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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)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The board of directors (the “**Board**”) of Moisselle International Holdings Limited (the “**Company**”) announces that the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2020, together with the comparative figures for the corresponding period in 2019, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>(in HK\$'000)</i>	<i>Notes</i>	Unaudited Six months ended 30 September 2020	2019
Revenue	2	52,283	103,434
Cost of sales		<u>(17,797)</u>	<u>(25,225)</u>
Gross profit		34,486	78,209
Other income		17,958	3,508
Other gains and losses		10,494	(220)
Distribution and selling expenses		(45,788)	(85,155)
Administrative and other operating expenses		<u>(24,051)</u>	<u>(31,613)</u>
Loss from operations		(6,901)	(35,271)
Finance costs		<u>(2,787)</u>	<u>(2,405)</u>
Loss before taxation		(9,688)	(37,676)
Income tax (expense) credit	3	<u>(256)</u>	<u>105</u>
Loss for the period	4	<u>(9,944)</u>	<u>(37,571)</u>
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(1,083)</u>	<u>(534)</u>
Total comprehensive expense for the period		<u>(11,027)</u>	<u>(38,105)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Unaudited	
		Six months ended	
		30 September	
(in HK\$'000)	Notes	2020	2019
Loss for the period attributable to:			
Owners of the Company		(9,774)	(37,600)
Non-controlling interests		<u>(170)</u>	<u>29</u>
		<u>(9,944)</u>	<u>(37,571)</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		(10,857)	(38,134)
Non-controlling interests		<u>(170)</u>	<u>29</u>
		<u>(11,027)</u>	<u>(38,105)</u>
Loss per share			
Basic (HK dollars)	5	<u>(0.03)</u>	<u>(0.13)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(in HK\$'000)</i>	<i>Notes</i>	As at 30 September 2020 (Unaudited)	As at 31 March 2020 (Audited)
Non-current assets			
Investment properties		271,888	259,598
Property, plant and equipment		353,643	371,727
Right-of-use assets		28,639	23,803
Deposits paid		20,201	24,714
Deferred tax assets		440	566
		<u>674,811</u>	<u>680,408</u>
Current assets			
Inventories		46,371	54,862
Trade and other receivables	7	27,279	27,205
Bank balances and cash		25,512	31,829
		<u>99,162</u>	<u>113,896</u>
Current liabilities			
Trade and other payables	8	26,673	42,954
Lease liabilities		61,444	61,593
Tax payable		116	119
Borrowings		43,844	34,080
		<u>132,077</u>	<u>138,746</u>
Net current liabilities		<u>(32,915)</u>	<u>(24,850)</u>
Total assets less current liabilities		<u>641,896</u>	<u>655,558</u>
Non-current liabilities			
Lease liabilities		24,432	27,067
Deferred tax liabilities		97,953	97,953
		<u>122,385</u>	<u>125,020</u>
Net assets		<u>519,511</u>	<u>530,538</u>
Capital and reserves			
Share capital		2,880	2,880
Reserves		517,321	528,178
Equity attributable to owners of the Company		<u>520,201</u>	<u>531,058</u>
Non-controlling interests		<u>(690)</u>	<u>(520)</u>
Total equity		<u>519,511</u>	<u>530,538</u>

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed 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 2020, 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 2020 and are adopted for the first time by the Group.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 “Covid-19-Related Rent Concessions”.

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

1.1 Impacts and accounting policies on early application of Amendment to HKFRS 16 “Covid-19-Related Rent Concessions”

1.1.1. Accounting policies

Leases

Covid-19-Related Rent Concessions

For rent concessions relating to lease contracts that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 “Leases” if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

1.1.2 Transition and summary of effects

The Group has early applied the amendment in the current interim period. The application has no impact to the opening accumulated losses at 1 April 2020. The Group recognised changes in lease payments that resulted from rent concessions of HK\$10,207,000 in the profit or loss for the current interim period.

1.2 Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2. REVENUE AND SEGMENT REPORTING

Revenue

The Group generates sales of fashion apparel and accessories with customers through its own retail stores. Revenue from sales of fashion apparel and accessories is recognised at a point in time when the goods are delivered to the customers.

Segment information

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

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

(in HK\$'000)	Unaudited Six months ended 30 September					
	Hong Kong		Outside Hong Kong		Total	
	2020	2019	2020	2019	2020	2019
Revenue from external customers	25,325	56,292	26,958	47,142	52,283	103,434
Inter-segment revenue	3,377	10,642	4,257	12,658	7,634	23,300
Segment revenue	28,702	66,934	31,215	59,800	59,917	126,734
Segment loss	(11,953)	(3,460)	(3,032)	(8,809)	(14,985)	(12,269)
Unallocated expenses					(20,368)	(26,290)
Other income and other gains and losses					28,452	3,288
Finance costs					(2,787)	(2,405)
Loss before taxation					(9,688)	(37,676)

3. INCOME TAX EXPENSE (CREDIT)

	Unaudited	
	Six months ended	
	30 September	
<i>(in HK\$'000)</i>	2020	2019
Current tax		
– Hong Kong Profits Tax	–	–
– Outside Hong Kong	<u>130</u>	<u>150</u>
	130	150
Deferred tax	<u>126</u>	<u>(255)</u>
Income tax expense (credit)	<u>256</u>	<u>(105)</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the six months ended 30 September 2020. Taxation for the People's Republic of China and overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

4. LOSS FOR THE PERIOD

Loss for the period is arrived at after charging (crediting):

	Unaudited	
	Six months ended	
	30 September	
<i>(in HK\$'000)</i>	2020	2019
Depreciation of		
– property, plant and equipment	6,632	9,647
– right-of-use assets	19,016	28,675
Impairment losses on trade receivables	1	88
Impairment losses on		
– property, plant and equipment	315	1,634
– right-of-use assets	13,268	2,519
Interests on		
– bank borrowings	511	248
– lease liabilities	2,276	2,157
(Gain) loss on disposal of property, plant and equipment	(75)	164
Gain arising on early termination of lease contracts	(8,891)	–
Government subsidies	(4,962)	–
Other income from rent concessions received	<u>(10,207)</u>	<u>–</u>

5. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of approximately HK\$9,774,000 (2019: HK\$37,600,000) and the weighted average number of 287,930,000 (2019: 287,930,000) ordinary shares in issue during the period.

Diluted loss per share is not presented both for the six months ended 30 September 2020 and for the comparative period as there were no dilutive potential ordinary shares in issue during the periods.

6. INTERIM DIVIDEND

The Board does not declare the payment of an interim dividend for the year ending 31 March 2021 (2020: Nil).

7. TRADE AND OTHER RECEIVABLES

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

	As at 30 September 2020 (Unaudited)	As at 31 March 2020 (Audited)
(in HK\$'000)		
Within 30 days	4,967	4,613
31 to 90 days	648	920
91 to 180 days	5	12
Over 180 days	412	901
	<u>6,032</u>	<u>6,446</u>

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

8. TRADE AND OTHER PAYABLES

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

	As at 30 September 2020 (Unaudited)	As at 31 March 2020 (Audited)
(in HK\$'000)		
Within 30 days	1,202	4,569
31 to 90 days	98	385
Over 90 days	3,082	3,059
	<u>4,382</u>	<u>8,013</u>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

The fashion apparel retailing sector was still trapped in a quagmire as novel coronavirus pneumonia, which broke out at the end of 2019, continued to rage worldwide during the first six months ended 30 September 2020 (the “**Period**”) of the financial year ending 31 March 2021 of Moisselle International Holdings Limited (“**Moisselle**” or the “**Company**”, which together with its subsidiaries is referred to as the “**Group**”). Many countries around the world continued with stringent measures to prevent the spread of the pandemic, including restrictions on travel and the suspension of business or the shortening of the opening hours at eateries, retail shops and entertainment premises. Fashion apparel retailing was hard hit like most other types of retailing, tourism and catering. In Hong Kong, where Moisselle derived about half of its revenue, the business environment was extremely difficult. According to the Census and Statistics Department of the Hong Kong Special Administrative Region, the value of retail sales of wearing apparel at the retail outlets in the city plunged by 47.1% year on year to about HK\$18.96 billion in the period from January to September of 2020. The decrease could also be partially attributed to a more than 90% fall in visitor arrivals in the city during that period (source: Hong Kong Tourism Board quoting the data from the Immigration Department of the Hong Kong Special Administrative Region) which, in turn, had been mainly caused by the anti-epidemic measures and, to a lesser extent, by the sporadic social movements. The fashion apparel retailing in Macau was in the same difficult situation due to the pandemic. In mainland China, where the disease was brought under control, retail of apparel, shoes, headwear and knitted products was also affected, albeit to a lesser extent, with a year-on-year decrease of 12.4% in value in the period from January to September of 2020 (source: National Bureau of Statistics of the People’s Republic of China).

As in the past several years, fashion apparel retailing during the Period was still faced with the challenges posed by the growing popularity of electronic commerce, fast fashion and social media that have shaped both the consumption patterns and consumer preferences. To adapt to the trends, the industry has been transforming its business model and the way to market its products. For instance, it has been increasing the size of its electronic commerce operations, enhancing the shopping experience at the retail stores and making more use of social media. However, the greatest challenge has been caused by a fundamental change in the demographics of the fashion apparel wearers, notably the emergence of a younger generation which prefer on-trend fashion apparel to the classic and elegant one. Therefore, a fashion apparel design and retailing firm which has long been positioned as a brand for the niche markets for high-end and upper-middle products with classic and elegant designs has to adapt itself to the new situation. It has to orient itself more towards the market for unique and on-trend fashion if it wants to stay competitive.

RESULTS

Moiselle mainly engages in retailing women's fashion apparel to high-end and upper-middle markets. It recorded a loss of HK\$9,944,000 for the Period. The loss narrowed by 73.5% year on year mainly because the depreciation of the equipment and facilities at its retail shops and that of the right-of-use assets in the form of the leases on the shop spaces during the Period were much less than those made for the six months ended 30 September 2019 (**"the same period of the Previous Financial Year"**, the previous financial year ended on 31 March 2020"). The loss for the Period was mainly due to the operating loss, which also decreased by 80.4% year on year as a result of the closure of underperforming shops amid the rationalization of the Group's network of retail stores and reductions in rents for some shop spaces. The operating loss for the Period mainly resulted from the sharp fall in revenue from sales at the Group's retail stores amid the pandemic, especially those in Hong Kong and Macau. Overall, the Group recorded a year-on-year decrease of 49.5% in turnover to HK\$52,283,000 for the Period.

Apart from the closure of some stores, the Group also opened stores in places with good prospect. Overall, it recorded a net increase of one store in the total number of retail outlets as at 30 September 2020 compared with that as at 31 March 2020.

The Group's businesses in Hong Kong accounted for 48.4% of its turnover while those in mainland China contributed to 33.1%. Operations in Macau, Taiwan and Singapore together made up 18.5% of the Group's revenue. Gross profit margin was 66.0% for the Period, compared with the 75.6% for the same period of the Previous Financial Year. The decrease in gross profit margin resulted from increased promotions and discounts offered to attract more customers in an attempt to boost revenue.

BUSINESS REVIEW

The fashion apparel market had already been difficult in the past several years. Well-established brands had been trying to adapt themselves to drastic changes in consumption patterns and consumer preferences induced by increasingly popular electronic commerce, fast fashion, social media and the emergence of the younger generations of fashion apparel wearers. The challenging market has been complicated by the outbreak of novel coronavirus pneumonia pandemic since the end of 2019 as it compelled the governments around the world to introduce anti-pandemic measures which, inevitably, dealt a heavy blow to many industries and sectors, including fashion apparel retailing. During the Period, sales at the Group's retail stores in Hong Kong and Macau plunged by 55.0% and 79.3% year on year, respectively. As a result, it closed down some stores in the two places because of the extremely difficult business environment. It also adopted another cost optimization measure by relocating its fashion manufacturing plant from Shajing, Bao'an District to Longhua District, Shenzhen. The relocated factory was put into operation at the end of August 2020.

As an established fashion apparel brand, Moiselles has been implementing a number of measures to cope with the challenges in the industry and market in the past several years. For instance, it has been rationalizing its network of retail outlets, negotiating for rent concessions for shop spaces, enhancing the shopping experience at its stores by incorporating such elements as environmental awareness, quality lifestyle and art into the interior decoration, building up its electronic commerce business as a cost-effective sales channel, leveraging the social media to promote its products, gearing its products more towards the younger generation of consumers, and adopting information technology to raise efficiency.

In response to the significant impact of the preferences of the younger generations of consumers on the fashion apparel industry, the Group stepped up its effort to gear its products more towards such customers by planning to reposition its major house brand *MOISELLE*. It planned to design and produce more on-trend and unique fashion apparel that projects a youthful image under the brand to appeal to more customers of the younger generation. It aimed to increase the proportion of on-trend and unique fashion apparel to 50% of the total number of stock keeping units (“SKU”) in the future from the present 30%. During the Period, the Group continued to enrich and diversify its product range by introducing more trendy wear and mid-range products to the market. For instance, it launched such products as athleisure wear made of anti-bacteria material for its current fall/winter collection. This followed other trendy products that the Group had launched earlier in the Previous Financial Year, including a series of jackets for working women under the theme “Force of Jacket”. To add impetus to the sales of trendy wear to the younger generation of customers, the Group continued to leverage the social media to promote its products through cooperation with some celebrities and key opinion leaders.

Another important move by the Group to cope with the changes in the market was the opening of its own online platform for the marketing and sales of its products on its own website for its Hong Kong operations at the end of July 2020. The move marked the beginning of the Group’s effort to build its own electronic commerce business outside mainland China, where it had already formed alliances with three local online shopping website operators to capitalize on the growing popularity of electronic commerce in the country.

OVERVIEW OF OPERATIONS

Targeting the markets for luxurious and mid-range 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 30 September 2020, the Group had 45 stores and counters in Hong Kong, first- and second-tier cities of mainland China, Macau, Taiwan and Singapore, up from 44 as at 31 March 2020. It closed some underperforming stores but also opened some stores in places with good prospect.

REVIEW OF OPERATIONS BY LOCATION

Operations in Hong Kong

Sales at the Group's operations in Hong Kong fell by 55.0% year on year during the Period as the pandemic affected its business seriously. The sharp decline in tourist arrivals in the city as a result of the government's anti-pandemic measures probably contributed to the decrease in sales.

To help to tide itself over the unprecedented difficulties in the Period, Moisselle applied to the Hong Kong government for subsidies under the Employment Support Scheme and the Retail Sector Subsidy Scheme under the Anti-epidemic Fund. It was granted such financial assistance.

It continued to rationalize its network of retail outlets by closing down some shops and opening some others at suitable locations at more affordable rents. It also obtained rent concessions from some landlords at some shop spaces because of the difficult operating environment amid the pandemic.

As part of its drive to expand its electronic commerce business, the Group opened its own online shop on its own website for its Hong Kong operations. This marks a significant move by the Group to expand its electronic commerce business beyond mainland China.

To cope with the drastic change in consumer preferences induced by the emergence of the younger generation of customers, the Group planned to reposition its major house brand *MOISELLE* as a brand with a youthful image that is geared more towards the market for on-trend and unique fashion. It believed that the move could enable it to adapt itself better to the fundamental changes in the fashion apparel market, namely the change in the consumer preferences for styles of fashion apparel and the increased proportion of the younger generation in the customer base.

As at 30 September 2020, the Group operated 7 *MOISELLE*, 2 *m.d.m.s.*, 2 *LANCASTER* and 2 *M CONCEPT* retail stores as well as 2 outlets (As at 31 March 2020, the Group operated 7 *MOISELLE*, 2 *m.d.m.s.*, 1 *LANCASTER* and 1 *M CONCEPT* retail stores as well as 4 outlets).

Operations in mainland China

For the Period, sales at the Group's operations in mainland China rose by 7.2% year on year to HK\$17,301,000. The country was the only market where the Group recorded growth in sales. The Group had already adapted itself to the growing popularity of electronic commerce in mainland China in the past several years by forming alliances with three online shopping website operators in the country, including WeChat Mall on a popular social media WeChat, electronic commerce website VIP.com, which specializes in online discount sales and is operated by Vipshop (“唯品會” in Chinese), and Tmall, another popular online shopping website. It also used some social media and live streaming to conduct sales and marketing campaigns.

During the Period, the Group opened some shops in places with good prospect in mainland China as it continued to rationalize its network of retail stores there. For instance, it reopened one *MOISELLE* shop at a new shop space in a shopping mall in Beijing in July 2020. It also continued with the effort to reduce the cost of renting shop spaces. Under the Group's lease agreements with some landlords at some of its stores, the rents were charged as certain percentages of the revenue from sales. This made it easier for the Group to sustain the retail business at the brick-and-mortar stores.

As at 30 September 2020, the Group operated 14 *MOISELLE* retail stores and 1 outlet in the country (As at 31 March 2020, the Group operated 13 *MOISELLE* retail stores in the country).

Operations in Macau

For the Period, the Group closed down two shops, namely one *MOISELLE* shop and one *M CONCEPT* shop in Macau as it was extremely difficult to sustain the business there amid the pandemic that sent its sales plunging by 79.3% year on year to approximately HK\$3,777,000. As at 30 September 2020, the Group operated three shops at the Venetian Macao Resort Hotel and one shop at the Parisian Macao Hotel, including 1 *M CONCEPT*, 1 *MOISELLE*, 1 *m.d.m.s.* and 1 *LANCASTER* retail stores in the city (As at 31 March 2020: 2 concept stores, *M CONCEPT*, 2 *MOISELLE*, 1 *m.d.m.s.* and 1 *LANCASTER* retail stores).

Operations in Taiwan

Revenue at the Group's operations in Taiwan decreased by 28.0% year on year to approximately HK\$5,428,000. Revenue generated there accounted for about 10.4% of the Group's revenue for the Period. The Group operated 4 *MOISELLE* and 2 *LANCASTER* retail stores as well as 3 outlets as at 30 September 2020 in Taiwan (As at 31 March 2020: 4 *MOISELLE* and 1 *m.d.m.s.* retail stores as well as 2 outlets).

Operations in Singapore

Revenue at the Group's business in Singapore decreased by 91.3% year on year during the Period. The Group operated 1 *MOISELLE* and 1 *LANCASTER* retail stores as at 30 September 2020 (As at 31 March 2020: 2 *MOISELLE* stores and 1 *LANCASTER* retail stores).

OUTLOOK

The outlook for the fashion apparel industry remains cloudy as it is still hard to predict when the worldwide pandemic will be brought under control.

The business environment was extremely difficult in the first half of the financial year ending 31 March 2021, and there is still considerable uncertainty about it in the second half of the financial year.

In fact, the fashion apparel industry has been undergoing fundamental changes in the past several years. The Group has been implementing a number of measures to cope with such changes, including the rationalization of its network of retail stores, development of an electronic commerce business, using social media to promote its products and most importantly the shift of its focus from classical and elegant fashion apparel to trendy and mid-range wear that project a youthful image which are mainly targeted at the younger generation of customers. To step up the effort in this direction, the Group plans to reposition its major house brand *MOISELLE* by designing and producing more on-trend and unique fashion apparel under it. This should enable the Group to capitalize on the fundamental changes in the fashion apparel market, which is increasingly predominated by the younger customers. Such fundamental changes include the consumer preferences for the style of fashion and the customers' increasing reliance on internet, especially the social media, for information about products and for purchases of goods. That is why the Group will also take more effort to develop its online platform for sales and marketing. For example, the Group also plans to launch a mobile phone-enabled application to allow its frontline staff to market its products to its potential customers in various markets.

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

FINANCIAL POSITION

During the period, the Group financed its operations with internally generated cash flows and bank borrowings. 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\$26 million (31 March 2020: HK\$32 million). As at 30 September 2020, the Group maintained secured bank borrowings of HK\$44 million (31 March 2020: HK\$34 million) at operating subsidiary level financing its working capital. Besides, the Group also maintained aggregate composite banking facilities of approximately HK\$48 million (31 March 2020: HK\$26 million) with commercial banks, of which approximately HK\$5 million (31 March 2020: HK\$3 million) was utilised.

The Group ran into net current liabilities of HK\$33 million as at 30 September 2020 (31 March 2020: HK\$25 million), with current assets being less than current liabilities. As at 30 September 2020, the gearing ratio (aggregate of bank borrowings and finance lease payables divided by shareholders' equity) was approximately 8.4% (31 March 2020: 6.4%).

Charge on assets

As at 30 September 2020, land and buildings held for own use and investment properties with a carrying value of approximately HK\$150 million (31 March 2020: HK\$52 million) were pledged to secure bank borrowings granted to the Group.

EMPLOYEE

As at 30 September 2020, the Group employed 348 (31 March 2020: 348) employees mainly in Hong Kong and the 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 period.

CORPORATE GOVERNANCE CODE

Save for the deviation of the Code Provision A.2.1 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 2020.

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.

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 2020.

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

Hong Kong, 30 November 2020

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.