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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 2016

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 2016 with comparative figures for the previous corresponding year are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	3	327,996	419,965
Cost of sales		<u>(73,387)</u>	<u>(70,422)</u>
Gross profit		254,609	349,543
Other revenue	5	8,923	8,881
Other net gain/(loss)	5	1,790	(1,200)
Selling and distribution costs		(255,918)	(273,822)
Administrative and other operating expenses		<u>(71,712)</u>	<u>(76,760)</u>
(Loss)/profit from operations		(62,308)	6,642
Finance costs	6	(158)	(1)
Valuation gains on investment properties		14,420	11,432
Valuation gains/(losses) on land and buildings held for own use		1,138	(1,750)
Share of loss of associate		(419)	(188)
Share of (loss)/profit of joint venture		<u>(4,087)</u>	<u>505</u>
(Loss)/profit before taxation	6	(51,414)	16,640
Income tax	7	<u>(5,101)</u>	<u>(5,309)</u>
(Loss)/profit for the year		<u>(56,515)</u>	<u>11,331</u>
Attributable to:			
Equity shareholders of the company		<u>(56,515)</u>	<u>11,331</u>
(Loss)/earnings per share	8		
Basic		<u>HK\$(0.20)</u>	<u>HK\$0.04</u>
Diluted		<u>HK\$(0.20)</u>	<u>HK\$0.04</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
(Loss)/profit for the year	(56,515)	11,331
Other comprehensive income for the year (after tax)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	(14,362)	(1,395)
<i>Items that will not be reclassified to profit or loss:</i>		
Surplus on revaluation of land and buildings held for own use	14,984	24,905
	622	23,510
Total comprehensive income for the year	(55,893)	34,841
Attributable to:		
Equity shareholders of the company	(55,893)	34,841

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		2016		2015	
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets					
Investment properties			146,415		126,509
Property, plant and equipment			390,375		395,567
Interest in an associate			851		965
Interest in a joint venture			–		–
Other assets			22,595		17,923
Deferred tax assets			6,187		8,375
			566,423		549,339
Current assets					
Inventories		57,700		70,479	
Trade and other receivables	10	37,528		51,149	
Tax recoverable		1,688		4,230	
Cash and bank deposits		138,983		183,892	
		235,899		309,750	
Current liabilities					
Trade and other payables	11	48,460		54,742	
Tax payable		1,286		758	
Secured bank loans		8,236		–	
Provisions		12,149		4,645	
		70,131		60,145	
Net current assets			165,768		249,605
Total assets less current liabilities			732,191		798,944
Non-current liabilities					
Deferred tax liabilities		73,403		69,867	
NET ASSETS			658,788		729,077
CAPITAL AND RESERVES					
Share capital			2,880		2,880
Reserves			655,908		726,197
TOTAL EQUITY			658,788		729,077

Notes:

1. Basis of preparation

The financial information set out in this announcement does not constitute the Group's financial statements for the year ended 31 March 2016, but is derived from these financial statements. These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These 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.

2. Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the Group did not operate any defined benefit plans.

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

3. Revenue

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

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

4. Segment reporting

The Group manages its businesses by geographical locations. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- The Hong Kong operation represents the sales of house brands and imported brands in Hong Kong.
- The Outside Hong Kong operation represents the manufacture of house brands in Mainland China and sales of house brands and imported brands in Mainland China, Macau, Taiwan and Singapore.

(i) Segment results

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

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

The measure used for reportable segment profit is profit from operations. Income tax is not allocated to reportable segments.

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2016 and 2015 is set out below:

	Hong Kong		Outside Hong Kong		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue from external customers	181,624	223,407	146,372	196,558	327,996	419,965
Inter-segment revenue	29,503	45,114	39,278	50,690	68,781	95,804
Reportable segment revenue	<u>211,127</u>	<u>268,521</u>	<u>185,650</u>	<u>247,248</u>	<u>396,777</u>	<u>515,769</u>
Reportable segment (loss)/profit	<u>(25,222)</u>	<u>21,972</u>	<u>(47,799)</u>	<u>(23,011)</u>	<u>(73,021)</u>	<u>(1,039)</u>
Interest income from bank deposits	61	281	1,938	3,274	1,999	3,555
Finance costs	(158)	(1)	-	-	(158)	(1)
Depreciation for the year	(10,255)	(10,727)	(10,912)	(13,422)	(21,167)	(24,149)
Impairment losses on property, plant and equipment	(1,776)	-	(5,303)	(5,641)	(7,079)	(5,641)
Provision for onerous contracts	(2,884)	-	(6,905)	(4,645)	(9,789)	(4,645)
(Impairment losses)/reversal of impairment losses on trade debtors	<u>-</u>	<u>-</u>	<u>(517)</u>	<u>164</u>	<u>(517)</u>	<u>164</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue		
Total revenue from reportable segments	396,777	515,769
Elimination of inter-segment revenue	<u>(68,781)</u>	<u>(95,804)</u>
Consolidated revenue	<u>327,996</u>	<u>419,965</u>
(Loss)/profit		
Reportable segment loss	(73,021)	(1,039)
Other revenue and net gain/(loss)	10,713	7,681
Finance costs	(158)	(1)
Valuation gains on investment properties	14,420	11,432
Valuation gains/(losses) on land and buildings held for own use	1,138	(1,750)
Share of loss of associate	(419)	(188)
Share of (loss)/profit of joint venture	<u>(4,087)</u>	<u>505</u>
Consolidated (loss)/profit before taxation	<u>(51,414)</u>	<u>16,640</u>

(iii) **Geographic information**

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

	Revenue from external customers		Specified non-current assets	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong (place of domicile)	181,624	223,407	377,125	381,616
Mainland China	60,125	89,668	154,902	133,651
Taiwan	34,993	43,436	782	640
Macau	41,438	53,596	4,037	5,141
Singapore	9,816	9,858	795	1,993
	146,372	196,558	160,516	141,425
	327,996	419,965	537,641	523,041

5. Other revenue and net gain/(loss)

	2016 HK\$'000	2015 HK\$'000
Other revenue		
Interest income from bank deposits	1,999	3,555
Gross rental income from investment properties	4,931	3,960
Service fee income	951	954
Others	1,042	412
	8,923	8,881
Other net gain/(loss)		
Net gain/(loss) on disposal of property, plant and equipment	122	(120)
Net exchange gain/(loss)	1,668	(1,080)
	1,790	(1,200)

6. (Loss)/profit before taxation is arrived at after charging:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on bank loans and bank advances	158	1
Depreciation	21,167	24,149
Staff costs (excluding directors' emoluments)	99,538	107,097
Operating lease charges in respect of land and buildings	<u>151,931</u>	<u>162,258</u>
7. Income tax		
	2016	2015
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	998	3,082
Over-provision in respect of prior years	(85)	(145)
	<u>913</u>	<u>2,937</u>
Current tax – Outside Hong Kong		
Provision for the year	2,333	1,385
Over-provision in respect of prior years	(280)	(414)
	<u>2,053</u>	<u>971</u>
Deferred tax		
Origination and reversal of temporary differences	<u>2,135</u>	<u>1,401</u>
	<u>5,101</u>	<u>5,309</u>

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by Government of the Hong Kong Special Administrative Region of 75% of the tax payable for the year of assessment 2015/16 subject to a maximum reduction of \$20,000 for each business. Taxation for the People's Republic of China ("the PRC") and overseas subsidiaries are charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

During the year ended 31 March 2016, the applicable tax rates for subsidiaries domiciled in the Mainland China, Taiwan and Singapore are 25% (2015: 25%), 17% (2015: 17%) and 17% (2015: 17%) respectively.

Macau complementary tax is levied at progressive rates ranging from 3% to 9% on the taxable income above MOP32,000 (equivalent to HK\$31,000) but below MOP300,000 (equivalent to HK\$291,000), and thereafter at a fixed rate of 12%. For the years ended 31 March 2016 and 2015, a special complementary tax incentive was provided to the effect that the tax free income threshold was increased from MOP32,000 to MOP600,000 (equivalent to HK\$31,000 to HK\$582,000) with profit above MOP600,000 (equivalent to HK\$582,000) being taxed at a fixed rate of 12%.

The Group is subject to withholding tax at a rate of 10% (unless reduced by treaty) on distribution of profits generated after 31 December 2007 from the Group's foreign-invested enterprises in the PRC. As all of the Group's foreign-invested enterprises are directly and wholly owned by Hong Kong incorporated subsidiaries, a reduced rate of 5% is applicable in the calculation of this withholding tax. Deferred tax liabilities of HK\$11,677,000 (2015: HK\$11,069,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits since these earnings are not intended to be distributed in the foreseeable future.

8. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$56,515,000 (2015: profit of HK\$11,331,000) and the weighted average number of 287,930,000 (2015: 287,930,000) ordinary shares in issue during the year.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share for the years ended 31 March 2016 and 2015 as there were no dilutive potential ordinary shares in issue during the years ended 31 March 2016 and 2015.

9. Dividends

The Board recommended the payment of a final dividend of two Hong Kong cents (2015: 4 Hong Kong cents) per ordinary share in respect of the year, payable on or before 15 September 2016 in cash to all shareholders whose names appear on the register of members of the Company at the closure of business on 8 September 2016.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interim dividend declared and paid of one Hong Kong cent per ordinary share (2015: 4 Hong Kong cents per ordinary share)	2,879	11,517
Final dividend proposed after the end of the reporting period of two Hong Kong cents per ordinary share (2015: 4 Hong Kong cents per ordinary share)	5,759	11,517
	<u>8,638</u>	<u>23,034</u>

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

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of 4 Hong Kong cents per share (2015: 8 Hong Kong cents per share)	11,517	23,035

10. Trade and other receivables

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade debtors	11,897	13,237
Less: Impairment losses on trade debtors	(517)	–
	11,380	13,237
Deposits, prepayments and other receivables	26,148	37,912
	37,528	51,149

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables and net of impairment losses on trade debtors), based on invoice date, is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	9,508	11,646
Between 31 to 90 days	1,606	1,521
Between 91 to 180 days	157	56
Between 181 to 365 days	109	14
	11,380	13,237

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

11. Trade and other payables

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	5,512	6,050
Other creditors and accrued charges	42,948	48,692
	<hr/>	<hr/>
	48,460	54,742
	<hr/> <hr/>	<hr/> <hr/>

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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	1,328	1,412
Between 31 to 90 days	3,155	3,843
Over 90 days	1,029	795
	<hr/>	<hr/>
	5,512	6,050
	<hr/> <hr/>	<hr/> <hr/>

12. Comparative figures

Provision for onerous contracts of HK\$4,645,000 included under “Trade and other payables” has been separately disclosed under “Provisions” to conform to current year’s presentation. The revised presentation reflects more appropriately the nature of the balance.

MARKET OVERVIEW

Mainland China's continued economic slowdown and policy to advocate frugality, coupled with the decrease in tourist arrivals in Hong Kong (especially those from mainland China), affected the retail, especially sales of luxury goods.

According to the Hong Kong Tourism Board, the number of visits by the mainland Chinese tourists to Hong Kong fell by 3.0% to about 45.8 million in 2015, outpacing the 2.5% decline in the total number of visitor arrivals to the city which was about 59.3 million. The situation worsened in the first quarter of 2016 when visits by the mainland Chinese tourists to Hong Kong slumped 15.1% year on year to about 10.4 million, once again exceeding the 10.9% year-on-year decline in the total number of visitor arrivals which was about 13.7 million.

The effect of the deteriorating tourist market spilled over into the retail of clothes. Sales at wearing apparel retail outlets in Hong Kong decreased by about 7.2% to about HK\$52.11 billion in 2015 from the HK\$56.16 billion in 2014. In the first quarter of 2016, the figure slumped 11.3% year on year to about HK\$13.65 billion from about HK\$15.39 billion in the first quarter of 2015. In addition, the growing trend towards a higher proportion of the mainland Chinese tourists with lower spending power, a strong Hong Kong dollar and the persistently high rents in the city weighed on the profitability of the retail of luxury goods there.

In mainland China, retail of apparel, shoes, headwear and knitted products grew by 9.8% to about RMB1.3 trillion in 2015, decelerating from the 10.9% growth in 2014 (Source: National Bureau of Statistics of the People's Republic of China).

OVERVIEW OF OPERATIONS

Mainly targeting deluxe apparel markets, the Group operates such house brands as *MOISELLE*, *m.d.m.s.* (*mademoiselle* was rebranded as *m.d.m.s.* during the financial year ended 31 March 2016 ("the Year") to reflect its revamped products for customers of a wider age range) and *GERMAIN*, while engaging in distributorship for international brands, including *LANCASTER*, *COCCINELLE* and *SEQUOIA* (which is operated by a joint venture of the Group). Each of the brands has its own distinctive customer base, and is being managed separately by the Group's management and designer teams. The Group retails its products under the various brands at stores in prime locations. As at 31 March 2016, the Group had 90 retail stores and counters in Hong Kong, first- and second-tier cities of mainland China, Macau, Taiwan and Singapore, down from 95 as at 31 March 2015 because it rationalised the retail network.

REVIEW OF OPERATIONS BY LOCATION

Operations in Hong Kong

Hong Kong's retail sector had a hard time in 2015 and in the first quarter of 2016 as decreased tourist arrivals, especially those from mainland China, depressed sales. Exorbitant rents for shop spaces, which had been determined based on previous optimism about the retail market, did not go down to reasonable levels and continued to exert severe cost pressure on the businesses. During the Year, the Group was prudent about retail network management -- it opened only five new stores but closed down five other stores in the city. Revenue from its retail operations in Hong Kong fell by 18.7% to approximately HK\$181,624,000, or approximately 55.4% of the Group's revenue. As at 31 March 2016, the Group operated 10 *MOISELLE*, 8 *m.d.m.s.*, 4 *COCCINELLE*, 2 *GERMAIN* and 1 outlet retail stores (As at 31 March 2015: 11 *MOISELLE*, 7 *m.d.m.s.*, 4 *COCCINELLE* and 3 *GERMAIN* retail stores).

The Group tried to cope with the harsh operating environment by negotiating for lower rents for shop spaces, and attempted to raise cost efficiency by organizing shopping visits by customers of its VIP club membership from mainland China, Taiwan and Singapore to its product showrooms in Hong Kong. Targeting the loyal customers with high spending power, the arrangement for VIP club members' visits to the showrooms began in May 2015 and started generating income in July 2015. It also launched *LANCASTER*, a French brand for accessories to broaden the revenue stream.

Operations in Mainland China

Mainland China's economic slowdown and the government measures to advocate frugality affected consumers' appetite for luxury goods, and as such, the Group downsized its retail operations in the country. As at 31 March 2016, the Group operated 29 *MOISELLE*, 3 *m.d.m.s.* and 3 *GERMAIN* retail stores (As at 31 March 2015: 33 *MOISELLE*, 4 *m.d.m.s.* and 3 *GERMAIN* retail stores) in the country, including 17 stores which were operated as consignment counters in department stores and 2 stores which were operated by franchisees. The 35 retail stores generated a combined revenue of approximately HK\$60,125,000, down by approximately 32.9% compared with that for the financial year ended 31 March 2015 ("the Previous Financial Year").

Aiming to alleviate the pressure of high rents, raise cost efficiency and tap into the growing popularity with e-commerce, the Group formed alliances with several mainland Chinese online shopping website operators during the Year. The initiative enabled the Group to increase brand recognition and entice the browsers of the websites or social media to shop at its offline stores.

Operations in Macau

The effect of mainland China's slowing economy and government measures to advocate frugality spilled over into Macau's retail market, leading to a decrease in the Group's sales in the city in the Year. However, the Group's operations in Macau remained profitable because of the low operating cost. The Group operated 1 concept store, *M CONCEPT*, 2 *MOISELLE*, 1 *m.d.m.s.* and 1 *COCCINELLE* retail stores in the city. The 5 retail stores generated a combined revenue of approximately HK\$41,438,000, which was down by approximately 22.7% compared with that in the Previous Financial Year. The numbers of various types of the Group's stores in the city were the same as those in the Previous Financial Year.

Operations in Taiwan

The Group operated 12 *MOISELLE* and 4 *m.d.m.s.* stores and 3 outlets in Taiwan as at 31 March 2016 (As at 31 March 2015: 13 *MOISELLE* and 8 *m.d.m.s.* stores). The retail stores in Taiwan generated a combined revenue of approximately HK\$34,993,000, accounting for approximately 10.7% of the Group's total revenue for the Year. In order to satisfy the demand for mid-range or out-of-season clothing, the Group opened 3 outlets there.

Operations in Singapore

The Group's business in Singapore recorded a 0.4% decrease in sales to approximately HK\$9,816,000 during the Year. As at 31 March 2016, it ran 2 *MOISELLE* and 2 *GERMAIN* stores, 1 *M CONCEPT* store and 1 outlet in the country (31 March 2015: 2 *MOISELLE* and 2 *GERMAIN* stores).

FINANCIAL REVIEW

Overview

The Group's revenue decreased by approximately 21.9% to approximately HK\$327,996,000 (2015: HK\$419,965,000) during the Year as compared with the Previous Financial Year. Due to the deterioration in performance of mainland China market, the revenue of the segment outside Hong Kong decreased by approximately 25.5% to approximately HK\$146,372,000 (2015: HK\$196,558,000) during the Year as a result. The segment turnover ratio had arrived at approximately 44.6% which was two percentage points lower as compared to the Previous Financial Year.

The revenue earned from Hong Kong segment decreased as well by approximately 18.7% to approximately HK\$181,624,000 (2015: HK\$223,407,000) which was mainly due to the decreased sales from the mainland Chinese tourists.

During the Year, the Group's gross profit margin was approximately 77.6%, as compared to 83.2% of the Previous Financial Year. The gross profit margin decreased but remained in the normal range of gross margin of the Group during previous years. Operating expenses for the Year totalled approximately HK\$327,630,000, compared to approximately HK\$350,582,000 for the Previous Financial Year, decreased by approximately 6.5%. The decrease in revenue in addition to the decrease in gross profit margin, had resulted in the operating loss of 19.0% (2015: operating profit of 1.6%).

The loss for the Year was approximately HK\$56,515,000 (2015: profit of HK\$11,331,000), decreased by approximately HK\$67,846,000 or 598.8%. The decrease was in line with the decrease in operating margin.

Liquidity and financial resources

During the Year, the Group financed its operations mainly 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\$139 million (2015: HK\$184 million). As at 31 March 2016, the Group maintained aggregate composite banking facilities other than secured bank loans of approximately HK\$51 million (2015: HK\$41 million) with various banks, of which approximately HK\$2 million (2015: HK\$2 million) were utilised.

The Group continues to enjoy healthy financial position. As at 31 March 2016, the current ratio (current assets divided by current liabilities) was approximately 3.4 times (2015: 5.2 times) and the gearing ratio (aggregate of bank borrowings and finance lease payables divided by shareholders' equity) was 1.3% (2015: zero).

Charge on assets

As at 31 March 2016, leasehold land and buildings with a carrying value of approximately HK\$23 million (31 March 2015: HK\$Nil) were pledged to secure bank loan granted to the Group.

OUTLOOK

Having experienced the deteriorating market for women's luxury fashion apparel and accessories in 2015 and the first quarter of 2016, we are inclined to take a prudent approach to evaluating the prospect for the coming financial year. Hong Kong's retail market seems unlikely to turn around soon since mainland China's slowing economy and the city's strong currency could combine to deter the mainland Chinese tourists from visiting Hong Kong. Moreover, the growing trend towards a higher proportion of the mainland Chinese visitors with weaker spending power in the city seems irreversible. However, Hong Kong's exorbitant rents for shopping spaces, which have been weighing on the retail sector's profitability, could be brought down to a lower level by the worsening retail market as the landlords will have to come to terms with reality. We have been negotiating for lower rents for shopping spaces in some prime locations and will set up shops there if the prices are right so that we can expand our business presence with both existing and newly introduced brands.

Having considered the changes to the tourism market in Hong Kong, we have decided to adjust our strategy by paying more attention to the city's local, young customers. We will gear the design of our products more to the local consumer preferences, and will market such products to the local young people on our own website. For instance, we will cooperate with local or overseas celebrities in launching new brands that fuse the image and design of the two parties, and the celebrities will also endorse the products. Our initiative to tap the locals' considerable spending power may pay off, especially if the rents fall to a more reasonable level since we will retail the new brands at our stores in prime locations. It will also serve to reinforce our ongoing diverse-product, multi-brand strategy to enhance our business presence. In addition, we will continue with the measures that we have already adopted to cope with the sluggish retail market. Among such measures are the rationalisation of our retail network and store locations, negotiating for lower rents for shop spaces in some suitable locations and launching new brands, either of our own or through cooperation with external parties, to zero in on new target consumers. We believe that our prompt moves to adapt to the changes in the markets will help us overcome some difficulties in the operating environment. However, in the long run, we are still optimistic about the business opportunity and market potential of high-end fashion apparel in the regions.

EMPLOYEES

As at 31 March 2016, the Group employed 702 (2015: 731) 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.

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 2016.

Code Provision A.2.1

Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Currently, Mr. Chan Yum Kit is the chairman of the Board and also assumes the role of the chief executive officer. The Board considers that the current management structure ensures consistent leadership and optimal efficiency for the operation of the Company. The Company will however keep this matter under review.

Code Provision A.6.7

Code Provision A.6.7 of the CG Code provides that the independent non-executive directors should attend general meetings of the Company. Due to prior business engagements external to the Company, Mr. Chu Chun Kit, Sidney was unable to attend the annual general meeting of the Company held on 8 September 2015.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and the draft consolidated financial statements of the Group for the year ended 31 March 2016. The audit committee comprises three independent non-executive directors of the Company.

The financial figures in respect of Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2016 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 September 2016 to 8 September 2016 (both days inclusive) and during which period no transfer of shares will be effected.

In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates should be lodged with the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 5 September 2016.

By Order of the Board
Chan Yum Kit
Chairman

Hong Kong, 28 June 2016

As at the date of this announcement, the Company's executive directors are Mr. Chan Yum Kit, Ms. Tsui How Kiu, Shirley and Mr. Chan Sze Chun, and independent non-executive directors are Ms. Yu Yuk Ying, Vivian, Mr. Chu Chun Kit, Sidney and Ms. Wong Shuk Ying, Helen.