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 2016

The board of directors (the "Board") of Moiselle 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 2016, together with the comparative figures for the corresponding period in 2015, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Unaudited Six months ended 30 September	
(in HK$'000)	*Note*	**2016**	2015
Revenue		**131,610**	161,203
Cost of sales		**(27,726)**	(39,188)
Gross profit		**103,884**	122,015
Other revenue		**4,431**	4,608
Other net gain/(loss)		**609**	(716)
Selling and distribution costs		**(106,069)**	(121,616)
Administrative and other operating expenses		**(35,496)**	(34,006)
Loss from operations		**(32,641)**	(29,715)
Finance costs		**(90)**	(66)
Share of loss of associate		**–**	(117)
Share of loss of joint venture		**(1,766)**	(1,859)
Loss before taxation	4	**34,497**	(31,757)
Income tax	5	**(773)**	(144)
Loss for the period		**(35,270)**	(31,901)
Attributable to:			
Equity shareholders of the Company		**(35,270)**	(31,901)
Loss per share	7		
Basic		**HK$(0.12)**	HK$(0.11)
Diluted		**HK$(0.12)**	HK$(0.11)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited Six months ended 30 September	
(in HK$'000)	**2016**	2015
Loss for the period	**(35,270)**	(31,901)
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	**200**	644
Total comprehensive income for the period	**(35,070)**	(31,257)
Attributable to:		
Equity shareholders of the Company	**(35,070)**	(31,257)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in HK$'000)	*Note*		**As at 30 September 2016 (Unaudited)**		As at 31 March 2016 (Audited)
Non-current assets					
Investment properties			**146,415**		146,415
Property, plant and equipment			**386,502**		390,375
Interest in an associate			**–**		851
Interest in a joint venture			**–**		–
Other assets			**22,991**		22,595
Deferred tax assets			**5,820**		6,187
			561,728		566,423
Current assets					
Inventories		**58,208**		57,700	
Trade and other receivables	8	**38,946**		37,528	
Tax recoverable		**1,688**		1,688	
Cash and bank deposits		**98,701**		138,983	
		197,543		235,899	
Current liabilities					
Trade and other payables	9	**47,660**		48,460	
Tax payable		**60**		1,286	
Secured bank loans		**7,945**		8,236	
Provisions		**12,244**		12,149	
		67,909		70,131	
Net current assets			**129,634**		165,768
Total assets less current liabilities			**691,362**		732,191
Non-current liabilities					
Deferred tax liabilities			**73,403**		73,403
NET ASSETS			**617,959**		658,788
Capital and reserves					
Share capital			**2,880**		2,880
Reserves			**615,079**		655,908
TOTAL EQUITY			**617,959**		658,788

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 2016, 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 2016 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 2016.

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.

	Unaudited Six months ended 30 September					
	Hong Kong		**Outside Hong Kong**		**Total**	
(in HK$'000)	**2016**	2015	**2016**	2015	**2016**	2015
Revenue from external customers	**72,341**	87,929	**59,269**	73,274	**131,610**	161,203
Inter-segment revenue	**12,884**	11,799	**14,785**	23,973	**27,669**	35,772
Reportable segment revenue	**85,225**	99,728	**74,054**	97,247	**159,279**	196,975
Reportable segment loss	**(19,258)**	(15,581)	**(18,423)**	(18,026)	**(37,681)**	(33,607)
Other revenue and net gain/(loss)					**5,040**	3,892
Finance costs					**(90)**	(66)
Share of loss of associate					**–**	(117)
Share of loss of joint venture					**(1,766)**	(1,859)
Loss before taxation					**(34,497)**	(31,757)

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(in HK$'000)	**Unaudited Six months ended 30 September 2016**	2015
Depreciation	**9,596**	10,205
Impairment losses on property, plant and equipment	**867**	2,440
Impairment losses on trade debtors	**–**	214
Interest on bank loans and bank advances	**90**	66

5. INCOME TAX

(in HK$'000)	**Unaudited Six months ended 30 September 2016**	2015
Current tax		
Hong Kong Profits Tax	**35**	55
Outside Hong Kong	**371**	572
	406	627
Deferred tax		
Origination and reversal of temporary differences	**367**	(483)
	773	144

The provision for Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the six months ended 30 September 2016. 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 (2015/2016: HK1 cent) per share for the year ending 31 March 2017 payable to the shareholders on the register of members of the Company at the close of business on 6 January 2017. The relevant dividend warrants will be despatched to the shareholders on 13 January 2017.

7. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately HK$35,270,000 (2015: HK$31,901,000) and the weighted average number of 287,930,000 (2015: 287,930,000) ordinary shares in issue during the period.

Diluted loss per share is the same as basic loss per share both for the six months ended 30 September 2016 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:

(in HK$'000)	**As at 30 September 2016 (Unaudited)**	As at 31 March 2016 (Audited)
Within 30 days	**8,678**	9,508
Between 31 to 90 days	**846**	1,606
Between 91 to 180 days	**139**	157
Between 181 to 365 days	**–**	109
	9,663	11,380

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:

(in HK$'000)	**As at 30 September 2016 (Unaudited)**	As at 31 March 2016 (Audited)
Within 30 days	**5,937**	1,328
Between 31 to 90 days	**222**	3,155
Over 90 days	**235**	1,029
	6,394	5,512

MARKET OVERVIEW

Mainland China's economic slowdown eroded consumer confidence, and the situation was worsened by the depreciation of the country's currency which led to the decrease in the number of its outbound tourists' visits to Hong Kong for the first nine months of 2016. According to the Hong Kong Tourism Board, the number of visits by mainland Chinese tourists to Hong Kong fell by 8.7% year on year to about 31.7 million in the first nine months of 2016, outpacing the 6.1% decline in the total number of visitor arrivals to the city which was about 41.7 million. The adverse effect spilled over into the retail of apparel in the city. Sales at wearing apparel retail outlets in Hong Kong decreased by about 5.8% to about HK$37.0 billion in the first nine months of 2016 from the HK$39.3 billion in the same period of 2015. Nevertheless, the rate of decrease slowed down from the year-on-year decrease of 6.6% in the first nine months of 2015. The adversity that the retail sector of Hong Kong was facing was compounded by the exorbitant rents for shop spaces.

In mainland China, retail of apparel, shoes, headwear and knitted products grew by 7.2% year on year to about RMB1.0 trillion in the first nine months of 2016, decelerating from the year-on-year growth of 10.2% in the same period of 2015 (Source: National Bureau of Statistics of the People's Republic of China).

RESULTS

Like most other luxury goods retailers, Moiselle International Holdings Limited ("Moiselle" or the "Company", which together with its subsidiaries is referred to as the "Group"), whose main business is retailing women's fashion apparel to high-end and upper-middle markets, was hit hard by the harsh operating environment as it derived about 55% of its revenue from Hong Kong and 18% from mainland China for the financial period of the first six months ended 30 September 2016 (the "Period"). In Hong Kong, the Group's retail sales were affected by the fall in the number of mainland Chinese tourists and the exorbitant rents, especially in the prime and tourist locations where luxury brands usually set up shops. In mainland China, the economic slowdown dampened the consumer sentiment, with the adverse effect more pronounced on the sales of luxury goods. As a result, the sales performance of the Group's operations in some of the first- and second-tier cities of the country worsened. The remaining 27% of the revenue was made up by sales in Macau, Taiwan and Singapore.

For the Period, the Group recorded a 18% decline in revenue to HK$132 million and recorded a loss of about HK$35 million, which increased by one-tenth from the loss of about HK$32 million for the corresponding period in 2015. However, gross profit margin maintained at healthier level of 79% for the Period as compared to 76% for the same period in 2015.

BUSINESS REVIEW

To cope with the difficult market, the Group rationalised its retail network, implemented stringent cost control measures, pressed on with cost-effective sales and marketing initiatives such as the adoption of the online-to-offline business model and the provision of exclusive services for customers with high spending power at its VIP club; and introduced products of a wider price range to the market to broaden its customer base, not least to cater for Hong Kong's local, young customers. Meanwhile, the Group stepped up its diverse-product, multi-brand strategy by launching a new product series of deluxe and fashionable loungewear for ladies and men under a new brand. The collections were promoted in the Group's two fashion shows respectively held in Hong Kong in September and in Beijing in October.

OVERVIEW OF OPERATIONS

Mainly targeting the markets for luxurious apparel, the Group operates such house brands as *MOISELLE*, *m.d.m.s.* (formerly known as *mademoiselle*) and *GERMAIN*, while engaging in distributorship for international brands, including *LANCASTER*, *COCCINELLE* and *SEQUOIA* (which is operated by a joint venture of the Group). Each of the brands has its own distinctive consumer base, and is being managed separately by the Group's dedicated management teams and talented designer teams. The Group retails its products under the various brands at stores in prime locations. As at 30 September 2016, the Group had 84 stores and counters in Hong Kong, first- and second-tier cities of mainland China, Macau, Taiwan and Singapore, down from 90 as at 31 March 2016 because it rationalised its retail network in the challenging business environment.

REVIEW OF OPERATIONS BY LOCATION

Operations in Hong Kong

During the Period, Hong Kong's retail sector was affected by the decline in the number of mainland Chinese visitors which, in turn, was caused by China's economic slowdown and the depreciating Chinese currency. Moreover, the situation was exacerbated by the growing trend towards a higher proportion of mainland Chinese tourists with lower spending power and the exorbitant rent for shop spaces in the city. As a result, the Group recorded a year-on-year decrease of 18% in sales to approximately HK$72,341,000 at its operations in Hong Kong which accounted for about 55% of its total revenues. To cope with the harsh operating environment, the Group has been particularly cautious about its operating expenses. For instance, it continued to negotiate for lower rents for shop spaces, opened shops at prime locations with reasonable rents and closed down shops which underperformed. The Group also continued with its another cost-effective marketing and sales initiatives by organizing shopping visits by customers of its VIP club membership to its showrooms in Hong Kong as well as private promotion and fashion shows. The moves were aim at increasing engagement with the long-term consumers and, thus, at maintaining the customer loyalty. The Group also pressed ahead with its diverse-product, multi-brand strategy by diversifying into a product series of deluxe and fashionable loungewear for ladies and men under the brand *Rosamund MOISELLE*. The collections were debuted in a fashion show at the beginning of September in Hong Kong featuring co-operation with an iconic celebrity Ms. Rosamund Kwan as the provider of product design concept for the products. It was also promoting its recently developed men's wear under its main house brand *MOISELLE* and another distinctive fashion brand *GERMAIN* with French design concept.

The sales revenue were contributed by the Group's 10 *MOISELLE*, 7 *m.d.m.s.*, 4 *COCCINELLE*, 2 *GERMAIN* retail stores and 1 outlet for the Period (As at 31 March 2016: 10 *MOISELLE*, 8 *m.d.m.s.*, 4 *COCCINELLE*, 2 *GERMAIN* retail stores and 1 outlet).

Operations in Mainland China

Mainland China's decelerating economic growth and the government measures to advocate frugality dampened consumers' appetite for luxury goods. As a result, sales at the Group's operations in the country fell by 31% year on year to approximately HK$23,442,000 and accounted for 18% of the Group's turnover for the Period. To cope with the unfavourable market conditions, the Group rationalized its retail network by closing down some shops and relocating some others to spaces with lower rents. It would also tap the growing popularity with online consumption among the middle class and the young generation by stepping up its initiatives in e-commerce. For instance, it opened its online store under the *MOISELLE* brand at Tmall, the China's most popular online shopping website in November 2016. This followed its adoption of the online-to-offline business model through alliances with several mainland Chinese online shopping website operators in previous years. To reinforce its online marketing efforts, the Group leveraged the social media such as WeChat and Weibo by working with some key opinion leaders or internet celebrities who commented on the Group's products in their blogs or other online articles. At its online shop at Tmall, the Group also conducted a webcast of its MOISELLE Fall/Winter 2016 Fashion Show held in the 798 Art Zone, Beijing in October 2016. The moves helped to enhance the awareness of the brand.

As at 30 September 2016, the Group operated 25 *MOISELLE*, 2 *m.d.m.s.* and 1 *GERMAIN* retail stores (As at 31 March 2016: 29 *MOISELLE*, 3 *m.d.m.s.* and 3 *GERMAIN* retail stores) in the country.

Operations in Macau

The effect of China's slowing economy and government measures to advocate frugality spilled over into Macau's retail market. This affected the sales at the Group's operations in the city but the decrease in sales decelerated for the Period. The Group continued to operate five shops at the Venetian Macao Resort Hotel and opened one new shop at the Parisian Macao Hotel. During the Period, the Group operated 2 concept stores, *M CONCEPT*, 2 *MOISELLE*, 1 *m.d.m.s.*, and 1 *COCCINELLE* retail stores in the city. The six retail stores generated a combined revenue of approximately HK$17,972,000, or about 14% of the Group's revenue.

Operations in Taiwan

The Group operated 10 *MOISELLE*, 4 *m.d.m.s.* and *1 LANCASTER* retail stores as well as 5 outlets and counters as at 30 September 2016 in Taiwan (As at 31 March 2016: 12 *MOISELLE* and 4 *m.d.m.s.* stores as well as 3 outlets and counters). The 20 retail stores in Taiwan generated a combined revenue of approximately HK$13,709,000, accounting for approximately 10% of the Group's total revenue for the Period. The Group opened one *LANCASTER* store and two more outlets and counters during the Period.

Operations in Singapore

The Group's business in Singapore recorded a year-on-year 22% decrease in sales to approximately HK$4,144,000 during the Period. As of 30 September 2016, the Group ran 2 *MOISELLE* and 2 *GERMAIN* stores; 1 concept store, *M CONCEPT*, and 1 outlet, the same as it did as at 31 March 2016.

OUTLOOK

China's economic slowdown and the downtrend in mainland Chinese tourist arrivals in Hong Kong persist. Meanwhile, there has been speculation about a rise in the United States' benchmark interest rate before the end of this year, which could further weaken the Chinese currency against the Hong Kong dollar. This could exacerbate the downtrend in mainland Chinese tourists' visits to Hong Kong. Moreover, many landlords are still reluctant to cut rents of shopping spaces in the city despite the persistent downturn in the retail sector. All these make a recovery in the retail industry unlikely in the foreseeable future, not even in 2017.

To adapt to the difficult market, the Group has taken a number of measures. Apart from the stringent controls on costs and inventory, negotiation for lower rents and relocation or closure of some shops, the Group has stepped up its diverse-product, multi-brand strategy by introducing products of a wider price range to the market to cater for the young generation and by launching deluxe and fashionable loungewear for ladies and men under the *Rosamund MOISELLE* brand. The Group will consider branching out into accessories under that brand. Meanwhile, it has further developed its online-to-offline business model to make its operations more cost-effective and to tap the rising popularity of online consumption with the middle class and young people. For instance, it opened its own online shop at a website of Tmall, a popular mainland Chinese online shopping website operator, in November this year. The Group will further exploit the online-to-offline business model by leveraging the social media where it will work with some internet celebrities or key opinion leaders who make recommendation on the Group's products. All these measures may yield more noticeable results in the second half of the financial year ended 31 March 2017. In the long run, the Group is still optimistic about the business opportunity and market potential of high-end fashion apparel in the markets where it has operations.

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$99 million (31 March 2016: HK$139 million). As at 30 September 2016, the Group maintained aggregate composite banking facilities other than secured bank loans of approximately HK$51 million (31 March 2016: HK$51 million) with various banks, of which approximately HK$2 million (31 March 2016: HK$2 million) was utilised.

The Group continues to enjoy healthy financial position. As at 30 September 2016, the current ratio (current assets divided by current liabilities) was approximately 2.9 times (31 March 2016: 3.4 times) and the gearing ratio (aggregate of bank borrowings and finance lease payables divided by shareholders' equity) was approximately 1.3% (31 March 2016: 1.3%).

Charge on assets

As at 30 September 2016, leasehold land and buildings with a carrying value of approximately HK$22 million (31 March 2016: HK$23 million) were pledged to secure bank loans granted to the Group.

EMPLOYEE

As at 30 September 2016, the Group employed 591 (31 March 2016: 702) 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 2016.

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 30 August 2016.

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 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 4 January 2017 to 6 January 2017, 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, 3 January 2017.

By Order of the Board
Chan Yum Kit
Chairman

Hong Kong, 28 November 2016

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.