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 2019

## 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 2019 (the "Year") with comparative figures for the previous corresponding year are as follows:

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

*FOR THE YEAR ENDED 31 MARCH 2019*

| | *NOTES* | **2019** *HK$'000* | 2018 *HK$'000* |
|---|---|---|---|
| **Revenue** | 3 | **251,021** | 290,576 |
| Cost of sales | | **(45,793)** | (68,787) |
| **Gross profit** | | **205,228** | 221,789 |
| Other income | 4 | **6,118** | 6,773 |
| Other gains and losses | 5 | **1,703** | (1,017) |
| Distribution and selling expenses | | **(189,665)** | (179,386) |
| Administrative and other operating expenses | | **(68,289)** | (69,781) |
| **Loss from operations** | | **(44,905)** | (21,622) |
| Gain on changes in fair value of investment properties | | **27,790** | 27,594 |
| Gain on disposal of subsidiary | | **356** | – |
| Share of results of a joint venture | | **131** | 577 |
| Finance costs | | **(510)** | (189) |
| **(Loss) profit before taxation** | 6 | **(17,138)** | 6,360 |
| Income tax expense | 7 | **(2,703)** | (5,099) |
| **(Loss) profit for the year** | | **(19,841)** | 1,261 |

| | NOTES | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| Other comprehensive income (expense) | | | |
| *Item that will not be reclassified to profit or loss:* | | | |
| Gain on revaluation of land and buildings held for own use | | **56,285** | 61,191 |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation of foreign operations | | **(10,814)** | 11,781 |
| | | **45,471** | 72,972 |
| **Total comprehensive income for the year** | | **25,630** | 74,233 |
| (Loss) profit for the year attributable to: | | | |
| Owners of the Company | | **(19,717)** | 2,007 |
| Non-controlling interests | | **(124)** | (746) |
| | | **(19,841)** | 1,261 |
| **Total comprehensive income (expense) attributable to:** | | | |
| Owners of the Company | | **25,754** | 74,979 |
| Non-controlling interests | | **(124)** | (746) |
| | | **25,630** | 74,233 |
| (Loss) earnings per share | | | |
| Basic (HK dollars) | 8 | **(0.07)** | 0.01 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 31 MARCH 2019*

| | NOTES | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | | **282,725** | 196,628 |
| Property, plant and equipment | | **402,444** | 449,190 |
| Interest in a joint venture | | **–** | – |
| Deposit paid | | **27,775** | 13,565 |
| Deferred tax assets | | **600** | 3,437 |
| | | **713,544** | 662,820 |
| **Current assets** | | | |
| Inventories | | **59,495** | 49,204 |
| Trade and other receivables | 10 | **35,557** | 44,096 |
| Tax recoverable | | **–** | 29 |
| Bank balances and cash | | **30,720** | 62,173 |
| | | **125,772** | 155,502 |
| **Current liabilities** | | | |
| Trade and other payables | 11 | **39,207** | 42,918 |
| Tax payable | | **103** | 89 |
| Borrowings | | **6,492** | 7,073 |
| Provision for onerous contracts | | **4,461** | 1,898 |
| | | **50,263** | 51,978 |
| **Net current assets** | | **75,509** | 103,524 |
| **Total assets less current liabilities** | | **789,053** | 766,344 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **102,850** | 94,254 |
| **Net assets** | | **686,203** | 672,090 |
| **Capital and reserves** | | | |
| Share capital | | **2,880** | 2,880 |
| Reserves | | **684,071** | 669,834 |
| **Equity attributable to owners of the Company** | | **686,951** | 672,714 |
| Non-controlling interests | | **(748)** | (624) |
| **Total equity** | | **686,203** | 672,090 |

*Notes:*

## 1. GENERAL AND BASIS OF PREPARATION

Moiselle International Holdings Limited (the "Company"; and its subsidiaries collectively referred to as the "Group") is an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Its ultimate holding company is Super Result Consultants Limited ("Super Result"), a limited company incorporated in the British Virgin Islands. Mr. Chan Yum Kit, the chairman and executive director of the Company, and Ms. Tsui How Kiu, Shirley, executive director of the Company, each holds 46.7% equity interest in Super Result. The addresses of the registered office and principal place of business of the Company are disclosed in the section of Corporate Information in the Company's annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional and presentation currency of the Company.

The financial information set out in this announcement does not constitute the Group's consolidated financial statements for the year ended 31 March 2019, but is derived from the consolidated financial statements. The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, 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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

**New and amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the HKICPA for the first time in the current year:

| | |
|---|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments |
| HK (IFRIC) – Int 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle |
| Amendments to HKAS 40 | Transfers of Investment Property |

Except as described below, the application of the new and amendments to HKFRSs and the interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**HKFRS 15 Revenue from Contracts with Customers**

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and the related interpretations.

The Group recognises revenue from sales of fashion apparel and accessories which arise from contracts with customers.

Under HKAS 18, revenue from the sale of goods arising from retailing business is recognised upon transfer of significant risks and rewards of ownership of the goods, which is when the goods are delivered and titles have passed. Under HKFRS 15, revenue is recognised when control over the goods is transferred to the customer. There is no material impact on the timing and amounts of revenue recognised upon the application of HKFRS 15 on 1 April 2018.

**HKFRS 9 Financial Instruments and the related amendments**

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

*Classification and measurement of financial assets*

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

*Impairment of financial assets*

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

The Group applies simplified approach to measure ECL which uses a lifetime ECL for all trade receivable arising from its principal activities. To measure the ECL, trade receivable arising from its principal activities are assessed individually for each debtor based on past due analysis and relevant forward-looking information. Based on assessment by the management of the Group, the ECL for trade receivable arising from its principal activities is insignificant.

For other receivables and deposits, the management of the Group makes periodic individual assessment on their carrying amounts, based on historical settlement records and past experience with available reasonable and supportive forward-looking information. Based on assessment by the management of the Group, it considers that the 12-month ECL for these balances is insignificant.

For bank balances, the Group considers the risk of default is low and 12-month ECL is insignificant as the Group only transacts with reputable banks with high credit ratings among rating agencies.

**HKAS 40 Transfers of Investment Property**

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under development and properties held for sale.

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. The application of amendments to HKAS 40 did not have significant impact on the Group's transfers of investment properties.

## 3. REVENUE AND SEGMENT INFORMATION

### Revenue

The Group generated sales of fashion apparel and accessories with customers through its own retail stores. For the year ended 31 March 2019, revenue from sales of fashion apparel and accessories is recognised at a point in time when the goods are delivered to the customers. For the year ended 31 March 2018, revenue represents the invoiced value of goods sold, excluding value added tax and net of trade discounts.

### Segment information

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 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 the People's Republic of China (the "PRC") and sales of house brands and imported brands in the PRC, Macau, Taiwan and Singapore.

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.

The measure used for reportable segment profit or loss is loss from operations with the exception of other income, other gains and losses and certain administrative and other operating expenses. Income tax is not allocated to reportable segments. The Group's senior executive management revisited the measurement of the reportable segments during the year and considered certain administrative and other operating expenses should be excluded from the measurement of segment results for better presentation. Comparative of segment information has been updated accordingly.

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

The accounting policies of the reportable segments are the same as the Group's accounting policies.

| | Hong Kong | | Outside Hong Kong | | Total | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Revenue from external customers | **139,610** | 155,616 | **111,411** | 134,960 | **251,021** | 290,576 |
| Inter-segment revenue | **29,325** | 32,808 | **29,146** | 22,306 | **58,471** | 55,114 |
| **Segment revenue** | **168,935** | 188,424 | **140,557** | 157,266 | **309,492** | 345,690 |
| **Segment profit (loss)** | **13,995** | 25,819 | **(10,775)** | 5,294 | **3,220** | 31,113 |
| Amount regularly provided to the Group's senior executive management included in the measurement of segment results: | | | | | | |
| Depreciation for the year | **2,707** | 1,807 | **4,110** | 4,258 | **6,817** | 6,065 |
| Impairment losses on property, plant and equipment | **–** | 16 | **1,478** | 3,224 | **1,478** | 3,240 |
| Provision (utilisation of provision) for onerous contracts, net | **–** | (4,841) | **2,563** | (6,275) | **2,563** | (11,116) |
| Reversal of impairment losses on trade receivables | **–** | – | **–** | (5) | **–** | (5) |

Inter-segment revenue is charged at amounts agreed by both parties.

*Reconciliation of segment revenue and results*

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Revenue** | | |
| Total segment revenue | **309,492** | 345,690 |
| Elimination of inter-segment revenue | **(58,471)** | (55,114) |
| | **251,021** | 290,576 |
| **Results** | | |
| Segment profit | **3,220** | 31,113 |
| Unallocated expenses | **(55,946)** | (58,491) |
| Other income and other gains and losses | **7,821** | 5,756 |
| Valuation gains on investment properties | **27,790** | 27,594 |
| Share of profit of a joint venture | **131** | 577 |
| Gain on disposal of a subsidiary | **356** | – |
| Finance costs | **(510)** | (189) |
| (Loss) profit before taxation | **(17,138)** | 6,360 |

*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, and interest in a joint venture ("specified non-current assets"). The geographical location of customers is based on the location at which 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 a joint venture.

| | **Revenue from external customers** | | **Specified non-current assets** | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong | **139,610** | 155,616 | **508,550** | 476,184 |
| Macau | **48,388** | 48,651 | **–** | 4 |
| The PRC | **34,795** | 48,562 | **175,158** | 169,151 |
| Taiwan | **19,186** | 27,219 | **712** | 452 |
| Singapore | **9,042** | 10,528 | **749** | 27 |
| | **111,411** | 134,960 | **176,619** | 169,634 |
| | **251,021** | 290,576 | **685,169** | 645,818 |

*Information about major customers*

During the years ended 31 March 2019 and 2018, there was no single external customer that contributed 10% or more of the Group's total revenue.

## 4. OTHER INCOME

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Gross rental income from investment properties | **4,310** | 4,496 |
| Interest income from bank deposits | **361** | 440 |
| Service fee income | **1,013** | 764 |
| Others | **434** | 1,073 |
| | **6,118** | 6,773 |

## 5. OTHER GAINS AND LOSSES

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Exchange gain (loss), net | **1,716** | (1,504) |
| (Loss) gain on disposal of property, plant and equipment | **(13)** | 487 |
| | **1,703** | (1,017) |

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

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Staff costs | | |
| Directors' remuneration | **10,972** | 11,582 |
| Other staff costs | | |
| Salaries, wages and other benefits | **73,727** | 81,435 |
| Contributions to defined contribution retirement plan | **5,040** | 5,026 |
| Total staff costs | **89,739** | 98,043 |
| Depreciation of property, plant and equipment | **19,377** | 18,528 |
| Operating lease charges in respect of land and buildings | | |
| – minimum lease payments | **105,957** | 105,772 |
| – contingent rentals | **4,747** | 7,629 |
| Interest on bank borrowings | **510** | 189 |

## 7. INCOME TAX EXPENSE

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Current tax - Hong Kong Profits Tax** | | |
| Provision for the year | **28** | 103 |
| Over-provision in respect of prior years | **–** | (2) |
| | **28** | 101 |
| **Current tax - Outside Hong Kong** | | |
| Provision for the year | **1,745** | 325 |
| Deferred tax | **930** | 4,673 |
| Income tax expense | **2,703** | 5,099 |

## 8. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

*(Loss) earnings*

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| (Loss) profit for the year for the purposes of basic (loss) earnings per share | **(19,717)** | 2,007 |

*Number of shares*

| | **2019** | 2018 |
|---|---|---|
| | ***'000*** | *'000* |
| Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share | **287,930** | 287,930 |

Diluted (loss) earnings per share is not presented as the Company does not have any dilutive potential ordinary share for both years.

## 9. DIVIDENDS

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Dividends during the year: | | |
| Interim dividends paid: | | |
| Nil in respect of 2019 (2018: HK1 cent per share in respect of 2018) | **–** | 2,879 |
| Final dividends paid: | | |
| HK4 cents per share in respect of 2018 (2018: HK2 cents per share in respect of 2017) | **11,517** | 5,759 |
| | **11,517** | 8,638 |

Final dividend for the year ended 31 March 2018 of HK4 cents per share approximately to HK$11,517,000 was declared and paid by the Company during the year ended 31 March 2019. No dividend was proposed or paid for ordinary shareholders of the Company subsequent to the end of the reporting period.

## 10. TRADE AND OTHER RECEIVABLES

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **9,262** | 13,143 |
| Less: Loss allowance | **–** | (22) |
| | **9,262** | 13,121 |
| Rental and other deposits - current | **23,626** | 27,099 |
| Prepayment | **1,830** | 3,180 |
| Other receivables | **839** | 696 |
| | **35,557** | 44,096 |

As of the end of the reporting period, the ageing analysis of trade receivables, based on invoice date and net of loss allowance, is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **7,618** | 10,783 |
| 31 to 90 days | **1,573** | 1,685 |
| 91 to 180 days | **–** | 486 |
| Over 180 days | **71** | 167 |
| | **9,262** | 13,121 |

Trade receivables are due within 30 to 90 days from the invoice date.

## 11. TRADE AND OTHER PAYABLES

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **5,070** | 7,345 |
| Deposit received | **3,227** | 3,338 |
| Accrued charges | **24,186** | 22,999 |
| Amount due to a non-controlling shareholder | **1,800** | 1,800 |
| Other payables | **4,924** | 7,436 |
| | **39,207** | 42,918 |

The amount due to a non-controlling shareholder is unsecured, interest free and has no fixed repayment terms.

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **1,559** | 3,301 |
| 31 to 90 days | **205** | 625 |
| Over 90 days | **3,306** | 3,419 |
| | **5,070** | 7,345 |

## MARKET OVERVIEW

The operating environment for the sector of retailing fashion apparel and accessories was very difficult as the emergence of e-commerce and fast fashion have changed the consumption patterns and consumer preferences drastically. The needs and wants for fashion apparel, especially those of the younger generation, have been changing rapidly. The young consumers, namely those in the age group of 20s to early 30s, rely more on the information that they access on internet and, in particular, social media. They are more prone to follow the fashion trends which are shared in the peer group, usually through social media. They also prefer to buy apparel of fast fashion for mass market at lower prices, discounts or with coupons. Traditional brands which are geared towards the niche markets, especially high-end and upper-middle markets, will find it even more challenging to adapt themselves to the situation when they try to attract younger consumers in order to maintain the volume of business in the long run. They have to juggle the tasks of developing online stores, maintaining the business of brick-and-mortar stores and adjusting their product mix or even the positioning of some of their products.

The operating environment was also complicated by the ongoing Sino-United States trade war and China's slowing economic growth that dampened the consumer appetite for prestige products — they prefer more affordable products such as fast fashion apparel instead. Rising costs, especially those of rents which had already been exorbitant in some prime locations in Hong Kong and first-tier cities of mainland China, also exacerbated the situation.

## OVERVIEW OF OPERATIONS

Mainly targeting the markets for luxurious apparel, the Group operates such house brands as *MOISELLE*, *m.d.m.s.*, *GERMAIN* and *Rosamund MOISELLE*, while engaging in distributorship for international brand *LANCASTER*. Each of the brands has its own distinctive consumer base, and is being developed separately by the Group's dedicated and talented designer teams. The Group retails its products under the various brands at stores in prime locations. As at 31 March 2019, the Group had 50 stores and counters in Hong Kong, first- and second-tier cities of mainland China, Macau, Taiwan and Singapore, down from 59 as at 31 March 2018 because it rationalized its retail network in the challenging business environment.

## REVIEW OF OPERATIONS BY LOCATION

### Operations in Hong Kong

Revenue from the Group's operations in Hong Kong decreased by 10.3% to approximately HK$139,610,000 for the Year because of the fierce competition from electronic commerce, the fundamental change in the nature of the customer base, exorbitant rents and the unfavourable economic conditions that dampened the consumer appetite for luxury goods. When it comes to fashion apparel, consumers preferred more affordable fast fashion which is targeted at the mass market. MOISELLE is positioned as a fashion brand for the niche markets, namely the high-end and upper-middle markets so it has been working out ways to cope with the more volatile fashion apparel market which has been shaped by electronic commerce and fast fashion.

For instance, it enhanced the shopping experience at its retail stores by incorporating such elements as lifestyle, art and environmental awareness into interior decoration and increased efforts to create and market trendy, stylish fashion which were targeted at the city's young locals. It has been increasing the portion of ready-to-wear fashion apparel designed for work and the middle market in the total number of stock keeping units (SKU).

It also pressed ahead with its diverse-product, multi-brand strategy. On one hand, it reinforced its house brands *MOISELLE* and *Rosamund MOISELLE* by running *THE EARTH STORE*. On the other hand, it tried to strengthened the business of its diffusion lines by opening an *M CONCEPT* store. It also stepped up the development of the brand *LANCASTER* by opening one more shop under that brand in the city.

As at 31 March 2019, the Group operated 9 *MOISELLE*, 3 *m.d.m.s.*, 2 *LANCASTER* and 1 *M CONCEPT* retail stores as well as 3 outlets (As at 31 March 2018: 9 *MOISELLE*, 5 *m.d.m.s.* and 1 *LANCASTER* retail stores and 3 outlets).

### Operations in mainland China

Revenue from its operations in mainland China fell by 28.3% to approximately HK$34,795,000 for the Year because they were faced with intense competition from electronic commerce. High rents for shop spaces also exerted severe downward pressure on the profitability. To cope with the challenging operating environment, the Group expanded its operation of online sales and marketing by opening an online platform in WeChat Mall on a popular social media WeChat in October 2018. The move was a follow-up effort to adopt an online-to-offline business model through alliances with mainland Chinese online shopping website operators. It has earlier opened online stores at Tmall and Vipshop.

The Group also enhanced its business presence in the country by participating in the Shanghai Fashion Week in October 2018. In the event, the new product series of *MOISELLE* and *Rosamund MOISELLE* for the spring/summer of 2019 were debuted.

As at 31 March 2019, the Group operated 14 *MOISELLE* retail stores in the country (As at 31 March 2018: 14 *MOISELLE* retail stores).

**Operations in Macau**

For the Year, the Group operated five shops at the Venetian Macao Resort Hotel and one shop at the Parisian Macao Hotel, including 2 *M CONCEPT*, 2 *MOISELLE*, 1 *m.d.m.s.* and 1 *LANCASTER* retail stores in the city (As at 31 March 2018: 2 concept stores, *M CONCEPT*, 2 *MOISELLE*, 1 *m.d.m.s.* and 1 *LANCASTER* retail stores). The combined revenue generated by the six retail stores edged down to approximately HK$48,388,000, accounting for about 19.3% of the Group's revenue.

**Operations in Taiwan**

The Group decreased the number of its stores substantially in Taiwan during the Year because of the unsatisfactory performance of its operations there amid the unfavourable economic conditions. As a result, revenue decreased by 29.5% to approximately HK$19,186,000, accounting for about 7.6% of the Group's revenue for the Year. The Group operated 5 *MOISELLE*, 1 *m.d.m.s.* and 1 *LANCASTER* retail stores as well as 1 outlet as at 31 March 2019 in Taiwan (As at 31 March 2018: 11 *MOISELLE*, 2 *m.d.m.s.* and 2 *LANCASTER* retail stores as well as 3 outlets).

**Operations in Singapore**

The Group's business in Singapore recorded a 14.1% decrease in revenue to approximately HK$9,042,000 during the year. As at 31 March 2019, the Group ran 2 *MOISELLE* stores and 2 *LANCASTER* retail stores.

## FINANCIAL REVIEW

**Overview**

The Group's turnover decreased by approximately 13.6% to approximately HK$251,021,000 (2018: HK$290,576,000) during the year ended 31 March 2019 as compared with 2018. Due to the deterioration in performance of the markets in mainland China, the revenue of the segment outside Hong Kong decreased by approximately 17.4% to approximately HK$111,411,000 (2018: HK$134,960,000) during the year ended 31 March 2019 as a result. The segment turnover ratio had maintained at slightly lower level of approximately 44.4% (2018: 46.4%) compared with that of the year ended 31 March 2018.

The revenue earned from Hong Kong segment also decreased by approximately 10.3% to approximately HK$139,610,000 (2018: HK$155,616,000) which was mainly due to the high competitiveness in retail operating environment and unfavourable trade and business atmosphere of local market during the financial year.

During the year, the Group's gross profit margin was approximately 81.8%, as compared to 76.3% of the previous year. The gross profit margin remained in the normal range of gross margin of the Group across years. Operating expenses for the year ended 31 March 2019 totaled approximately HK$257,954,000, compared to approximately HK$249,167,000 for 2018, increased by approximately 3.5%. Although the management had conducted various measures in stringent cost management to counteract high operating expenses, mainly staff costs and rental expenses, the Group suffered an operating loss of HK$44,905,000 (2018: HK$21,622,000).

The loss attributable to the equity shareholders for the year ended 31 March 2019 was approximately HK$19,717,000 (2018: profit of HK$2,007,000), in line with the change in operating margin.

**Liquidity and financial resources**

During the year ended 31 March 2019, 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$31 million (2018: HK$62 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. The management regularly monitors the foreign currency exchange risk of the Group and may consider hedging activities when necessary.

As at 31 March 2019, the Group maintained secured bank loan of HK$6 million (2018: HK$7 million) at operating subsidiary level financing its working capital. As at 31 March 2019, the Group maintained aggregate composite banking facilities other than secured bank loans of approximately HK$46 million (2018: HK$53 million) with various banks, of which approximately HK$5 million (2018: HK$5 million) were utilised.

The Group continues to enjoy healthy financial position. As at 31 March 2019, the current ratio (current assets divided by current liabilities) was approximately 2.4 times (2018: 3.0 times) and the gearing ratio (aggregate of bank borrowings and finance lease payables divided by shareholders' equity) was 0.9% (2018: 1.1%).

**Charge on assets**

As at 31 March 2019, leasehold land and buildings with a carrying value of approximately HK$30 million (31 March 2018: HK$26 million) were pledged to secure bank loan granted to the Group.

## OUTLOOK

Looking ahead, the Group will continue to rationalise its retail network. For instance, it will try to strengthen its stores in the locations of strategic importance, namely the stores in the prime locations in Hong Kong and Shanghai that can serve to advertise its house-brand products and function as meeting places for its important customers. At such stores, the Group can also introduce new fashion apparel and lifestyle accessories to customers. In the future, it will also only open stores for diffusion lines in remote locations with lower rents.

To further develop the market of mainland China, the Group will cooperate with certain agents or distributors who can find suitable locations for its shops and advise it on how to operate such stores efficiently as they are familiar with the domestic market conditions and have an established network of business contacts.

As for its electronic commerce business, the Group will try to offer membership coupons to prospective customers in an attempt to entice them from its online shops to brick-and-mortar stores. It will also study the feasibility of providing fashion apparel that is suitable for online sales to the mass market and that of investing more resources in the promotional activities conducted by some e-commerce platform operators.

To raise the efficiency of its operations, the Group has already upgraded the information system for its retail outlets and retail management department. It is now upgrading the information system for its production and inventory management. Such work on the information system for its product management, warehouses and logistics will follow later.

All these measures are aimed at enhancing the Group's competitiveness and at adapting it to the rapid changes in the market. The Group will monitor closely the economic conditions and fashion trends in the markets and may adjust the above plans accordingly.

## EMPLOYEES

As at 31 March 2019, the Group employed 415 (2018: 468) 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 2019.

## 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 2019.

### 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, Ms. Wong Shuk Ying, Helen was unable to attend the annual general meeting of the Company held on 5 September 2018.

## 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 consolidated financial statements of the Group for the year ended 31 March 2019. The audit committee comprises three independent non-executive directors of the Company.

## SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an 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 Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

By Order of the Board
**Moiselle International Holdings Limited**
**Chan Yum Kit**
*Chairman*

Hong Kong, 25 June 2019

*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.*