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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 2018**

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 2018 with comparative figures for the previous corresponding year are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Note</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	3	290,576	280,397
Cost of sales		<u>(68,787)</u>	<u>(60,798)</u>
Gross profit		221,789	219,599
Other revenue	5	6,773	8,057
Other net (loss)/gain	5	(1,017)	4,052
Selling and distribution costs		(179,386)	(214,400)
Administrative and other operating expenses		<u>(69,781)</u>	<u>(72,443)</u>
Loss from operations		(21,622)	(55,135)
Finance costs	6	(189)	(185)
Valuation gains on investment properties		27,594	9,440
Valuation gains on land and buildings held for own use		–	612
Share of profit/(loss) of a joint venture		<u>577</u>	<u>(2,632)</u>
Profit/(loss) before taxation	6	6,360	(47,900)
Income tax	7	(5,099)	(4,578)
Profit/(loss) for the year		<u>1,261</u>	<u>(52,478)</u>
Attributable to:			
Equity shareholders of the Company		2,007	(52,000)
Non-controlling interests		<u>(746)</u>	<u>(478)</u>
Profit/(loss) for the year		<u>1,261</u>	<u>(52,478)</u>
Earnings/(loss) per share	8		
Basic and diluted		<u>HK\$0.01</u>	<u>HK\$(0.18)</u>

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit/(loss) for the year	1,261	(52,478)
Other comprehensive income for the year (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	11,781	(11,788)
<i>Item that will not be reclassified to profit or loss:</i>		
Surplus on revaluation of land and buildings held for own use	61,191	20,011
	72,972	8,223
Total comprehensive income for the year	74,233	(44,255)
Attributable to:		
Equity shareholders of the Company	74,979	(43,777)
Non-controlling interests	(746)	(478)
Total comprehensive income for the year	74,233	(44,255)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		2018		2017	
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets					
Investment properties			196,628		155,855
Property, plant and equipment			449,190		398,617
Interest in a joint venture			–		–
Other assets			13,565		21,397
Deferred tax assets			3,437		3,831
			662,820		579,700
Current assets					
Inventories		49,204		53,635	
Trade and other receivables	10	44,096		30,343	
Tax recoverable		29		772	
Cash and bank deposits		62,173		83,318	
		155,502		168,068	
Current liabilities					
Trade and other payables	11	42,918		41,690	
Tax payable		89		968	
Secured bank loans		7,073		7,654	
Provisions		1,898		13,014	
		51,978		63,326	
Net current assets			103,524		104,742
Total assets less current liabilities			766,344		684,442
Non-current liabilities					
Deferred tax liabilities		94,254		77,947	
NET ASSETS			672,090		606,495
CAPITAL AND RESERVES					
Share capital			2,880		2,880
Reserves			669,834		603,493
Total equity attributable to equity shareholders of the Company			672,714		606,373
Non-controlling interests			(624)		122
TOTAL EQUITY			672,090		606,495

Notes:

1. BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the Group's consolidated financial statements for the year ended 31 March 2018, but is derived from the consolidated financial statements. The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

- investment properties; and
- other leasehold land and buildings, where the leasehold land is classified as being held under a finance lease.

2. CHANGES IN ACCOUNTING POLICIES

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

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

3. REVENUE

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

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

4. SEGMENT REPORTING

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

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

(i) **Segment results**

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

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management regularly for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2018 and 2017 is set out below:

	Hong Kong		Outside Hong Kong		Total	
	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	155,616	150,379	134,960	130,018	290,576	280,397
Inter-segment revenue	32,808	31,108	22,306	29,481	55,114	60,589
Reportable segment revenue	<u>188,424</u>	<u>181,487</u>	<u>157,266</u>	<u>159,499</u>	<u>345,690</u>	<u>340,986</u>
Reportable segment loss	<u>(8,530)</u>	<u>(34,086)</u>	<u>(18,848)</u>	<u>(33,158)</u>	<u>(27,378)</u>	<u>(67,244)</u>
Interest income from bank deposits	284	307	156	780	440	1,087
Finance costs	(189)	(185)	–	–	(189)	(185)
Depreciation for the year	(8,537)	(9,929)	(9,991)	(9,056)	(18,528)	(18,985)
Impairment losses on property, plant and equipment	(16)	(1,263)	(3,224)	(1,564)	(3,240)	(2,827)
Net reversal of provision for/ (provision for) onerous contracts	4,841	(1,958)	6,275	1,093	11,116	(865)
Reversal of impairment losses on trade debtors	–	–	5	490	5	490
Provision for impairment loss on deposits, prepayment and other receivables	–	(1,285)	–	–	–	(1,285)

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

	2018	2017
	HK\$'000	HK\$'000
Revenue		
Total revenue from reportable segments	345,690	340,986
Elimination of inter-segment revenue	(55,114)	(60,589)
	<u> </u>	<u> </u>
Consolidated revenue	290,576	280,397
	<u> </u>	<u> </u>
Loss		
Reportable segment loss	(27,378)	(67,244)
Other revenue and net (loss)/gain	5,756	12,109
Finance costs	(189)	(185)
Valuation gains on investment properties	27,594	9,440
Valuation gains on land and buildings held for own use	–	612
Share of profit/(loss) of a joint venture	577	(2,632)
	<u> </u>	<u> </u>
Consolidated profit/(loss) before taxation	6,360	(47,900)
	<u> </u>	<u> </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 and interest in a joint venture ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of investment properties and property, plant and equipment, and the location of operations, in the case of interest in a joint venture.

	Revenue from		Specified	
	external customers		non-current assets	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	155,616	150,379	476,184	388,874
Mainland China	48,562	43,591	169,151	160,270
Taiwan	27,219	31,622	452	514
Macau	48,651	44,860	4	4,714
Singapore	10,528	9,945	27	100
	134,960	130,018	169,634	165,598
	290,576	280,397	645,818	554,472

5. **OTHER REVENUE AND NET (LOSS)/GAIN**

	2018	2017
	HK\$'000	HK\$'000
Other revenue		
Interest income from bank deposits	440	1,087
Gross rental income from investment properties	4,496	5,076
Service fee income	764	950
Others	1,073	944
	6,773	8,057
Other net (loss)/gain		
Net gain/(loss) on disposal of property, plant and equipment	487	(2)
Net gain on disposal of an associate	-	949
Net exchange (loss)/gain	(1,504)	3,105
	(1,017)	4,052

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

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and bank advances	189	185
Depreciation	18,528	18,985
Staff costs (excluding directors' emoluments)	86,461	89,917
Operating lease charges in respect of land and buildings	113,401	134,096
	<u>113,401</u>	<u>134,096</u>

7. INCOME TAX

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	103	71
(Over)/under-provision in respect of prior years	(2)	56
	<u>101</u>	<u>127</u>
Current tax – Outside Hong Kong		
Provision for the year	325	1,210
	<u>325</u>	<u>1,210</u>
Deferred tax		
Origination and reversal of temporary differences	4,673	3,241
	<u>4,673</u>	<u>3,241</u>
	<u>5,099</u>	<u>4,578</u>

The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 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 2017/18 subject to a maximum reduction of HK\$30,000 (2017: a maximum reduction of HK\$20,000 for the year of assessment 2016/17 and was taken into account in calculation of the provision for 2017) for each business. Taxation for the People's Republic of China and overseas subsidiaries are charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

During the year ended 31 March 2018, the applicable tax rates for subsidiaries domiciled in the PRC, Taiwan and Singapore are 25% (2017: 25%), 17% (2017: 17%) and 17% (2017: 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 2018 and 2017, a special complementary tax incentive was provided to the effect that the tax free income threshold was MOP600,000 (equivalent to HK\$582,000) with profit above MOP600,000 (equivalent to HK\$582,000) being taxed at a fixed rate of 12%.

The Group is subject to withholding tax at a rate of 10% (unless reduced by treaty) on distribution of profits generated after 31 December 2007 from the Group's foreign-invested enterprises in the PRC. As all of the Group's foreign-invested enterprises are directly and wholly owned by Hong Kong incorporated subsidiaries, a reduced rate of 5% is applicable in the calculation of this withholding tax. Deferred tax liabilities of HK\$9,231,000 (2017: HK\$10,899,000) have not been recognised in respect of the tax that would be payable on the distribution of those retained profits which are not intended to be distributed in the foreseeable future.

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$2,007,000 (2017: loss of HK\$52,000,000) and the weighted average number of 287,930,000 (2017: 287,930,000) ordinary shares in issue during the year.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is the same as basic earnings/(loss) per share for the years ended 31 March 2018 and 2017 as there were no dilutive potential ordinary shares in issue during the years ended 31 March 2018 and 2017.

9. DIVIDENDS

The Board recommended the payment of a final dividend of four Hong Kong cents (2017: two Hong Kong cents) per ordinary share in respect of the year, payable on or before 21 September 2018 in cash to all shareholders whose names appear on the register of members of the Company at the closure of business on 14 September 2018.

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interim dividend declared and paid of one Hong Kong cent per ordinary share (2017: one Hong Kong cent per ordinary share)	2,879	2,879
Final dividend proposed after the end of the reporting period of four Hong Kong cents per ordinary share (2017: two Hong Kong cents per ordinary share)	<u>11,517</u>	<u>5,759</u>
	<u><u>14,396</u></u>	<u><u>8,638</u></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**

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of two Hong Kong cents per ordinary share (2017: two Hong Kong cents per ordinary share)	5,759	5,759

10. TRADE AND OTHER RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade debtors	13,143	8,592
Less: allowance for doubtful debts	(22)	(27)
	13,121	8,565
Deposits, prepayments and other receivables	30,975	21,778
	44,096	30,343

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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 30 days	10,783	6,631
Between 31 to 90 days	1,685	1,554
Between 91 to 180 days	486	261
Between 181 to 365 days	167	119
	13,121	8,565

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

11. TRADE AND OTHER PAYABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade creditors	7,345	5,461
Other creditors and accrued charges	33,773	34,429
Amount due to a non-controlling shareholder	1,800	1,800
	<u>42,918</u>	<u>41,690</u>

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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 30 days	3,301	4,970
Between 31 to 90 days	625	315
Over 90 days	3,419	176
	<u>7,345</u>	<u>5,461</u>

12. EVENT AFTER THE END OF THE REPORTING PERIOD

A wholly-owned subsidiary of the Group in Hong Kong has entered into an agreement with a third party purchaser for the sale of an investment property in Hong Kong at a consideration of HK\$42,048,000 on 15 June 2018. As at 31 March 2018, the carrying value of the investment property was HK\$35,830,000.

MARKET OVERVIEW

China's firmer economic footing and stronger currency led to a rebound in tourist arrivals from the mainland at Hong Kong in 2017. The number of visits by the mainland Chinese tourists to the city rose by 3.9% to about 44.45 million in 2017, in contrast to a 6.7% decrease in 2016, according to the Hong Kong Tourism Board. However, this seemed to be of little help in boosting the city's retail sales of wearing apparel. The value of retail sales of wearing apparel at the retail outlets in Hong Kong merely edged up by 0.6% to about HK\$49.88 billion in 2017, according to the Census and Statistics Department of the Hong Kong Special Administrative Region. For one thing, the increase in the number of visits by the mainland Chinese tourists to Hong Kong was also marked by a growing trend towards a higher proportion of such tourists with lower spending power. Another key factor is that the city's local population has changed its consumption patterns – the younger generation increasingly preferred to shop online. As a result, the conventional brick-and-mortar retail shops had to grapple with the growing competition from e-commerce. Another major problem that the city's retailers were faced with was the persistently high rents, which weighed on their profits.

In mainland China, retail of apparel, shoes, headwear and knitted products rose by 7.8% to about RMB1.46 trillion in 2017, compared with the 7.0% growth in 2016 (source: National Bureau of Statistics of the People's Republic of China). This can be attributed to the stronger consumer confidence on the back of the resumed acceleration in the country's economic growth in 2017.

OVERVIEW OF OPERATIONS

Mainly targeting the markets for luxurious apparel, the Group operates such house brands as *MOISELLE, m.d.m.s., GERMAIN* and *Rosamund MOISELLE*, while engaging in distributorship for international brand *LANCASTER*. Each of the brands has its own distinctive consumer base, and is being developed separately by the Group's dedicated and talented designer teams. The Group retails its products under the various brands at stores in prime locations. As at 31 March 2018, the Group had 59 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 year, a rebound in mainland tourist arrivals was a shot in the arm for Hong Kong's previously weak retail sector. Nevertheless, growth in retail sales of wearing apparel in the city was minimal. The Group's business was affected by the low growth in local spending, which was attributable to the intense competition from electronic commerce. The difficult situation was compounded by the exorbitant rents for shop spaces. To cope with the difficult 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, rationalized its network of retail outlets, negotiated for lower rents for some shop spaces in the streets, obtained permission to offer several diffusion lines under one roof at some shop spaces in shopping malls, and organized shopping visits by customers of its VIP club membership to its showrooms in Hong Kong as well as private promotional events. It also conducted marketing campaigns such as fashion shows to debut its latest products. The Group pressed ahead with its diverse-product, multi-brand strategy by reinforcing its own brands *MOISELLE* and *Rosamund MOISELLE*. On the other hand, it stepped up the development of the brand *LANCASTER* by opening more shops under that brand in the city.

Sales at the Group's business in Hong Kong grew by 3.5% to approximately HK\$155,616,000, which accounted for about 53.6% of its total revenues.

The sales revenue was contributed by the Group's 9 *MOISELLE*, 5 *m.d.m.s.* and 1 *LANCASTER* retail stores and 3 outlets for the year (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 year, the Group expanded its online sales and marketing operations and, at the same time, rationalized its network of retail outlets in mainland China. The moves were geared up towards the buying patterns in the country. It had adopted an online-to-offline business model through alliances with mainland Chinese online shopping website operators such as Tmall and Vipshop (“唯品會” in Chinese) and by leveraging social media through cooperation with key opinion leaders. 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. The Group reinforced its business presence in the country by participating in the Shanghai Fashion Week in October 2017 and March 2018. In the event, the new product series of *MOISELLE* and *Rosamund MOISELLE* for the spring/summer of 2018 and autumn/winter 2018 were shown. Under the *Rosamund MOISELLE* brand, the Group debuted such new products as sportswear that incorporated fashion elements. The moves helped to reach potential customers and enhance the brand awareness.

Sales at the Group's operations in the country increased by 11.4% to approximately HK\$48,562,000 and accounted for 16.7% of the Group's turnover for the year.

As at 31 March 2018, the Group operated 14 *MOISELLE* retail stores (As at 31 March 2017: 22 *MOISELLE* and 1 *GERMAIN* retail stores) in the country.

Operations in Macau

In 2017, visitor arrivals from mainland China in Macau rose by 8.5% to about 22.20 million (source: Statistics and Census Service (DSEC) of the Macau Government) on the back of the country's firmer economic footing and stronger currency. This helped to boost the sales at the Group's retail outlets in the city. During the year, 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 8.5% to approximately HK\$48,651,000, or about 16.7% of the Group's revenue.

Operations in Taiwan

The Group operated 11 *MOISELLE*, 2 *m.d.m.s.* and 2 *LANCASTER* retail stores as well as 3 outlets as at 31 March 2018 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\$27,219,000, down by 13.9% and accounting for approximately 9.4% of the Group's total revenue for the year. The Group closed one outlet during the year to rationalize its retail network.

Operations in Singapore

The Group's business in Singapore recorded a 5.9% increase in revenue to approximately HK\$10,528,000 during the year. As at 31 March 2018, the Group ran one *MOISELLE* store and one *m.d.m.s.* store as well as one concept store, *M CONCEPT*. It closed *one MOISELLE* store, one *GERMAIN* store and one outlet during the year to rationalize its retail network.

FINANCIAL REVIEW

Overview

The Group's revenue increased by approximately 3.6% to approximately HK\$290,576,000 (2017: HK\$280,397,000) during the year ended 31 March 2018 as compared with 2017. Due to the improvement in performance of mainland China market, the revenue of the Group's operations outside Hong Kong increased by approximately 3.8% to approximately HK\$134,960,000 (2017: HK\$130,018,000) during the year ended 31 March 2018 as a result. The revenue earned outside Hong Kong as a percentage of the Group's revenue was approximately 46.4% which was close to that for the year ended 31 March 2017.

The revenue earned from Hong Kong increased by approximately 3.5% to approximately HK\$155,616,000 (2017: HK\$150,379,000) which was mainly due to the favourable effects brought by the various brand building campaigns carried out during the financial year under review.

During the year under review, the Group's gross profit margin was approximately 76.3%, as compared to 78.3% of the previous year. The gross profit margin remained in the normal range of gross margins of the Group during previous years. Operating expenses for the year ended 31 March 2018 totaled approximately HK\$249,167,000, compared to approximately HK\$286,843,000 for 2017, down by approximately 13.1%. Despite that the Group had conducted various measures in stringent cost management, closure of underperforming stores and store relocation to counteract high operating expenses, mainly staff costs and rental expenses, the Group suffered an operating loss of HK\$21,622,000 (2017: HK\$55,135,000).

The profit attributable to the equity shareholders for the year ended 31 March 2018 was approximately HK\$2,007,000 (2017: loss of HK\$52,000,000), with such turnaround from loss to profit mainly attributable to both the narrowing in operating loss and the substantial increase of 192.3% in valuation gains on investment properties.

Liquidity and financial resources

During the year ended 31 March 2018, 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 year, the Group's aggregate fixed deposits and cash balances amounted to approximately HK\$62 million (2017: HK\$83 million). Cash and bank deposits were held mainly in Hong Kong dollars and Renminbi. The Group has foreign operations and certain of its net assets are exposed to the risk of foreign currency exchange rate fluctuations. During the year, the Group's currency exposure mainly arises from the cash and bank deposits denominated in Renminbi. The management regularly monitors the foreign currency exchange risk of the Group and may consider hedging activities when necessary.

As at 31 March 2018, the Group maintained secured bank loan of HK\$7 million (2017: HK\$8 million) at the operating subsidiary level to provide working capital. As at 31 March 2018, the Group maintained aggregate composite banking facilities other than secured bank loans of approximately HK\$53 million (2017: HK\$54 million) with various banks, of which approximately HK\$5 million (2017: HK\$5 million) were utilised.

The Group continues to maintain a healthy financial position. As at 31 March 2018, the current ratio (current assets divided by current liabilities) was approximately 3.0 times (2017: 2.7 times) and the gearing ratio (aggregate of bank borrowings and finance lease payables divided by shareholders' equity) was 1.1% (2017: 1.3%).

Charge on assets

As at 31 March 2018, leasehold land and buildings with a carrying value of approximately HK\$26 million (31 March 2017: HK\$23 million) were pledged to secure bank loan granted to the Group.

OUTLOOK

To adapt to the fashion apparel market, the Group will continue to strengthen the operation of its physical stores by enhancing the shopping experience there and, at the same time, expand its online sales and marketing operations through cooperation with mainland Chinese online shopping website operators and by leveraging social media.

It will also press on with its diverse-product, multi-brand strategy, and continue with its cost management measures and cost-effective marketing and sales initiatives.

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.

EMPLOYEES

As at 31 March 2018, the Group employed 468 (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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 March 2018.

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 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 business engagements external to the Company, Ms. Yu Yuk Ying, Vivian was unable to attend the annual general meeting of the Company held on 13 September 2017.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group for the year ended 31 March 2018. The audit committee comprises three independent non-executive directors of the Company.

The financial figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, and the related notes thereto for the year ended 31 March 2018 as set out in the preliminary announcement have been compared by the Group's independent auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's 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 KPMG on the preliminary announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 12 September 2018 to 14 September 2018 (both days inclusive) and during which period no transfer of shares will be effected.

In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates should be lodged with the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 11 September 2018.

By Order of the Board
Chan Yum Kit
Chairman

Hong Kong, 22 June 2018

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.