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)

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

## ANNUAL RESULTS

The board of directors (the "Board") of Moiselle International Holdings Limited (the "Company") announces that the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2017 with comparative figures for the previous corresponding year are as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | *Note* | **2017** **HK$'000** | 2016 *HK$'000* |
|---|---|---|---|
| **Revenue** | 3 | **280,397** | 327,996 |
| Cost of sales | | **(60,798)** | (73,387) |
| **Gross profit** | | **219,599** | 254,609 |
| Other revenue | 5 | **8,057** | 8,923 |
| Other net gain | 5 | **4,052** | 1,790 |
| Selling and distribution costs | | **(214,400)** | (255,918) |
| Administrative and other operating expenses | | **(72,443)** | (71,712) |
| **Loss from operations** | | **(55,135)** | (62,308) |
| Finance costs | 6 | **(185)** | (158) |
| Valuation gains on investment properties | | **9,440** | 14,420 |
| Valuation gains on land and buildings held for own use | | **612** | 1,138 |
| Share of loss of an associate | | **–** | (419) |
| Share of loss of a joint venture | | **(2,632)** | (4,087) |
| **Loss before taxation** | 6 | **(47,900)** | (51,414) |
| Income tax | 7 | **(4,578)** | (5,101) |
| **Loss for the year** | | **(52,478)** | (56,515) |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **(52,000)** | (56,515) |
| Non-controlling interests | | **(478)** | – |
| **Loss for the year** | | **(52,478)** | (56,515) |
| **Loss per share** | 8 | | |
| Basic and diluted | | **HK$(0.18)** | HK$(0.20) |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Loss for the year** | **(52,478)** | (56,515) |
| **Other comprehensive income for the year (after tax)** | | |
| *Item that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences on translation of financial statements of subsidiaries outside Hong Kong | **(11,788)** | (14,362) |
| *Item that will not be reclassified to profit or loss:* | | |
| Surplus on revaluation of land and buildings held for own use | **20,011** | 14,984 |
| | **8,223** | 622 |
| **Total comprehensive income for the year** | **(44,255)** | (55,893) |
| **Attributable to:** | | |
| Equity shareholders of the Company | **(43,777)** | (55,893) |
| Non-controlling interests | **(478)** | – |
| **Total comprehensive income for the year** | **(44,255)** | (55,893) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | 2017 HK$'000 | 2017 HK$'000 | 2016 HK$'000 | 2016 HK$'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Investment properties | | | **155,855** | | 146,415 |
| Property, plant and equipment | | | **398,617** | | 390,375 |
| Interest in an associate | | | **–** | | 851 |
| Interest in a joint venture | | | **–** | | – |
| Other assets | | | **21,397** | | 22,595 |
| Deferred tax assets | | | **3,831** | | 6,187 |
| | | | **579,700** | | 566,423 |
| **Current assets** | | | | | |
| Inventories | | **53,635** | | 57,700 | |
| Trade and other receivables | 10 | **30,343** | | 37,528 | |
| Tax recoverable | | **772** | | 1,688 | |
| Cash and bank deposits | | **83,318** | | 138,983 | |
| | | **168,068** | | 235,899 | |
| **Current liabilities** | | | | | |
| Trade and other payables | 11 | **41,690** | | 48,460 | |
| Tax payable | | **968** | | 1,286 | |
| Secured bank loans | | **7,654** | | 8,236 | |
| Provisions | | **13,014** | | 12,149 | |
| | | **63,326** | | 70,131 | |
| **Net current assets** | | | **104,742** | | 165,768 |
| **Total assets less current liabilities** | | | **684,442** | | 732,191 |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | | **77,947** | | 73,403 | |
| **NET ASSETS** | | | **606,495** | | 658,788 |
| **CAPITAL AND RESERVES** | | | | | |
| Share capital | | | **2,880** | | 2,880 |
| Reserves | | | **603,493** | | 655,908 |
| **Total equity attributable to equity shareholders of the Company** | | | **606,373** | | 658,788 |
| **Non-controlling interests** | | | **122** | | – |
| **TOTAL EQUITY** | | | **606,495** | | 658,788 |

*Notes:*

## 1. BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the Group's consolidated financial statements for the year ended 31 March 2017, but is derived from the draft consolidated financial statements. The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets are stated at their fair value:

– investment properties; and

– other leasehold land and buildings, where the leasehold land is classified as being held under a finance lease.

## 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3. REVENUE

The principal activities of the Group are the design, manufacture, retail and wholesale of fashion apparel and accessories.

Revenue represents the invoiced value of goods sold, excluding value added tax and net of trade discounts.

## 4. 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.

**(i) Segment results**

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. However, assistance provided by one segment to another, including sharing of assets, is not measured.

The measure used for reportable segment loss is loss from operations with the exception of other revenue and net gain. Income tax is not allocated to reportable segments.

Segment assets and liabilities of the Group are not reported to the Group's most senior executive management regularly. As a result, reportable segment assets and liabilities have not been presented in these financial statements.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management regularly for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2017 and 2016 is set out below:

| | **Hong Kong** | | **Outside Hong Kong** | | **Total** | |
|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Revenue from external customers | **150,379** | 181,624 | **130,018** | 146,372 | **280,397** | 327,996 |
| Inter-segment revenue | **31,108** | 29,503 | **29,481** | 39,278 | **60,589** | 68,781 |
| **Reportable segment revenue** | **181,487** | 211,127 | **159,499** | 185,650 | **340,986** | 396,777 |
| **Reportable segment loss** | **(34,086)** | (25,222) | **(33,158)** | (47,799) | **(67,244)** | (73,021) |
| Interest income from bank deposits | **307** | 61 | **780** | 1,938 | **1,087** | 1,999 |
| Finance costs | **(185)** | (158) | **–** | – | **(185)** | (158) |
| Depreciation for the year | **(9,929)** | (10,255) | **(9,056)** | (10,912) | **(18,985)** | (21,167) |
| Impairment losses on property, plant and equipment | **(1,263)** | (1,776) | **(1,564)** | (5,303) | **(2,827)** | (7,079) |
| Net (provision for)/reversal of onerous contracts | **(1,958)** | (2,884) | **1,093** | (4,620) | **(865)** | (7,504) |
| Reversal of/(provision for) impairment losses on trade debtors | **–** | – | **490** | (517) | **490** | (517) |
| Provision for impairment loss on deposits, prepayment and other receivables | **(1,285)** | – | **–** | – | **(1,285)** | – |

(ii) **Reconciliation of reportable segment revenue and loss**

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Revenue** | | |
| Total revenue from reportable segments | **340,986** | 396,777 |
| Elimination of inter-segment revenue | **(60,589)** | (68,781) |
| Consolidated revenue | **280,397** | 327,996 |
| **Loss** | | |
| Reportable segment loss | **(67,244)** | (73,021) |
| Other revenue and net gain | **12,109** | 10,713 |
| Finance costs | **(185)** | (158) |
| Valuation gains on investment properties | **9,440** | 14,420 |
| Valuation gains on land and buildings held for own use | **612** | 1,138 |
| Share of loss of an associate | **–** | (419) |
| Share of loss of a joint venture | **(2,632)** | (4,087) |
| Consolidated loss before taxation | **(47,900)** | (51,414) |

**(iii) Geographic information**

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, property, plant and equipment, interest in an associate and a joint venture ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of investment properties and property, plant and equipment, and the location of operations, in the case of interest in an associate and a joint venture.

| | **Revenue from external customers** | | **Specified non-current assets** | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong | **150,379** | 181,624 | **388,874** | 377,125 |
| Mainland China | **43,591** | 60,125 | **160,270** | 154,902 |
| Taiwan | **31,622** | 34,993 | **514** | 782 |
| Macau | **44,860** | 41,438 | **4,714** | 4,037 |
| Singapore | **9,945** | 9,816 | **100** | 795 |
| | **130,018** | 146,372 | **165,598** | 160,516 |
| | **280,397** | 327,996 | **554,472** | 537,641 |

## 5. OTHER REVENUE AND NET GAIN

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Other revenue** | | |
| Interest income from bank deposits | **1,087** | 1,999 |
| Gross rental income from investment properties | **5,076** | 4,931 |
| Service fee income | **950** | 951 |
| Others | **944** | 1,042 |
| | **8,057** | 8,923 |
| **Other net gain** | | |
| Net (loss)/gain on disposal of property, plant and equipment | **(2)** | 122 |
| Net gain on disposal of an associate | **949** | – |
| Net exchange gain | **3,105** | 1,668 |
| | **4,052** | 1,790 |

## 6. LOSS BEFORE TAXATION IS ARRIVED AT AFTER CHARGING:

| | 2017 | 2016 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Interest on bank loans and bank advances | **185** | 158 |
| Depreciation | **18,985** | 21,167 |
| Staff costs (excluding directors' emoluments) | **89,917** | 99,538 |
| Operating lease charges in respect of land and buildings | **134,096** | 151,931 |

## 7. INCOME TAX

| | 2017 | 2016 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Current tax – Hong Kong Profits Tax** | | |
| Provision for the year | **71** | 998 |
| Under/(over)-provision in respect of prior years | **56** | (85) |
| | **127** | 913 |
| **Current tax – Outside Hong Kong** | | |
| Provision for the year | **1,210** | 2,333 |
| Over-provision in respect of prior years | **–** | (280) |
| | **1,210** | 2,053 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **3,241** | 2,135 |
| | **4,578** | 5,101 |

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by Government of the Hong Kong Special Administrative Region of 75% of the tax payable for the year of assessment 2016/17 subject to a maximum reduction of $20,000 for each business. Taxation for the People's Republic of China ("the PRC") and overseas subsidiaries are charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

During the year ended 31 March 2017, the applicable tax rates for subsidiaries domiciled in the PRC, Taiwan and Singapore are 25% (2016: 25%), 17% (2016: 17%) and 17% (2016: 17%) respectively.

Macau complementary tax is levied at progressive rates ranging from 3% to 9% on the taxable income above MOP32,000 (equivalent to HK$31,000) but below MOP300,000 (equivalent to HK$291,000), and thereafter at a fixed rate of 12%. For the years ended 31 March 2017 and 2016, a special complementary tax incentive was provided to the effect that the tax free income threshold was MOP600,000 (equivalent to HK$582,000) with profit above MOP600,000 (equivalent to HK$582,000) being taxed at a fixed rate of 12%.

The Group is subject to withholding tax at a rate of 10% (unless reduced by treaty) on distribution of profits generated after 31 December 2007 from the Group's foreign-invested enterprises in the PRC. As all of the Group's foreign-invested enterprises are directly and wholly owned by Hong Kong incorporated subsidiaries, a reduced rate of 5% is applicable in the calculation of this withholding tax. Deferred tax liabilities of HK$10,899,000 (2016: HK$11,677,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits since these earnings are not intended to be distributed in the foreseeable future.

## 8. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$52,000,000 (2016: HK$56,515,000) and the weighted average number of 287,930,000 (2016: 287,930,000) ordinary shares in issue during the year.

### (b) Diluted loss per share

Diluted loss per share is the same as basic loss per share for the years ended 31 March 2017 and 2016 as there were no dilutive potential ordinary shares in issue during the years ended 31 March 2017 and 2016.

## 9. DIVIDENDS

The Board recommended the payment of a final dividend of two Hong Kong cents (2016: two Hong Kong cents) per ordinary share in respect of the year, payable on or before 29 September 2017 in cash to all shareholders whose names appear on the register of members of the Company at the closure of business on 22 September 2017.

### (a) Dividends payable to equity shareholders of the Company attributable to the year

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interim dividend declared and paid of one Hong Kong cent per ordinary share (2016: one Hong Kong cent per ordinary share) | **2,879** | 2,879 |
| Final dividend proposed after the end of the reporting period of two Hong Kong cents per ordinary share (2016: two Hong Kong cents per ordinary share) | **5,759** | 5,759 |
| | **8,638** | 8,638 |

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) **Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year**

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Final dividend in respect of the previous financial year, approved and paid during the year, of two Hong Kong cents per ordinary share (2016: four Hong Kong cents per ordinary share) | **5,759** | 11,517 |

## 10. TRADE AND OTHER RECEIVABLES

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade debtors | **8,592** | 11,897 |
| Less: allowance for doubtful debts | **(27)** | (517) |
| | **8,565** | 11,380 |
| Deposits, prepayments and other receivables | **21,778** | 26,148 |
| | **30,343** | 37,528 |

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 allowance for doubtful debts), based on invoice date, is as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **6,631** | 9,508 |
| Between 31 to 90 days | **1,554** | 1,606 |
| Between 91 to 180 days | **261** | 157 |
| Between 181 to 365 days | **119** | 109 |
| | **8,565** | 11,380 |

Trade debtors are due within 30 to 90 days from the date of billing.

## 11. TRADE AND OTHER PAYABLES

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade creditors | **5,461** | 5,512 |
| Other creditors and accrued charges | **34,429** | 42,948 |
| Amount due to a non-controlling shareholder | **1,800** | – |
| | **41,690** | 48,460 |

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:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **4,970** | 1,328 |
| Between 31 to 90 days | **315** | 3,155 |
| Over 90 days | **176** | 1,029 |
| | **5,461** | 5,512 |

## MARKET OVERVIEW

Hong Kong's retail market has been plagued by the persistent decline in tourist arrivals from mainland China in 2016. The decrease was triggered off by the country's continued economic slowdown and the devaluation of its currency. The number of visits by the mainland Chinese tourists to Hong Kong fell by 6.7% to about 42.78 million in 2016, according to the Hong Kong Tourism Board. This was worse than the 3.0% decrease in 2015. However, the situation showed a sign of improvement with a 3.8% year-on-year increase in the first quarter of 2017 to about 10.82 million visits by the mainland Chinese tourists to the city.

The adverse effect spilled over into the clothing retail. Sales at wearing apparel retail outlets in Hong Kong decreased by about 4.8% to about HK$49.59 billion in 2016 from about HK$52.11 billion in 2015. In the first quarter of 2017, the figure fell by about 3.7% year on year to about HK$13.14 billion from about HK$13.65 billion in the first quarter of 2016, showing that the downtrend only abated slightly compared with that for the whole year of 2016. Moreover, the growing trend towards a higher proportion of the mainland Chinese tourists with lower spending power, a weaker Renminbi against the Hong Kong dollar and the persistently high rents in the city also sapped luxury goods retailers of their profitability. Although some landlords came to terms with the depressed retail market by cutting rents at shop spaces in the street, large real estate companies which owned or operated shopping malls were only willing to do so to a lesser extent.

In mainland China, retail of apparel, shoes, headwear and knitted products rose by 7.0% to about RMB1.44 trillion in 2016, decelerating from the 9.8% growth in 2015 (source: National Bureau of Statistics of the People's Republic of China).

## OVERVIEW OF OPERATIONS

Mainly targeting the markets for luxurious apparel, the Group operates such house brands as *MOISELLE*, *m.d.m.s.* 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 31 March 2017, the Group had 75 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 difficult markets.

## REVIEW OF OPERATIONS BY LOCATION

### Operations in Hong Kong

During the year, the Group's operations in Hong Kong were adversely affected by the decline in the number of mainland Chinese visitors which, in turn, was caused by China's economic slowdown and depreciating Renminbi. Moreover, the situation was exacerbated by the growing trend towards a higher proportion of mainland Chinese tourists with lower spending power. Exorbitant rents for shop spaces, which had been determined based on previous optimism about the retail market, generally remained so during the year and continued to exert severe cost pressure on businesses. The Group continued to negotiate for lower rents for shop spaces and succeeded in some cases. It also opened shops at prime locations with reasonable rents and closed down shops which underperformed. The Group opened a store in Times Square, a shopping centre in Causeway Bay in August 2016 and a store at Central Building in the street in Central in October 2016. Its retail stores with the best performance are located in Central, Kowloon Tong and Tsim Sha Tsui. Revenue from its retail operations in Hong Kong decreased by 17.2% to approximately HK$150,379,000, which was approximately 53.6% of the Group's revenue. As at 31 March 2017, the Group operated 9 *MOISELLE*, 6 *m.d.m.s.*, 1 *LANCASTER*, 3 *COCCINELLE* and 2 *GERMAIN* stores as well as 2 outlet retail stores. (As at 31 March 2016: 10 *MOISELLE*, 8 *m.d.m.s.*, 4 *COCCINELLE* and 2 *GERMAIN* stores and 1 outlet retail stores).

The Group also continued with its cost-effective marketing and sales initiatives by organising 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 aimed at increasing engagement with the long-term customers 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 women and men under the brand *Rosamund MOISELLE*. The brand featured an iconic celebrity Ms. Rosamund Kwan as both spokesperson and provider of the design concept of its products. The brand tried to attract more consumers by developing men's loungewear and casual wear and by launching matching outfits for couples and families. The collections under the brand were promoted in the Group's two fashion shows held in Hong Kong and Beijing in September and October 2016 respectively and in a large marketing event in Shenzhen in December 2016. *Rosamund MOISELLE* also sought to gain more exposure for its products on the internet, namely through online video broadcast of promotional events at the Group's online shop at Tmall, China's most popular online shopping website, and through the social media where artistes, models, photographers and make-up artists were shown at work with *Rosamund MOISELLE* products and key opinion leaders commented on or recommended such products.

**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 27.5% to approximately HK$43,591,000 and accounted for 15.5% of the Group's revenue for the year. To cope with the unfavourable market conditions, the Group rationalised its retail network by closing down some shops and relocating some others to spaces with lower rents. It also tapped 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 continued to operate its online store under the *MOISELLE* brand at Tmall. 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 or recommended the Group's products in their blogs or other online articles. The moves helped to enhance the brand recognition and entice the browsers of the websites or social media to shop at its offline stores.

As at 31 March 2017, the Group operated 22 *MOISELLE* stores and 1 *GERMAIN* store (As at 31 March 2016: 29 *MOISELLE*, 3 *GERMAIN* and 3 *m.d.m.s.* stores) in the country.

**Operations in Macau**

The effect of mainland China's slowing economy and government measures to advocate frugality spilled over into Macau's retail market and depressed the Group's sales over the year. However, the Group's operations in Macau remained profitable because of the low operating cost. The Group operated 6 shops at the Venetian Macao Resort Hotel, Sands Cotai Central Hotel and the Parisian Macao Hotel, including 2 concept stores, *M CONCEPT*, 2 *MOISELLE* stores, 1 *m.d.m.s.* store and 1 *COCCINELLE* store. (As at 31 March 2016: 1 *M CONCEPT* store, 2 *MOISELLE* stores, 1 *m.d.m.s.* store and 1 *COCCINELLE* store) The retail stores generated a combined revenue of approximately HK$44,860,000, which increased by approximately 8.3% compared with that in the comparative year of 2016.

**Operations in Taiwan**

The Group operated 10 *MOISELLE* and 2 *m.d.m.s.* stores, 4 outlets and counters and 1 *LANCASTER* store in Taiwan as at 31 March 2017 (As at 31 March 2016: 12 *MOISELLE* and 4 *m.d.m.s.* stores, and 3 outlets and counters). The retail stores in Taiwan generated a combined revenue of approximately HK$31,622,000, accounting for approximately 11.3% of the Group's total revenue for the year.

**Operations in Singapore**

The Group's business in Singapore recorded a slight 1.3% increase in sales to approximately HK$9,945,000 during the year. As at 31 March 2017, it ran 2 *MOISELLE* stores and 1 *GERMAIN* store, 1 *M CONCEPT* store, 1 outlet and 1 *m.d.m.s.* store in the country (As at 31 March 2016: 2 *MOISELLE* and 2 *GERMAIN* stores, 1 *M CONCEPT* store and 1 outlet).

## FINANCIAL REVIEW

**Overview**

The Group's revenue decreased by approximately 14.5% to approximately HK$280,397,000 (2016: HK$327,996,000) during the year ended 31 March 2017 as compared with 2016. Due to the deterioration in performance of mainland China market, the revenue of the segment outside Hong Kong decreased by approximately 11.2% to approximately HK$130,018,000 (2016: HK$146,372,000) during the year ended 31 March 2017 as a result. The segment turnover ratio had maintained similar level at approximately 46.4% which was two percentage points higher as compared to the year ended 31 March 2016.

The revenue earned from Hong Kong segment decreased by approximately 17.2% to approximately HK$150,379,000 (2016: HK$181,624,000) which was mainly due to the further decrease in sales from the mainland Chinese tourists during the financial year under review.

During the year under review, the Group's gross profit margin was approximately 78.3%, as compared to 77.6% of the previous year. The gross profit margin was improved yet still remained in the normal range of gross margin of the Group during previous years. Operating expenses for the year ended 31 March 2017 totaled approximately HK$286,843,000, compared to approximately HK$327,630,000 for 2016, decreased by approximately 12.4%. Since the revenue was not sufficient to cover the cost of sales and the operating expenses, mainly staff costs and rental expenses, the Group suffered an operating loss of 19.7% (2016: 19.0%).

The loss attributable to the ordinary equity shareholders for the year ended 31 March 2017 was approximately HK$52,000,000 (2016: HK$56,515,000), improved by approximately HK$4,515,000, 8.0%.

**Liquidity and financial resources**

During the year ended 31 March 2017, the Group financed its operations with internal 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 year, the Group's aggregate fixed deposits and cash balances amounted to approximately HK$83 million (2016: HK$139 million). Cash and bank deposits were held mainly in Hong Kong dollars and

Renminbi. The Group has foreign operations and certain of its net assets are exposed to the risk of foreign currency exchange rate fluctuations. During the year, the Group's currency exposure mainly arises from the cash and bank deposits denominated in Renminbi. The management regularly monitors the foreign currency exchange risk of the Group and may consider hedging activities when necessary.

As at 31 March 2017, the Group maintained secured bank loans of approximately HK$8 million (2016: approximately HK$8 million) at operating subsidiary level financing its working capital. As at 31 March 2017, the Group maintained aggregate composite banking facilities other than secured bank loans of approximately HK$54 million (2016: HK$51 million) with various banks, of which approximately HK$5 million (2016: HK$2 million) were utilised.

The Group continues to enjoy healthy financial position. As at 31 March 2017, the current ratio (current assets divided by current liabilities) was approximately 2.7 times (2016: 3.4 times) and the gearing ratio (aggregate of bank borrowings and finance lease payables divided by shareholders' equity) was 1.3% (2016: 1.3%).

**Charge on assets**

As at 31 March 2017, leasehold land and buildings with a carrying value of approximately HK$23 million (31 March 2016: HK$23 million) were pledged to secure bank loan granted to the Group.

## OUTLOOK

The deteriorating market for women's luxury fashion apparel and accessories in 2015 and 2016 had dealt a heavy blow to the industry. Although the downtrend in apparel retail sales showed slight signs of abating in the first quarter of 2017, it is very hard to estimate when the market will bottom out. To cope with the adverse market conditions, the Group will step up its diverse-product, multi-brand strategy, and continue with its cost management measures and cost-effective marketing and sales initiatives.

For instance, during the year, the Company furthered its cooperation with famous celebrity Ms. Rosamund Kwan by letting the latter acquire a 30% equity stake in its indirectly owned subsidiary RK Moiselle Fashions Limited, which is principally engaged in the business of designing, manufacturing, marketing, distributing and selling women's and men's formal and casual apparels (including loungewear), fashion accessories and handbags bearing the brand "*Rosamund MOISELLE*". The brand will enhance its product line of loungewear for both women and men, launch casual outdoor wear and diversify into fashion accessories and handbags. As to the Group's existing brands, emphasis will be placed on the development of accessories such as handbags under the brand *LANCASTER* and on the move to gear women's luxury fashion apparel towards the young people's preferences. This will reinforce the Group's diverse-product, multi-brand strategy and broaden the customer base.

As its cost management measures and cost-effective marketing and sales initiatives, the Group will try to obtain permission to offer several diffusion lines under one roof at more of its shops, and will also further develop its online-to-offline business model by leveraging its own online shop at the website of Tmall and the social media where it will try to gain more exposure for its products in the form of online video broadcast of promotional events with celebrities and commentaries or recommendations by key opinion leaders.

All these measures are aimed at coping with the difficulties in the market and at enhancing the Group's potential for long-term growth.

## EMPLOYEES

As at 31 March 2017, the Group employed 562 (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 year ended 31 March 2017.

## CORPORATE GOVERNANCE CODE

Save for the deviation 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 Listing Rules throughout the year ended 31 March 2017.

### 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, Mr. Chu Chun Kit, Sidney was unable to attend the annual general meeting of the Company held on 30 August 2016.

## REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and the draft consolidated financial statements of the Group for the year ended 31 March 2017. The audit committee comprises three independent non-executive directors of the Company.

The financial figures in respect of Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement or profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2017 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 September 2017 to 22 September 2017 (both days inclusive) and during which period no transfer of shares will be effected.

In order to qualify for the final dividend, all transfers 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 not later than 4:30 p.m. on Tuesday, 19 September 2017.

By Order of the Board
**Chan Yum Kit**
*Chairman*

Hong Kong, 28 June 2017

*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.*