



MOISELLE

MOISELLE INTERNATIONAL HOLDINGS LIMITED
(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

INTERIM REPORT 2018/2019

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

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

**HEAD OFFICE AND PRINCIPAL PLACE
OF BUSINESS**

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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

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 2018, together with the comparative figures for the corresponding period in 2017, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| <i>(in HK\$'000)</i> | <i>Note</i> | Unaudited Six months ended 30 September 2018 | 2017 |
|---|-------------|---|------------|
| Revenue | 2 | 122,181 | 135,579 |
| Cost of sales | | (27,129) | (33,692) |
| Gross profit | | 95,052 | 101,887 |
| Other revenue | | 3,096 | 3,764 |
| Other net gain | | 4 | 2,327 |
| Selling and distribution costs | | (95,065) | (89,878) |
| Administrative and other operating expenses | | (35,994) | (32,244) |
| Loss from operations | | (32,907) | (14,144) |
| Finance costs | | (281) | (89) |
| Share of profit/(loss) of a joint venture | | 131 | (784) |
| Gain on disposal of property | 3 | 5,863 | – |
| Loss before taxation | 4 | (27,194) | (15,017) |
| Income tax | 5 | 524 | (89) |
| Loss for the period | | (26,670) | (15,106) |
| Attributable to: | | | |
| Equity shareholders of the Company | | (26,764) | (15,066) |
| Non-controlling interests | | 94 | (40) |
| Loss for the period | | (26,670) | (15,106) |
| Loss per share | 6 | | |
| Basic and diluted | | HK\$(0.09) | HK\$(0.05) |

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

| | Unaudited | |
|---|-------------------------|-----------------|
| | Six months ended | |
| <i>(in HK\$'000)</i> | 30 September | |
| | 2018 | 2017 |
| Loss for the period | (26,670) | (15,106) |
| Other comprehensive income for the period | | |
| (after tax) | | |
| <i>Item that may be reclassified subsequently</i> | | |
| <i>to profit or loss:</i> | | |
| Exchange differences on translation of | | |
| financial statements of subsidiaries outside | | |
| Hong Kong | <u>(6,909)</u> | 1,535 |
| Total comprehensive income for the period | <u>(33,579)</u> | <u>(13,571)</u> |
| Attributable to: | | |
| Equity shareholders of the Company | (33,673) | (13,531) |
| Non-controlling interests | <u>94</u> | <u>(40)</u> |
| Total comprehensive income for the period | <u>(33,579)</u> | <u>(13,571)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| <i>(in HK\$'000)</i> | <i>Note</i> | As at 30 September 2018 (Unaudited) | As at 31 March 2018 (Audited) |
|--|-------------|--|--|
| Non-current assets | | | |
| Investment properties | | 160,603 | 196,628 |
| Property, plant and equipment | | 445,261 | 449,190 |
| Interest in a joint venture | | – | – |
| Other assets | | 24,966 | 13,565 |
| Deferred tax assets | | 3,958 | 3,437 |
| | | 634,788 | 662,820 |
| Current assets | | | |
| Inventories | | 50,428 | 49,204 |
| Trade and other receivables | 8 | 40,972 | 44,096 |
| Tax recoverable | | – | 29 |
| Cash and bank deposits | | 47,206 | 62,173 |
| | | 138,606 | 155,502 |
| Current liabilities | | | |
| Trade and other payables | 9 | 45,130 | 42,918 |
| Tax payable | | 44 | 89 |
| Secured bank loans | | 6,782 | 7,073 |
| Provisions | | 1,818 | 1,898 |
| | | 53,774 | 51,978 |
| Net current assets | | 84,832 | 103,524 |
| Total assets less current liabilities | | 719,620 | 766,344 |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 92,309 | 94,254 |
| NET ASSETS | | 627,311 | 672,090 |
| Capital and reserves | | | |
| Share capital | | 2,880 | 2,880 |
| Reserves | | 624,961 | 669,834 |
| Total equity attributable to equity shareholders of the Company | | 627,841 | 672,714 |
| Non-controlling interests | | (530) | (624) |
| TOTAL EQUITY | | 627,311 | 672,090 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Unaudited | | | | | | | | | |
|--|--|---------------|---------------|------------------|-------------------------|--|------------------|----------------|---------------------------|----------------|
| | Six months ended 30 September | | | | | | | | | |
| | Attributable to equity shareholders of the Company | | | | | | | | | |
| <i>(in HK\$'000)</i> | Share capital | Share premium | Other reserve | Exchange reserve | Statutory reserve funds | Land and buildings revaluation reserve | Retained profits | Total | Non-controlling interests | Total equity |
| 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> |
| Balance at 1 April 2018 | 2,880 | 65,327 | 121 | 30,088 | 9,336 | 400,651 | 164,311 | 672,714 | (624) | 672,090 |
| Changes in equity for the six months ended 30 September 2018: | | | | | | | | | | |
| Amount transferred from deferred tax liabilities on disposal | - | - | - | - | - | 317 | - | 317 | - | 317 |
| Dividend approved in respect of the previous year | - | - | - | - | - | - | (11,517) | (11,517) | - | (11,517) |
| Revaluation surplus transferred to retained profits on disposal | - | - | - | - | - | (1,924) | 1,924 | - | - | - |
| Total comprehensive income for the period | - | - | - | (6,909) | - | - | (26,764) | (33,673) | 94 | (33,579) |
| Balance at 30 September 2018 | <u>2,880</u> | <u>65,327</u> | <u>121</u> | <u>23,179</u> | <u>9,336</u> | <u>399,044</u> | <u>127,954</u> | <u>627,841</u> | <u>(530)</u> | <u>627,311</u> |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | Unaudited Six months ended 30 September | |
|---|--|----------|
| <i>(in HK\$'000)</i> | 2018 | 2017 |
| Operating activities | | |
| Cash used in operations | (38,511) | (9,346) |
| Tax paid | (1,595) | (269) |
| Net cash used in operating activities | (40,106) | (9,615) |
| Investing activities | | |
| Payment for the purchase of property, plant and equipment | (2,966) | (1,332) |
| Proceeds from disposal of property, plant and equipment | 41,693 | – |
| Other cash flows arising from investing activities | 304 | 879 |
| Net cash generated from/(used in) investing activities | 39,031 | (453) |
| Financing activities | | |
| Dividend paid to equity shareholders of the Company | (11,517) | (5,759) |
| Repayment of bank loans | (291) | (290) |
| Other cash flows arising from financing activities | (281) | (89) |
| Net cash used in financing activities | (12,089) | (6,138) |
| Net decrease in cash and cash equivalents | (13,164) | (16,206) |
| Cash and cash equivalents at beginning of the period | 62,173 | 83,318 |
| Effect of foreign exchange rate changes | (1,803) | 1,395 |
| Cash and cash equivalents at end of the period | 47,206 | 68,507 |
| Analysis of balance of cash and cash equivalents | | |
| Deposits with banks within three months to maturity when placed | 16,092 | 18,236 |
| Cash at bank and in hand | 31,114 | 50,271 |
| Cash and bank deposits in the consolidated statement of financial position and cash and cash equivalents in the condensed consolidated cash flow statement | 47,206 | 68,507 |

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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.

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 2018, 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 April 2018 and are adopted for the first time by the Group.

The Group has applied the following standards and amendments which are effective for the Group's financial reporting period beginning on or after 1 April 2018 but did not result in any significant impact on the results and financial position of the Group:

HKFRS 9, *Financial instruments*

HKFRS 15, *Revenue from contracts with customers*

HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

HKFRS 9, Financial instruments

HKFRS 9 replaces the previous standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities.

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit loss, depending on the asset and the facts and circumstances.

The Group has assessed the expected credit loss model applied as at 1 April 2018 and the change in impairment methodologies has no significant impact of the Group's consolidated interim financial statements and the opening accumulated impairment loss is not restated in this respect.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 replaces the previous revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts.

The impact upon initial adoption of HKFRS 15 is not material on the Group's consolidated interim financial statements, except for certain disclosure of information.

2. REVENUE AND 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.

The Group's revenue is recognised at a point in time.

| <i>(in HK\$'000)</i> | Unaudited Six months ended 30 September | | | | | |
|---|--|---------|----------------------|----------|-----------------|----------|
| | Hong Kong | | Outside Hong Kong | | Total | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenue from external customers | 67,345 | 73,279 | 54,836 | 62,300 | 122,181 | 135,579 |
| Inter-segment revenue | 11,714 | 14,867 | 18,660 | 15,512 | 30,374 | 30,379 |
| Reportable segment revenue | 79,059 | 88,146 | 73,496 | 77,812 | 152,555 | 165,958 |
| Reportable segment loss | (17,898) | (7,050) | (18,109) | (13,185) | (36,007) | (20,235) |
| Other revenue and net gain | | | | | 8,963 | 6,091 |
| Finance costs | | | | | (281) | (89) |
| Share of profit/(loss) of a joint venture | | | | | 131 | (784) |
| Loss before taxation | | | | | (27,194) | (15,017) |

3. GAIN ON DISPOSAL OF PROPERTY

On 30 May 2018, the Group entered into a binding provisional agreement for sale and purchase to dispose of an investment property in Hong Kong at a consideration of HK\$42,048,000. Further details in relation to the disposal were set out in the Company's announcements dated 30 May 2018 and 13 June 2018. The disposal was completed on 13 July 2018 and gain on disposal of HK\$5,863,000 was recognised in the consolidated statement of profit or loss.

4. LOSS BEFORE TAXATION

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

| <i>(in HK\$'000)</i> | Unaudited Six months ended 30 September | |
|---|--|--------------|
| | 2018 | 2017 |
| Depreciation | 9,828 | 9,407 |
| Impairment losses on property, plant and equipment | 57 | – |
| Interest on bank loans and bank advances | 281 | 89 |
| Reversal of provision for onerous operating lease contracts | (80) | (5,418) |
| | _____ | _____ |

5. INCOME TAX

| <i>(in HK\$'000)</i> | Unaudited Six months ended 30 September | |
|---|--|--------------|
| | 2018 | 2017 |
| Current tax | | |
| Hong Kong Profits Tax | 30 | 50 |
| Outside Hong Kong | 1,595 | 152 |
| | _____ | _____ |
| | 1,625 | 202 |
| Deferred tax | | |
| Origination and reversal of temporary differences | (2,149) | (113) |
| | _____ | _____ |
| | (524) | 89 |

The provision for Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the six months ended 30 September 2018. 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. 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\$26,764,000 (2017: HK\$15,066,000) and the weighted average number of 287,930,000 (2017: 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 2018 and for the comparative period as there were no dilutive potential ordinary shares in issue during the periods.

7. INTERIM DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 30 September 2018. For the six months ended 30 September 2017, an interim dividend of HK1 cent per share was declared and paid.

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 2018 (Unaudited) | As at 31 March 2018 (Audited) |
|-------------------------|--|--|
| Within 30 days | 6,756 | 10,783 |
| Between 31 to 90 days | 996 | 1,685 |
| Between 91 to 180 days | – | 486 |
| Between 181 to 365 days | 115 | 167 |
| | 7,867 | 13,121 |

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 2018 (Unaudited) | As at 31 March 2018 (Audited) |
|-----------------------|--|--|
| Within 30 days | 4,593 | 3,301 |
| Between 31 to 90 days | 612 | 625 |
| Over 90 days | 3,204 | 3,419 |
| | 8,409 | 7,345 |

10. CAPITAL COMMITMENTS

Capital commitments outstanding at 30 September 2018 not provided for in the financial statements were as follows:

| <i>(in HK\$'000)</i> | As at 30 September 2018 (Unaudited) | As at 31 March 2018 (Audited) |
|----------------------|--|--|
| Contracted for | 692 | 42 |

MARKET OVERVIEW

Year-on-year growth in the number of visits by mainland Chinese tourists to Hong Kong accelerated significantly to 12.7% in the first nine months of 2018 from 2.5% in the first nine months of 2017, according to the Hong Kong Tourism Board. The growth apparently boosted the value of retail sales of wearing apparel at the retail outlets in Hong Kong for the period, which grew by about 8.36% year on year, to about HK\$39.65 billion, according to the Census and Statistics Department of the Hong Kong Special Administrative Region. However, a growing trend towards a higher proportion of mainland tourists with lower spending power also means that not all apparel retailers, especially the high-end ones, can benefit from the accelerated growth in mainland tourist arrivals in Hong Kong. Meanwhile, the consumption patterns of the younger generation, which has been emerging as important consumers who prefer to shop online, has exerted pressure on the conventional brick-and-mortar retail shops. Fashion apparel companies, in particular, which want to stay competitive probably need to take a two-pronged approach, namely to enhance the shopping experience at their physical retail outlets and, at the same time, to develop and expand their online marketing and sales operations. The latter of the two measures can also serve as a means to alleviate the downward pressure of the city's persistently high rents on their profits.

In mainland China, consumer sentiment seemed to have been affected by the country's ongoing trade war with the United States as year-on-year growth in retail sales decelerated to 9.3% in the first nine months of 2018 from 10.4% in the first nine months of 2017 (source: National Bureau of Statistics of the People's Republic of China).

RESULTS

Moiselle International Holdings Limited ("Moiselle" or the "Company", which together with its subsidiaries is referred to as the "Group") mainly engages in 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 2018 (the "Period"), the Group recorded a loss of HK\$26,764,000 attributable to the shareholders of the Company for the Period as its profitability was affected by the fierce competition from electronic commerce and the high rents for shop spaces in Hong Kong and mainland China. As a result, loss from its operations increased by approximately 133% year on year despite the rationalization of the retail network and cost management measures.

Turnover decreased by 10% year on year to HK\$122 million for the Period as the Group recorded decreases in revenue from its operations in all geographical markets except Macau.

The Group's businesses in Hong Kong accounted for 55% of its turnover while that in mainland China contributed to 16%. Operations in Macau, Taiwan and Singapore made up 29% of the Group's revenue. Gross profit margin was 78% for the Period, compared with the 75% for the six months ended 30 September 2017 ("the same period of the Previous Financial Year").

BUSINESS REVIEW

The rapidly growing popularity of online shopping has affected both the footfall and business at fashion apparel firms' brick-and-mortar retail shops. To stay competitive, the Group has taken a three-pronged approach, namely the enhancement of the shopping experience at retail outlets, the expansion of its electronic commerce business and stepping up its effort to create and market trendy and stylish fashion.

The Group has changed the mode of operations at its shops from merely selling goods to enhancing the shopping experience. For instance, the Group opened *THE EARTH STORE* at the Elements, a large shopping mall in West Kowloon, Hong Kong in March of 2018. Such elements as lifestyle, art and environmental awareness have been incorporated into the store's interior decoration and the theme activities and marketing campaigns conducted there.

To cope with the increasing competition from electronic commerce, the Group expanded its online retail and marketing operations. In October 2018, the Group opened an online platform for sales and marketing in WeChat Mall on a popular social media WeChat in mainland China. On that online platform, the Group places advertisements for its products in the form of banners and conducted marketing activities. The move followed the Group's earlier efforts to develop electronic commerce: In November 2017, it opened its online store under the brands of *MOISELLE* and *Rosamund MOISELLE* at the electronic commerce website VIP.com, which specializes in online discount sales and is operated by Vipshop ("唯品會" in Chinese). Back in November 2016, the Group opened its online store under the *MOISELLE* brand at Tmall, one of China's popular online shopping websites. The efforts yielded good results as the Group's online sales grew by about 280% year on year during the Period. It also continued to leverage the social media to promote its brands and products through cooperation with some celebrities and key opinion leaders.

To keep pace with the fast-changing fashion trends, the Group conducted events such as fashion shows more frequently to debut more new products while maintaining its distinctive designs. For instance, it organized a fashion show titled "Stop the Air Traffic" at Hong Kong International Airport in August 2018. Celebrities and famous models wore and paraded its new products at the event, which was the third in a series of fashion shows under the theme "Stop the Traffic". The earlier two were "Stop the Traffic" in Duddell Street and "Stop the Sea Traffic" in Victoria Harbour.

The Group also strengthened 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 2018. In the event, the new product series of *MOISELLE* and *Rosamund MOISELLE* for the spring/summer of 2019 were shown. Under the *Rosamund MOISELLE* brand, the Group debuted such new products as sportswear and down apparel that incorporated fashion elements.

To reinforce the images of its house brands *MOISELLE* and *Rosamund MOISELLE*, the Group and the famous photographer Russell James jointly organized a photography exhibition, *Iconics*, in Shanghai as part of a contemporary art fair Art021 in November 2018. The exhibition featured Russell James’ photographs of celebrities and movie stars that accentuated the subjects’ personalities. Among the subjects photographed was Ms. Rosamund Kwan, who is both the spokesperson and a provider of the design concept of *Rosamund MOISELLE*’s products.

Meanwhile, the Group continued to pursue its diverse-product, multi-brand strategy by strengthening the operation of its *m.d.m.s* stores and *M Concept* stores where the Group sold its diffusion lines under one roof. It opened an *M Concept* store at a shopping mall called PopCorn in Tseung Kwan O in May 2018. It also increased its efforts to market and sell the accessories and leather goods under a French brand *LANCASTER* through distributorship by opening one more shop under the brand in Hong Kong. Moreover, the Group has been shifting its focus to the market of young customers in Hong Kong by gearing some of its products towards their tastes and by introducing products of a wider price range.

To adapt itself to 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 alliances with mainland Chinese online shopping website operators such as Tmall, Vipshop and WeChat Mall by leveraging social media.

For its endeavors to develop business, the Group is honoured to obtain the “Listed Company Awards of Excellence for 2018” from Hong Kong Economic Journal and “2018 Listed Companies Distinguished Awards” from TVB Finance & Information Channel.

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 a French 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 30 September 2018, the Group operated 54 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 continued to rationalize its retail network in the difficult business environment.

REVIEW OF OPERATIONS BY LOCATION

Operations in Hong Kong

Intense competition from electronic commerce and the exorbitant rents for shop spaces still exerted severe pressure on the Group's business in Hong Kong during the Period.

To cope with the challenging operating environment, the Group enhanced the shopping experience at its retail stores by incorporating such elements as lifestyle, art and environmental awareness into interior decoration and stepped up efforts to create and market trendy, stylish fashion which were targeted at the city's young locals. For instance, it conducted marketing campaigns such as theme fashion shows to debut its latest products at the Hong Kong International Airport.

The Group also forged ahead with its diverse-product, multi-brand strategy. It continued to reinforce its own brands *MOISELLE* and *Rosamund MOISELLE* by running *THE EARTH STORE* and, at the same time, tried to bolster 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.

Other adopted measures included the rationalization of its retail network, negotiating for lower rents for some shop spaces in the streets and for permission to offer several diffusion lines under one roof at some shop spaces in shopping malls. The Group also continued to organize shopping visits by customers of its VIP club membership to its showrooms in Hong Kong as well as private promotional events.

Sales at the Group's business in Hong Kong decreased by 8% year on year to approximately HK\$67,345,000, which accounted for about 55% of its total revenue.

As at 30 September 2018, 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

In mainland China where electronic commerce had been gaining in popularity rapidly, 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 reinforced 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.

Sales at the Group's operations in the country decreased by 17% year on year to approximately HK\$19,607,000 and accounted for 16% of the Group's turnover for the Period.

As at 30 September 2018, the Group operated 16 *MOISELLE* retail stores in the country (As at 31 March 2018: 14 *MOISELLE* retail stores).

Operations in Macau

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 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 increased by 7% year on year to approximately HK\$22,657,000, accounting for about 19% of the Group's revenue.

Operations in Taiwan

The Group operated 7 *MOISELLE*, 1 *m.d.m.s.* and 1 *LANCASTER* retail stores as well as 2 outlets as at 30 September 2018 in Taiwan (As at 31 March 2018: 11 *MOISELLE*, 2 *m.d.m.s.* and 2 *LANCASTER* retail stores as well as 3 outlets). The Group's operations in Taiwan generated revenues of approximately HK\$8,949,000, down by 28% year on year and accounting for approximately 7% of the Group's total revenue for the Period.

Operations in Singapore

The Group's business in Singapore recorded a year-on-year decrease of 30% in revenue to approximately HK\$3,623,000 during the Period. As at 30 September 2018, the Group ran 2 *MOISELLE* stores and 1 *LANCASTER* retail store.

OUTLOOK

In the future, the Group will continue to gear itself up for the challenges from electronic commerce with a three-pronged approach, namely, enhancing the shopping experience at its retail outlets, expanding its online sales and marketing platform, and creating and marketing more trendy, stylish fashion that are targeted at the younger generation.

The Group will also continue with its diverse-product, multi-brand strategy. It will reinforce the brand images of its house brands while trying to boost sales of diffusion lines and the products of *LANCASTER* through distributorship.

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 and make appropriate adjustment to 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\$47 million (31 March 2018: HK\$62 million). As at 30 September 2018, the Group maintained aggregate composite banking facilities other than secured bank loans of approximately HK\$46 million (31 March 2018: HK\$53 million) with various banks, of which approximately HK\$5 million (31 March 2018: HK\$5 million) was utilised.

The Group continues to enjoy healthy financial position. As at 30 September 2018, the current ratio (current assets divided by current liabilities) was approximately 2.6 times (31 March 2018: 3.0 times) and the gearing ratio (aggregate of bank borrowings and finance lease payables divided by shareholders' equity) was approximately 1.1% (31 March 2018: 1.1%).

Charge on assets

As at 30 September 2018, leasehold land and buildings with a carrying value of approximately HK\$25 million (31 March 2018: HK\$26 million) were pledged to secure bank loans granted to the Group.

EMPLOYEE

As at 30 September 2018, the Group employed 464 (31 March 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.

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 2018, 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 | 193,616,000 | 67.24% | Corporate/Family |
| | 2,100,000 | 0.73% | Family |
| | 2,100,000 | 0.73% | Personal (Notes (1) and (2)) |
| Ms. Tsui How Kiu, Shirley | 193,616,000 | 67.24% | Corporate/Family |
| | 2,100,000 | 0.73% | Family |
| | 2,100,000 | 0.73% | Personal (Notes (1) and (2)) |
| 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.

3,616,000 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 3,616,000 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 2018, 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 2018 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 2018, 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% (Note) |

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 2018.

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 2018.

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 engagements external to the Company, one independent non-executive director of the Company, Ms. Wong Shuk Ying, Helen was unable to attend the annual general meeting of the Company held on 5 September 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the period of six months ended 30 September 2018.

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 2018.

By Order of the Board
Chan Yum Kit
Chairman

Hong Kong, 29 November 2018