



MOISELLE

MOISELLE INTERNATIONAL HOLDINGS LIMITED

INTERIM REPORT 2017/2018



(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)
STOCK CODE: 130

MOISELLE

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CORPORATE INFORMATION**BOARD OF DIRECTORS****Executive**

Mr. CHAN Yum Kit (*Chairman*)
Ms. TSUI How Kiu, Shirley
Mr. CHAN Sze Chun

Independent Non-Executive

Ms. YU Yuk Ying, Vivian
Mr. CHU Chun Kit, Sidney
Ms. WONG Shuk Ying, Helen

AUDIT COMMITTEE

Ms. YU Yuk Ying, Vivian
Mr. CHU Chun Kit, Sidney
Ms. WONG Shuk Ying, Helen

REMUNERATION COMMITTEE

Ms. YU Yuk Ying, Vivian
Mr. CHU Chun Kit, Sidney
Mr. CHAN Sze Chun

NOMINATION COMMITTEE

Ms. YU Yuk Ying, Vivian
Ms. WONG Shuk Ying, Helen
Ms. TSUI How Kiu, Shirley

COMPANY SECRETARY

Ms. PANG Lin

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

**HEAD OFFICE AND PRINCIPAL PLACE
OF BUSINESS**

Units 1-5, 11th Floor
Kodak House 2
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North Point
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WEBSITE

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**PRINCIPAL SHARE REGISTRAR AND
TRANSFER OFFICE**

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

**HONG KONG BRANCH SHARE
REGISTRAR AND TRANSFER OFFICE**

Hong Kong Registrars Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

KEY DATES

Closure of Register of Members:
3 January 2018 to 5 January 2018
Interim Dividend Payment:
12 January 2018

The board of directors (the "Board") of Moiseille 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 2017, together with the comparative figures for the corresponding period in 2016, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

<i>(in HK\$'000)</i>	Note	Unaudited Six months ended 30 September	
		2017	2016
Revenue		135,579	131,610
Cost of sales		(33,692)	(27,726)
Gross profit		101,887	103,884
Other revenue		3,764	4,431
Other net gain		2,327	609
Selling and distribution costs		(89,878)	(106,069)
Administrative and other operating expenses		(32,244)	(35,496)
Loss from operations		(14,144)	(32,641)
Finance costs		(89)	(90)
Share of loss of a joint venture		(784)	(1,766)
Loss before taxation	4	(15,017)	(34,497)
Income tax	5	(89)	(773)
Loss for the period		(15,106)	(35,270)
Attributable to:			
Equity shareholders of the Company		(15,066)	(35,270)
Non-controlling interests		(40)	–
Loss for the period		(15,106)	(35,270)
Loss per share	7		
Basic		HK\$(0.05)	HK\$(0.12)
Diluted		HK\$(0.05)	HK\$(0.12)

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

	Unaudited Six months ended 30 September	
<i>(in HK\$'000)</i>	2017	2016
Loss for the period	(15,106)	(35,270)
Other comprehensive income for the period (after tax)		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	<u>1,535</u>	<u>200</u>
Total comprehensive income for the period	<u>(13,571)</u>	<u>(35,070)</u>
Attributable to:		
Equity shareholders of the Company	(13,531)	(35,070)
Non-controlling interests	<u>(40)</u>	<u>—</u>
Total comprehensive income for the period	<u>(13,571)</u>	<u>(35,070)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(in HK\$'000)</i>	<i>Note</i>	As at 30 September 2017 (Unaudited)	As at 31 March 2017 (Audited)
Non-current assets			
Investment properties		131,892	155,855
Property, plant and equipment		414,635	398,617
Interest in a joint venture		–	–
Other assets		17,864	21,397
Deferred tax assets		3,944	3,831
		568,335	579,700
Current assets			
Inventories		50,367	53,635
Trade and other receivables	8	34,748	30,343
Tax recoverable		61	772
Cash and bank deposits		68,507	83,318
		153,683	168,068
Current liabilities			
Trade and other payables	9	41,737	41,690
Tax payable		209	968
Secured bank loans		7,364	7,654
Provisions		7,596	13,014
		56,906	63,326
Net current assets		96,777	104,742
Total assets less current liabilities		665,112	684,442
Non-current liabilities			
Deferred tax liabilities		77,947	77,947
NET ASSETS		587,165	606,495
Capital and reserves			
Share capital		2,880	2,880
Reserves		584,203	603,493
Total equity attributable to equity shareholders of the Company		587,083	606,373
Non-controlling interests		82	122
TOTAL EQUITY		587,165	606,495

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited									
	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Other reserve	Exchange reserve	Statutory reserve funds	Land and buildings revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 April 2016	2,880	65,327	121	30,095	9,336	319,449	231,580	658,788	-	658,788
Changes in equity for the six months ended 30 September 2016:										
Dividend approved in respect of the previous year	-	-	-	-	-	-	(5,759)	(5,759)	-	(5,759)
Total comprehensive income for the period	-	-	-	200	-	-	(35,270)	(35,070)	-	(35,070)
Balance at 30 September 2016	<u>2,880</u>	<u>65,327</u>	<u>121</u>	<u>30,295</u>	<u>9,336</u>	<u>319,449</u>	<u>190,551</u>	<u>617,959</u>	<u>-</u>	<u>617,959</u>
Balance at 1 April 2017	2,880	65,327	121	18,307	9,336	339,460	170,942	606,373	122	606,495
Changes in equity for the six months ended 30 September 2017:										
Dividend approved in respect of the previous year	-	-	-	-	-	-	(5,759)	(5,759)	-	(5,759)
Total comprehensive income for the period	-	-	-	1,535	-	-	(15,066)	(13,531)	(40)	(13,571)
Balance at 30 September 2017	<u>2,880</u>	<u>65,327</u>	<u>121</u>	<u>19,842</u>	<u>9,336</u>	<u>339,460</u>	<u>150,117</u>	<u>587,083</u>	<u>82</u>	<u>587,165</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 30 September	
<i>(in HK\$'000)</i>	2017	2016
Operating activities		
Cash used in operations	(9,346)	(25,857)
Tax paid	(269)	(1,515)
Net cash used in operating activities	(9,615)	(27,372)
Investing activities		
Payment for the purchase of property, plant and equipment	(1,332)	(6,548)
Other cash flows arising from investing activities	879	713
Net cash used in investing activities	(453)	(5,835)
Financing activities		
Dividend paid	(5,759)	(5,759)
Repayment of bank loans	(290)	(291)
Other cash flows arising from financing activities	(89)	(90)
Net cash used in financing activities	(6,138)	(6,140)
Net decrease in cash and cash equivalents	(16,206)	(39,347)
Cash and cash equivalents at beginning of the period	83,318	138,983
Effect of foreign exchange rate changes	1,395	(935)
Cash and cash equivalents at end of the period	68,507	98,701
Analysis of balance of cash and cash equivalents		
Deposits with banks within three months to maturity when placed	18,236	11,349
Cash at bank and in hand	50,271	87,352
Cash and bank deposits in the consolidated statement of financial position and cash and cash equivalents in the condensed consolidated cash flow statement	68,507	98,701

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 2017, 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 2017 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 2017.

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)	2017	2016	2017	2016	2017	2016
Revenue from external customers	73,279	72,341	62,300	59,269	135,579	131,610
Inter-segment revenue	14,867	12,884	15,512	14,785	30,379	27,669
Reportable segment revenue	88,146	85,225	77,812	74,054	165,958	159,279
Reportable segment loss	(7,050)	(19,258)	(13,185)	(18,423)	(20,235)	(37,681)
Other revenue and net gain					6,091	5,040
Finance costs					(89)	(90)
Share of loss of a joint venture					(784)	(1,766)
Loss before taxation					(15,017)	(34,497)

4. LOSS BEFORE TAXATION

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

<i>(in HK\$'000)</i>	Unaudited Six months ended 30 September	
	2017	2016
Depreciation	9,407	9,596
Impairment losses on property, plant and equipment	–	867
Interest on bank loans and bank advances	89	90
Provision for onerous operating lease contracts utilised	(5,418)	–
	—————	—————

5. INCOME TAX

<i>(in HK\$'000)</i>	Unaudited Six months ended 30 September	
	2017	2016
Current tax		
Hong Kong Profits Tax	50	35
Outside Hong Kong	152	371
	—————	—————
Deferred tax	202	406
Origination and reversal of temporary differences	(113)	367
	—————	—————
	89	773
	—————	—————

The provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the six months ended 30 September 2017. 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 (2016/2017: HK1 cent) per share for the year ending 31 March 2018 payable to the shareholders on the register of members of the Company at the close of business on 5 January 2018. The relevant dividend warrants will be despatched to the shareholders on 12 January 2018.

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\$15,066,000 (2016: HK\$35,270,000) and the weighted average number of 287,930,000 (2016: 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 2017 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 allowance for doubtful debts), based on invoice date, is as follows:

<i>(in HK\$'000)</i>	As at 30 September 2017 (Unaudited)	As at 31 March 2017 (Audited)
Within 30 days	6,945	6,631
Between 31 to 90 days	851	1,554
Between 91 to 180 days	83	261
Between 181 to 365 days	–	119
	7,879	8,565

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:

<i>(in HK\$'000)</i>	As at 30 September 2017 (Unaudited)	As at 31 March 2017 (Audited)
Within 30 days	3,429	4,970
Between 31 to 90 days	532	315
Over 90 days	3,250	176
	7,211	5,461

MARKET OVERVIEW

Resumed acceleration in China's economic growth and the country's stronger currency led to a recovery in mainland Chinese tourist arrivals to Hong Kong for the first nine months of 2017, but the trend barely buoyed up the city's overall retail market. It was because Hong Kong people remained cautious about spending. This was reflected in a mere year-on-year increase of 0.91% in the sales at all types of the city's retail outlets during the period, according to the Census and Statistics Department of the Hong Kong Special Administrative Region. As a case in point, sales at wearing apparel retail outlets in the city even edged down by about 1.124% year on year to about HK\$36.59 billion in the first nine months of 2017. This was despite the rebound in tourist arrivals from mainland China. The number of visits by the mainland Chinese tourists to Hong Kong increased by 2.5% year on year to about 32.50 million in the first nine months of 2017, against the year-on-year decline of 8.7% during the same period of 2016, according to the Hong Kong Tourism Board. However, the figure did not reach the level of about 34.75 million for the first nine months of 2015. The growing trend towards a higher proportion of the mainland Chinese tourists with lower spending power might not contribute much to the sales of deluxe goods in the city, not to mention the persistently high rents that weighed on luxury goods retailers' profitability.

In mainland China, retail of apparel, shoes, headwear and knitted products rose by 7.2% year on year to about RMB1.05 trillion in the first nine months of 2017, compared with the 7.2% growth in the same period of 2016 (source: National Bureau of Statistics of the People's Republic of China).

RESULTS

The main business of Moiselle International Holdings Limited ("Moiselle" or the "Company", which together with its subsidiaries is referred to as the "Group") is retailing women's fashion apparel and menswear to high-end and upper-middle markets. During the financial period of the first six months ended 30 September 2017 (the "Period"), the Group recorded slight increases in revenues at its operations in Hong Kong, mainland China and Macau, bucking the downtrend in the past three financial years ended 31 March of 2015, 2016 and 2017. The recovery in sales at the operations in the three places was attributable to the resumed acceleration in China's economic growth and, in the case of the operations in Hong Kong and Macau, the stronger renminbi that incentivized the Chinese to spend outside the mainland.

During the Period, the Group derived about 54% of its revenue from Hong Kong, where exorbitant rents at shop spaces, high labour cost and the commitment to marketing activities to promote brands and products weighed on its profitability. In mainland China, where the Group generated 17% of its revenue from sales, consumer sentiment was somewhat encouraged by the resumed acceleration in economic growth. However, the Group's mainland China-based operations, which are located in the first- and second-tier cities, were under strain as they had to cope with the high costs of leasing shop spaces and hiring staff. The remaining 29% of the Group's revenue was contributed by sales in Macau, Taiwan and Singapore.

For the Period, the Group recorded a year-on-year increase of 3% in revenue to approximately HK\$136 million. The loss attributable to the equity shareholders of the Company narrowed to approximately HK\$15 million for the Period from HK\$35 million for the six months ended 30 September 2016 ("the same period of the Previous Financial Year"). Gross profit margin was 75% for the Period, compared with the 79% in the same period of the Previous Financial Year.

BUSINESS REVIEW

To mark its 20th anniversary this year, the Group reinforced its house brands, *MOISELLE*, *m.d.m.s.* and *GERMAIN* by developing women's apparel with elegant cut and fine craftsmanship representative of its positioning and distinctive style. For instance, following a fashion show it held in April 2017, the Group organized a large-scale fashion show in September in Duddell Street, Central, Hong Kong, where celebrities and famous models wore and paraded its new products. The event was well received by the audience, which also included celebrities as guests of honour. The Group also consolidated its business presence in mainland China by participating in the Shanghai Fashion Week which was organized by the Shanghai Fashion Designers Association ("上海服裝設計協會") and the Shanghai International Fashion Center ("上海國際服裝服飾中心") and hosted by the Shanghai Municipal Government in Shanghai in October. *MOISELLE* was honoured to be the brand featured in the opening show of the event and presented the new product series of *MOISELLE* and *Rosamund MOISELLE* for the spring/summer of 2018 to an audience of 800.

As part of its diverse-product, multi-brand strategy, the Group stepped up its efforts to market the accessories and leather goods under *LANCASTER* and opened a shop in Festival Walk in Kowloon Tong and a pop-up counter in Sogo, a shopping centre in Causeway Bay. It also introduced products of a wider price range and new product series to the market so as to broaden its customer base. For instance, the Group shifted its focus to the market of young customers in Hong Kong by gearing some of its products towards their tastes.

To cope with the difficult operating market environment for the previous three financial years, the Group had been implementing various measures, including the rationalization of its retail network through the closure of underperforming stores or relocation; stringent cost management; cost-effective sales and marketing initiatives such as the provision of a VIP club membership service (organizing the members' visits to its product showrooms for purchasing goods) in Hong Kong and the adoption of an online-to-offline business model through an alliance with a mainland Chinese online shopping website operator and by leveraging social media through cooperation with key opinion leaders. In Hong Kong, where the high rents have been undercutting retailers' competitiveness and profitability, the Group had succeeded in negotiating for lower rents for some shop spaces in the streets. In some of its shops at malls where landlords were supportive to the Group, the Group had obtained permission to offer several diffusion lines under one roof. All these measures were aimed at raising efficiency.

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 such as *LANCASTER*. 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 2017, the Group had 63 stores and counters in Hong Kong, first- and second-tier cities of mainland China, Macau, Taiwan and Singapore, down from 75 as at 31 March 2017 because it rationalized 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 recovered from the slump in previous years with a small growth, mainly benefiting from the rising number of mainland visitor arrivals. However, the Group's business was affected by the low growth in local spending, which could be attributable to the intense competition from electronic commerce. As a result, sales at the Group's business in Hong Kong grew slightly, by 1% year on year, to approximately HK\$73,279,000, which accounted for about 54% of its total revenues. To maintain the overall rental cost at a reasonable level and improve the stores' per-square meter sales performance in Hong Kong, the Group restructured its sales network by closing down stores 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 promotional

events. Meanwhile, the Group strengthens its marketing efforts by encouraging customers to place orders for selected items during fashion shows. The moves were aimed at increasing engagement with the long-term consumers and, thus, at maintaining the customer loyalty. To celebrate its 20th anniversary, the Group showcased its classic designs and debuted the latest collections by organizing a fashion show in the street of Central in September with huge support of the celebrities and notables in the fashion industry. The Group pressed ahead with its diverse-product, multi-brand strategy by reinforcing its own brands *MOISELLE* and *Rosamund MOISELLE*. It also stepped up the development of the brand *LANCASTER* by opening more shops under that brand in the city.

The sales revenue were contributed by the Group's 9 *MOISELLE*, 6 *m.d.m.s.* and 5 *LANCASTER* retail stores and 1 outlet for the Period (As at 31 March 2017: 9 *MOISELLE*, 6 *m.d.m.s.*, 3 *COCCINELLE*, 2 *GERMAIN* and 1 *LANCASTER* retail stores as well as 2 outlets).

Operations in mainland China

During the Period, China's consumer sentiment improved as the country's economic growth for the whole year of 2017 seemed likely to buck the trend of slowdown from 2010 to 2016. As a result, sales at the Group's operations in the country increased slightly, by 1% year on year, to approximately HK\$23,603,000 and accounted for 17% of the Group's turnover for the Period. The luxury retail industry in China, especially in the country's first- and second-tier cities, had to cope with high rents and rising wages. To cope with the tough operating environment, the Group has been particularly cautious about its operating expenses, and rationalized its retail network by closing down some shops and relocating some others to spaces with lower rents. It also diversified its apparel products by adding new elements and reinforcing its brand concepts. Its brand *Rosamund MOISELLE* featured an iconic celebrity Ms. Rosamund Kwan as both its spokesperson and a provider of the design concept of its products. In 2017, the SS18 collections under the brands *MOISELLE* and *Rosamund MOISELLE* for the spring/summer of 2018 were debuted in the opening show of Shanghai Fashion Week. The Group 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, China's most popular online shopping website, and sought for opportunities to open its stores on the websites of other well-known online retailers. To reinforce its online marketing efforts, the Group continued to leverage 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. The moves helped to reach potential customers and enhance the brand awareness.

As at 30 September 2017, the Group operated 14 *MOISELLE* and 1 *GERMAIN* retail stores (As at 31 March 2017: 22 *MOISELLE* and 1 *GERMAIN* retail stores) in the country.

Operations in Macau

Macau's retail market, which depends on the mainland Chinese tourist consumption, gradually climbed out of the trough during the first nine months ended 30 September 2017. Visitor arrivals from the country in the city rose by 6.3% year on year to about 16.09 million for the period (source: Statistics and Census Service (DSEC) of the Macau Government) on the back of the resumed acceleration in the country's economic growth. During the Period, the Group operated five shops at the Venetian Macao Resort Hotel and one shop at the Parisian Macao Hotel, including 2 concept stores, *M CONCEPT*, 2 *MOISELLE*, 1 *m.d.m.s.* and 1 *LANCASTER* retail stores in the city (As at 31 March 2017: 2 concept stores, *M CONCEPT*, 2 *MOISELLE*, 1 *m.d.m.s.* and 1 *Coccinelle* retail stores). The combined revenue generated by the six retail stores increased by 18% year on year to approximately HK\$21,166,000, or about 16% of the Group's revenue.

Operations in Taiwan

The Group operated 10 *MOISELLE*, 2 *m.d.m.s.* and 1 *LANCASTER* retail stores as well as 3 outlets as at 30 September 2017 in Taiwan (As at 31 March 2017: 10 *MOISELLE*, 2 *m.d.m.s.* and 1 *LANCASTER* retail stores as well as 4 outlets). The Group's operations in Taiwan generated revenues of approximately HK\$12,349,000, down by 10% year on year and accounting for approximately 9% of the Group's total revenue for the Period. The Group closed one outlet during the Period to rationalize its retail network.

Operations in Singapore

The Group's business in Singapore recorded performance improvement, a year-on-year 25% increase in revenue to approximately HK\$5,182,000 during the Period. As of 30 September 2017, the Group ran 2 *MOISELLE*, 1 *m.d.m.s.* and 1 *GERMAIN* stores as well as 1 concept store, *M CONCEPT*. It closed one outlet during the Period to rationalize its retail network.

OUTLOOK

The Group saw its operations in Hong Kong, mainland China and Macau improve together during the financial period of the first six months ended 30 September 2017 as China's economic growth accelerated again. The improved sales performance can also be attributable to its own measures to raise efficiency.

The Group expects the momentum of its business performance to continue well into the second half of the financial year ending 31 March 2018, but it will still have to cope with the persistent problems of the high rents and labour costs that have been weighing on its profitability. It will step up its diverse-product, multi-brand strategy, and continue with its cost management measures and cost-effective marketing and sales initiatives.

To celebrate its 20th anniversary this year, the Group will reinforce the positioning and distinctive fashion style of its house brands, and is planning for the launch of new product series under such brands in 2018. Meanwhile, it will also strengthen the business of the LANCASTER brand.

As to its sales and marketing efforts, it will enhance its sales channels by improving the services at its shops and by expanding its online retail and marketing operations. For instance, it plans to open its online store under the brands of *MOISELLE* and *Rosamund MOISELLE* at the e-commerce website VIP.com, which specializes in online discount sales and is operated by Vipshop (“唯品會” in Chinese). It will also continue leveraging the social media to promote its brands and products.

All these measures are aimed at coping with the difficulties in the market and at enhancing the Group’s potential for long-term growth. The Group will monitor closely the economic conditions and fashion trends in the markets and may adjust the above plans to keep abreast of changes in the market.

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\$69 million (31 March 2017: HK\$83 million). As at 30 September 2017, the Group maintained aggregate composite banking facilities other than secured bank loans of approximately HK\$53 million (31 March 2017: HK\$54 million) with various banks, of which approximately HK\$3 million (31 March 2017: HK\$5 million) was utilised.

The Group continues to enjoy healthy financial position. As at 30 September 2017, the current ratio (current assets divided by current liabilities) was approximately 2.7 times (31 March 2017: 2.7 times) and the gearing ratio (aggregate of bank borrowings and finance lease payables divided by shareholders’ equity) was approximately 1.3% (31 March 2017: 1.3%).

Charge on assets

As at 30 September 2017, leasehold land and buildings with a carrying value of approximately HK\$23 million (31 March 2017: HK\$23 million) were pledged to secure bank loans granted to the Group.

EMPLOYEE

As at 30 September 2017, the Group employed 480 (31 March 2017: 562) 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.

OTHER INFORMATION

DIRECTORS

The directors during the period and up to the date of this report were:

Executive directors

Mr. Chan Yum Kit
Ms. Tsui How Kiu, Shirley
Mr. Chan Sze Chun

Independent non-executive directors

Ms. Yu Yuk Ying, Vivian
Mr. Chu Chun Kit, Sidney
Ms. Wong Shuk Ying, Helen

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 September 2017, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of director	Beneficial interest in shares	Approximate percentage of interests	Nature of interest
Mr. Chan Yum Kit	190,872,000	66.29%	Corporate/Family
	2,100,000	0.73%	Family
	2,100,000	0.73%	Personal
			<i>(Notes (1) and (2))</i>
Ms. Tsui How Kiu, Shirley	190,872,000	66.29%	Corporate/Family
	2,100,000	0.73%	Family
	2,100,000	0.73%	Personal
			<i>(Notes (1) and (2))</i>
Mr. Chan Sze Chun	900,000	0.31%	Personal
Ms. Wong Shuk Ying, Helen	30,000	0.01%	Personal

Notes:

- (1) 190,000,000 of these shares are held by Super Result Consultants Limited ("Super Result"). The share capital of Super Result is beneficially owned by Mr. Chan Yum Kit ("Mr. Chan") and Ms. Tsui How Kiu, Shirley ("Ms. Tsui") as to 46.7% and 46.7% respectively. Each of Mr. Chan and Ms. Tsui will therefore be deemed interested in the 190,000,000 shares held by Super Result as corporate interest.

872,000 of these shares are held by New First Investments Limited ("New First"). The share capital of New First is beneficially owned by Mr. Chan and Ms. Tsui as to 50% and 50% respectively. Each of Mr. Chan and Ms. Tsui will therefore be deemed interested in the 872,000 shares held by New First as corporate interest.

- (2) Since Mr. Chan and Ms. Tsui are married to each other, Mr. Chan will be deemed interested in the shares which Ms. Tsui is deemed interested in as family interest, and vice versa.

In addition to the above, one director has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Group. Certain director also has beneficial interest in non-voting deferred shares practically carrying no rights to dividends or to receive notice of or to attend or vote at any general meeting or to participate in any distribution or winding up in a subsidiary.

Apart from the foregoing, as at 30 September 2017, none of the directors or the chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, as recorded in the register kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Apart from the foregoing, at no time during the six months ended 30 September 2017 was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or the chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 September 2017, the interests or short positions of the following shareholder, other than the directors and the chief executive of the Company, in the shares or underlying shares of the Company which have been disclosed to the Company pursuant to Part XV of the SFO have been recorded in the register kept by the company under section 336 of the SFO:

Name of shareholder	Aggregate long position in shares	Approximate percentage of aggregate interests to total issued shares
Super Result	190,000,000	65.99% <i>(Note)</i>

Note: The share capital of Super Result is beneficially owned by Mr. Chan and Ms. Tsui as to 46.7% and 46.7% respectively.

Apart from the foregoing, and other than the directors and the chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interests in securities" above, no person was recorded in the register kept by the Company under section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 30 September 2017.

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 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, one independent non-executive director of the Company, Ms. Yu Yuk Ying, Vivian was unable to attend the annual general meeting of the Company held on 13 September 2017.

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 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3 January 2018 to 5 January 2018, 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, 2 January 2018.

By Order of the Board
Chan Yum Kit
Chairman

Hong Kong, 29 November 2017