have declared an interim dividend of HK1 cent (2014/2015: HK4 cents) per share for the year ending 31 March 2016 payable to the shareholders on the register of members of the Company at the close of business on 8 January 2016. The relevant dividend warrants will be despatched to the shareholders on 15 January 2016.

7. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately HK\$31,901,000 (2014: profit of HK\$8,706,000) and the weighted average number of 287,930,000 (2014: 287,930,000) ordinary shares in issue during the period.

Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share both for the six months ended 30 September 2015 and for the comparative period as there were no dilutive potential ordinary shares in issue during the periods.

8. Trade and other receivables

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables and net of impairment losses on trade debtors), based on invoice date, is as follows:

	As at 30 September 2015 (Unaudited)	As at 31 March 2015 (Audited)
(in HK\$'000)		
Within 30 days	8,953	11,646
Between 31 to 90 days	1,445	1,521
Between 91 to 180 days	219	56
Between 181 to 365 days	230	14
	<u>10,847</u>	<u>13,237</u>

Customers of wholesale business are generally granted with credit terms of 30 to 90 days. Collection of sales receipts from customers of retail business is conducted on a cash basis.

9. Trade and other payables

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	As at 30 September 2015 (Unaudited)	As at 31 March 2015 (Audited)
(in HK\$'000)		
Within 30 days	1,235	1,412
Between 31 to 90 days	3,247	3,843
Over 90 days	201	795
	<u>4,683</u>	<u>6,050</u>

10. Events after the reporting period

In October 2015, a subsidiary of the Company in Hong Kong (the "Hong Kong Subsidiary") received a notice that it is being sued by a fabric manufacturer under a writ of summons in the High Court of the Hong Kong Special Administrative Region Court of First Instance in respect of alleged infringement of copyright. The writ of summons was served on the Hong Kong Subsidiary but the Statement of Claim has not yet been served and the Hong Kong Subsidiary continues to deny any liability in respect of the above claim. Lawyers have been engaged to defend the said claim, which is still at an early stage and the directors will continue to seek advice from the Company's lawyers. No provision has therefore been made in respect of this claim as at 30 September 2015.

MARKET OVERVIEW

For the first nine months of 2015, luxury retail in Mainland China, Hong Kong and Macau was affected as consumer sentiment was weakened by the country's decelerating economic growth and government measure to advocate frugality. In Hong Kong, which accounted for the majority of the revenue at Moïselle International Holdings Limited ("Moïselle" or the "Company", which together with its subsidiaries is referred to as the "Group"), retailing of deluxe goods was also impacted by the 5.5% year-on-year decline in the number of visitor arrivals from Mainland China who stayed overnight (although the total number of Mainland Chinese tourist arrivals increased by 0.3% year on year during the period) as well as a change in the demographics of them (higher proportion of tourists with lower spending power). The strong Hong Kong dollar against renminbi also made some Mainland Chinese prefer Europe, Japan and Korea to the city as a shopping destination. This development led to decreased value in the Company's sales to Mainland Chinese tourists in Hong Kong. Moreover, high rents and labour costs continued to exert severe pressure on the retail sector.

RESULTS AND BUSINESS REVIEW

During the financial period of the first six months ended 30 September 2015 (the "Period"), the Company recorded a loss of HK\$31,901,000 because of a significant decrease in turnover amid a harsh operating environment. Turnover fell by 21% year on year to HK\$161,203,000 mainly because of the weak consumer sentiment and sluggish retail sales in Hong Kong as well as the Company's decreased sales to Mainland Chinese tourists in the city. Gross profit margin decreased to 76% during the Period compared with the 82% in the same period of last year.

To cope with the adverse market conditions, the Group prudently managed and rationalized the existing retail networks and made new attempts to generate income more efficiently, namely a more tailor-made sales model in Hong Kong which targeted the customers of its VIP club membership and alliances with several Mainland Chinese online shopping website operators. Meanwhile, it forged ahead with its diverse-product, multi-brand strategy of targeting different segments of the high-end and upper-middle markets for women's fashion apparel and accessories, and was diversifying into men's wear under its main brand *MOISELLE* and its another distinctive fashion brand *GERMAIN* with French design concepts.

To consolidate its foothold and expand business in the existing markets, the Group has been enhancing the image of its house brands, including the upmarket *MOISELLE* which features elegant daywear and glamorous evening dresses for special occasions and *mademoiselle* which embodies contemporary and chic fashion design. It was also fostering some European brands such as accessories label *SEQUOIA* for the latter's debut in the apparel market and another accessories brand *COCCINELLE* in those markets through exclusive distribution in an attempt to add impetus to its business development.

With these renowned domestic and international labels, the Group operated 92 retail stores and counters in Hong Kong, first- and second-tier cities of China, Macau, Taiwan and Singapore as at 30 September 2015, down from 95 as at 31 March 2015.

REVIEW OF OPERATIONS BY LOCATION

Operations in Hong Kong

Consumer sentiment weakened by China's economic slowdown, decline in the number of Mainland visitors who stayed overnight in Hong Kong, a strong Hong Kong dollar against renminbi, and a higher proportion of Mainland tourists with weaker spending power have impacted Hong Kong's retail market and thus affected the profitability of the Group's operations in the city. During the Period, the Group was prudent about retail network management and opened only one new store in the city. During the Period, the Group's business in Hong Kong recorded a year-on-year decrease of 19% in sales to approximately HK\$87,929,000, or approximately 55% of the Group's turnover. The sales revenue were contributed by the Group's 11 *MOISELLE*, 8 *mademoiselle*, 4 *COCCINELLE* and 3 *GERMAIN* retail stores (As at 31 March 2015: 11 *MOISELLE*, 7 *mademoiselle*, 4 *COCCINELLE* and 3 *GERMAIN* retail stores).

To cope with the harsh operating environment, the Group tried to negotiate for lower rents for shop spaces, and organized shopping visits by customers of its VIP club membership from Mainland China, Taiwan and Singapore to its product showrooms in Hong Kong as attempts to raise cost efficiency. Targeting the loyal customers with high spending power, the arrangement for VIP club members' visits to the showrooms began in May 2015 and started generating income in July.

Operations in Mainland China

Mainland China's decelerating economic growth and the government measures to advocate frugality dampened consumers' appetite for luxury goods. To cope with the unfavourable market conditions, the Group tried to maintain the overall rental cost at a reasonable level and improve the stores' per-square meter sales performance in the country by rationalizing its sales network there. It closed down five *MOISELLE* stores during the Period. As at 30 September 2015, the Group operated 28 *MOISELLE*, 4 *mademoiselle* and 3 *GERMAIN* retail stores (As at 31 March 2015: 33 *MOISELLE*, 4 *mademoiselle* and 3 *GERMAIN* retail stores) in the country, including 15 stores which were operated as consignment counters in department stores and 2 stores which were operated by franchisees. The 35 retail stores generated a combined revenue of approximately HK\$33,777,000, down by approximately 27% year on year compared with that for the same period of last year.

In an attempt to mitigate the pressure of rising rents, raise cost efficiency and tap into the growing popularity with e-commerce, the Group formed alliances with several Mainland Chinese online shopping website operators during the Period. The initiative is aimed at enticing the browsers of the websites or social media to shop at the Group's offline stores. It believes that various forms of social media can be an effective means of enhancing sales and brand recognition.

Operations in Macau

The effect of China's slowing economy and government measures to advocate frugality spilled over into Macau's retail market. During the Period, the Group operated 1 concept store, *M Concept*, 2 *MOISELLE*, 1 *mademoiselle* and 1 *COCCINELLE* retail stores in the city. The 5 retail stores generated a combined revenue of approximately HK\$19,446,000, which was down by approximately 21% year on year.

Operations in Taiwan

The Group operated 13 *MOISELLE* and 6 *mademoiselle* stores and 3 outlets in Taiwan as at 30 September 2015 (As at 31 March 2015: 13 *MOISELLE* and 8 *mademoiselle* stores as at 31 March 2015). The retail stores in Taiwan generated a combined revenue of approximately HK\$14,770,000, accounting for approximately 9% of the Group's total revenue for the Period. In order to satisfy the demand for mid-range or out-of-season clothing, the Group opened 3 outlets there.

Operations in Singapore

The Group's business in Singapore recorded a year-on-year 54% increase in sales to approximately HK\$5,282,000 during the Period. It was running 2 *MOISELLE* and 2 *GERMAIN* stores in the country.

OUTLOOK

The Group is prudent about the prospects of the market for women's deluxe fashion apparel and accessories in the rest of the financial year, and does not expect Hong Kong's retail market to turn around any time soon. It is because China's economy has shifted to a lower gear and the growing trend towards a higher proportion of the Mainland Chinese visitors with weaker spending power in Hong Kong seems irreversible. Moreover, the Hong Kong dollar, which is pegged to the greenback, is poised to enter a phase of appreciation against many other currencies as the United States' Federal Reserve Bureau looks set to raise the benchmark interest rate in the foreseeable future. These developments are likely to weigh on both the shopping tourism and average purchase value in Hong Kong, where the Group derives most of its revenue.

To cope with the sluggish retail market, the Group has been trying to enhance cost efficiency by negotiating for lower rents, conducting VIP club members' visits to its showrooms, rationalizing its retail network, and developing an online-to-offline business model through alliances with several Mainland Chinese online shopping website operators. Meanwhile, it will continue with its diverse-product, multi-brand strategy by enhancing its house brands, introducing and fostering some European brands and diversifying into men's wear under its house brands to broaden revenue streams.

FINANCIAL POSITION

During the period, the Group financed its operations with internally generated cash flows. The Group adopts a prudent financial policy such that it can meet the financial obligations when they fall due and maintain a sufficient operating fund for the development of the Group's business. At the end of the financial period, the Group's aggregate fixed deposits and cash balances amounted to approximately HK\$160 million (31 March 2015: HK\$184 million). As at 30 September 2015, the Group maintained aggregate composite banking facilities of approximately HK\$51 million (31 March 2015: HK\$41 million) with various banks, of which approximately HK\$2 million (31 March 2015: HK\$2 million) was utilised.

The Group continues to enjoy healthy financial position. As at 30 September 2015, the current ratio (current assets divided by current liabilities) was approximately 4.4 times (31 March 2015: 5.2 times) and the gearing ratio (aggregate of bank borrowings and finance lease payables divided by shareholders' equity) was approximately 1.2% (31 March 2015: zero).

Commitments

Capital commitments outstanding at 30 September 2015 which were contracted for but not provided for in the consolidated financial statements were HK\$0.5 million (31 March 2015: HK\$0.4 million).

Charge on assets

As at 30 September 2015, leasehold land and buildings with a carrying value of approximately HK\$22 million (31 March 2015: HK\$Nil) were pledged to secure mortgaged loan granted to the Group.

Contingent liabilities

At 30 September 2015, the Company and its subsidiaries had contingent liabilities in relation to guarantees given to banks against mortgaged loan and other banking facilities extended to certain wholly owned subsidiaries amounted to approximately HK\$10 million (31 March 2015: HK\$2 million).

EMPLOYEE

As at 30 September 2015, the Group employed 715 (31 March 2015: 731) employees mainly in Hong Kong and Mainland China. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, statutory and medical insurance cover and training programmes.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the period.

CORPORATE GOVERNANCE CODE

Save for the deviations of the Code Provisions A.2.1 and A.6.7 as below, the Company has complied with the code provisions listed in the Corporate Governance Code (the "CG code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the period of six months ended 30 September 2015.

Code Provision A.2.1

Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Currently, Mr. Chan Yum Kit is the chairman of the Board and also assumes the role of the chief executive officer. The Board considers that the current management structure ensures consistent leadership and optimal efficiency for the operation of the Company. The Company will however keep this matter under review.

Code Provision A.6.7

Code Provision A.6.7 of the CG Code provides that the independent non-executive directors should attend general meetings of the Company. Due to prior business engagements external to the Company, one independent non-executive director of the Company, Mr. Chu Chun Kit, Sidney was unable to attend the annual general meeting of the Company held on 8 September 2015.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three independent non-executive directors of the Company.

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and the unaudited consolidated financial statements of the Group for the six months ended 30 September 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 January 2016 to 8 January 2016, both days inclusive, during which period no transfer of shares will be effected. To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates should be lodged with the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 5 January 2016.

By Order of the Board

Chan Yum Kit

Chairman

Hong Kong, 27 November 2015

As at the date of this announcement, the Company's executive directors are Mr. Chan Yum Kit, Ms. Tsui How Kiu, Shirley and Mr. Chan Sze Chun, and independent non-executive directors are Ms. Yu Yuk Ying, Vivian, Mr. Chu Chun Kit, Sidney and Ms. Wong Shuk Ying, Helen.