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T S L | 謝瑞麟

TSE SUI LUEN JEWELLERY (INTERNATIONAL) LIMITED

謝瑞麟珠寶(國際)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 417)

ANNOUNCEMENT OF FINAL RESULTS FOR THE THIRTEEN MONTHS ENDED 31 MARCH 2018

FINANCIAL HIGHLIGHTS

	Thirteen months ended 31 March 2018	Year ended 28 February 2017
	HK\$'000	HK\$'000
Turnover	4,137,179	3,410,923
Profit from operations	134,198	116,170
Profit attributable to owners of the Company	49,419	23,177
Basic earnings per share	20.0 HK cents	9.4 HK cents [^]
Total equity attributable to owners of the Company	1,152,834	974,425
Equity attributable to owners of the Company per share	HK\$4.67	HK\$4.63

[^]Adjusted for the bonus issue effected in the current period.

BUSINESS HIGHLIGHTS

- The consolidated turnover of the Group for the thirteen months ended 31 March 2018 increased by 21.3% as comparing with the year ended 28 February 2017.
- Profit attributable to owners of the Company for the thirteen months ended 31 March 2018 increased by 113.2% as comparing with the year ended 28 February 2017.

FINAL RESULTS

The board of directors (the “Board”) of Tse Sui Luen Jewellery (International) Limited (the “Company”) announces that the consolidated profit attributable to owners of the Company for the thirteen months ended 31 March 2018 (the “Period”) is HK\$49,419,000 (28 February 2017: HK\$23,177,000). The basic earnings per share is 20.0 HK cents (28 February 2017: 9.4 HK cents[^]). The audited consolidated final results of the Company and its subsidiaries (the “Group”) for the Period are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THIRTEEN MONTHS ENDED 31 MARCH 2018

	Notes	Thirteen months ended 31 March 2018 HK\$'000	Year ended 28 February 2017 HK\$'000
Turnover	4	4,137,179	3,410,923
Cost of sales		(2,505,673)	(1,884,203)
Gross profit		1,631,506	1,526,720
Other income and gains/(losses), net	6	19,944	(399)
Selling and distribution expenses		(1,339,506)	(1,243,051)
Administrative expenses		(177,746)	(167,100)
PROFIT FROM OPERATIONS		134,198	116,170
Finance costs	7	(44,348)	(64,288)
PROFIT BEFORE TAX	8	89,850	51,882
Income tax expense	9	(40,342)	(28,678)
PROFIT FOR THE PERIOD/YEAR		49,508	23,204
ATTRIBUTABLE TO :			
Owners of the Company		49,419	23,177
Non-controlling interests		89	27
		49,508	23,204
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	11	20.0 HK cents	9.4 HK cents [^]

[^]Adjusted for the bonus issue effected in the current period.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRTEEN MONTHS ENDED 31 MARCH 2018**

	Thirteen months ended 31 March 2018 HK\$'000	Year ended 28 February 2017 HK\$'000
PROFIT FOR THE PERIOD/YEAR	<u>49,508</u>	<u>23,204</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income not to be reclassified to profit or loss in subsequent years:		
Remeasurement gain on defined benefit plan	1,570	5,656
Income tax effect	(259)	(933)
Net other comprehensive income not to be reclassified to profit or loss in subsequent years	<u>1,311</u>	<u>4,723</u>
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent years:		
Exchange differences on translation of foreign operations	137,006	(68,742)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD/YEAR, NET OF TAX	<u>138,317</u>	<u>(64,019)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD/YEAR	<u>187,825</u>	<u>(40,815)</u>
ATTRIBUTABLE TO :		
Owners of the Company	187,741	(40,797)
Non-controlling interests	84	(18)
	<u>187,825</u>	<u>(40,815)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2018**

	Notes	At 31 March 2018 HK\$'000	At 28 February 2017 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		140,117	141,178
Intangible assets		99	99
Other asset		500	500
Prepayments and deposits		38,398	52,655
Deferred tax assets		57,784	55,214
		<u>236,898</u>	<u>249,646</u>
CURRENT ASSETS			
Inventories		1,641,873	1,478,679
Trade receivables	12	189,218	235,709
Prepayments, deposits and other receivables		154,125	163,098
Tax recoverable		11,163	11,978
Time deposits		52,500	166,801
Cash and cash equivalents		268,073	323,657
		<u>2,316,952</u>	<u>2,379,922</u>
CURRENT LIABILITIES			
Trade payables	13	(274,293)	(316,392)
Other payables and accruals		(291,739)	(259,317)
Gold loans	14	-	(43,523)
Interest-bearing bank and other borrowings		(376,563)	(269,602)
Finance lease payables		(643)	-
Tax payable		(16,579)	(22,448)
		<u>(959,817)</u>	<u>(911,282)</u>
NET CURRENT ASSETS		<u>1,357,135</u>	<u>1,468,640</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,594,033</u>	<u>1,718,286</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AT 31 MARCH 2018

	Note	At 31 March 2018 HK\$'000	At 28 February 2017 HK\$'000
NON-CURRENT LIABILITIES			
Other payables and accruals		(4,720)	(6,595)
Interest-bearing bank and other borrowings		(408,972)	(709,775)
Finance lease payables		(680)	-
Employee benefit obligations		(9,766)	(11,240)
Deferred tax liabilities		(17,081)	(16,394)
		<u>(441,219)</u>	<u>(744,004)</u>
NET ASSETS		<u>1,152,814</u>	<u>974,282</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	15	(61,709)	(52,584)
Reserves		(1,091,125)	(921,841)
		<u>(1,152,834)</u>	<u>(974,425)</u>
Non-controlling interests		<u>20</u>	<u>143</u>
TOTAL EQUITY		<u>(1,152,814)</u>	<u>(974,282)</u>

NOTES:

1. Change of financial year end date

Pursuant to a resolution of the Board dated 23 May 2017, the Company's financial year end date has been changed from 28 February (or 29 February in a leap year) to 31 March commencing from the financial year of 2017/18 in order to coincide with the financial reporting cycle of the Group with the natural retail cycle in the industry and provide a more meaningful and comparable basis for shareholders and investors to understand and evaluate the Group's financial results. Accordingly, the accompanying consolidated financial statements for the current financial period cover a period of thirteen months from 1 March 2017 to 31 March 2018. The comparative figures presented for the audited consolidated statement of profit or loss, audited consolidated statement of comprehensive income and related notes cover the audited figures of the financial year from 1 March 2016 to 28 February 2017, which may not be comparable with the amounts shown for the current period.

2. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all 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. They have been prepared under the historical cost convention, except for gold loans which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

3. Changes in accounting policies and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current Period's financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

The adoption of the above revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

4. Turnover

The principal activities of the Group are the manufacture, sale and marketing of jewellery products and the provision of service. Turnover represents the sales value of jewellery products sold to customers, net of value added tax and discount, and service income. An analysis of turnover is as follows:

	Thirteen months ended 31 March 2018 HK\$'000	Year ended 28 February 2017 HK\$'000
Sales of jewellery products	4,082,624	3,375,779
Service income	54,555	35,144
	4,137,179	3,410,923

5. Operating segment information

For management purposes, the Group is organised into business units based on business nature and has three reportable operating segments as follows:

- (a) Retail Business (including Hong Kong, Macau, Mainland China and Malaysia);
- (b) Wholesale Business; and
- (c) Other Businesses.

Retail Business includes direct retail sales of jewellery products to end consumers through the physical outlets carrying the trademark of TSL|謝瑞麟. It also includes the service fee income received from the provision of retail management services to other retailers.

Wholesale Business includes wholesale sales of jewellery products to customers.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that unallocated expenses, gain on early redemption of convertible bonds, finance costs and income tax expense are excluded from such measurement.

Segment assets exclude deferred tax assets and tax recoverable as these assets are managed on a group basis.

Segment liabilities exclude gold loans, interest-bearing bank and other borrowings, tax payable, deferred tax liabilities, finance lease payables and employee benefit obligations as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. Operating segment information (continued)

	Retail Business HK\$'000	Wholesale Business HK\$'000	Other Business HK\$'000	Total HK\$'000
Thirteen months ended 31 March 2018				
Segment revenue:				
Sales to external customers	3,169,974	724,218	188,432	4,082,624
Other revenue	54,555	-	-	54,555
	<u>3,224,529</u>	<u>724,218</u>	<u>188,432</u>	<u>4,137,179</u>
Segment results	149,778	129,387	(20,199)	258,966
<i>Reconciliation:</i>				
Unallocated expenses				(124,768)
Finance costs				(44,348)
Income tax expense				<u>(40,342)</u>
Profit for the Period				<u>49,508</u>
Segment assets:	2,185,337	215,294	84,272	2,484,903
<i>Reconciliation:</i>				
Deferred tax assets				57,784
Tax recoverable				<u>11,163</u>
Total assets				<u>2,553,850</u>
Segment liabilities:	(446,220)	(120,846)	(3,686)	(570,752)
<i>Reconciliation:</i>				
Interest-bearing bank and other borrowings				(785,535)
Tax payable				(16,579)
Deferred tax liabilities				(17,081)
Finance lease payables				(1,323)
Employee benefit obligations				<u>(9,766)</u>
Total liabilities				<u>(1,401,036)</u>
Other segment information:				
Depreciation	59,622	1,584	741	61,947
Capital expenditure*	54,724	-	2,499	57,223

* Capital expenditure consists of additions to property, plant and equipment.

5. Operating segment information (continued)

Year ended 28 February 2017	Retail Business HK\$'000 (restated)	Wholesale Business HK\$'000 (restated)	Other Business HK\$'000 (restated)	Total HK\$'000 (restated)
Segment revenue:				
Sales to external customers	2,769,672	441,261	164,846	3,375,779
Other revenue	35,144	-	-	35,144
	<u>2,804,816</u>	<u>441,261</u>	<u>164,846</u>	<u>3,410,923</u>
Segment results	141,662	79,789	2,734	224,185
<i>Reconciliation:</i>				
Unallocated expenses				(111,015)
Gain on early redemption of convertible bonds				3,000
Finance costs				(64,288)
Income tax expense				<u>(28,678)</u>
Profit for the year				<u>23,204</u>
Segment assets:	2,333,481	154,903	73,992	2,562,376
<i>Reconciliation:</i>				
Deferred tax assets				55,214
Tax recoverable				<u>11,978</u>
Total assets				<u>2,629,568</u>
Segment liabilities:	(490,498)	(88,263)	(3,543)	(582,304)
<i>Reconciliation:</i>				
Gold loans				(43,523)
Interest-bearing bank and other borrowings				(979,377)
Tax payable				(22,448)
Deferred tax liabilities				(16,394)
Employee benefit obligations				<u>(11,240)</u>
Total liabilities				<u>(1,655,286)</u>
Other segment information:				
Depreciation	58,084	898	660	59,642
Capital expenditure*	61,597	8	1,612	63,217

* Capital expenditure consists of additions to property, plant and equipment.

5. Operating segment information (continued)

(a) Geographical information

Revenue from external customers

	Thirteen months ended 31 March 2018 HK\$'000	Year ended 28 February 2017 HK\$'000
Hong Kong and Macau	1,531,270	1,301,373
Mainland China	2,543,868	2,067,364
Other countries	62,041	42,186
	4,137,179	3,410,923

The revenue information above is based on the locations of the customers.

Non-current assets

	At 31 March 2018 HK\$'000	At 28 February 2017 HK\$'000
Hong Kong and Macau	97,657	99,378
Mainland China	43,753	44,088
Other countries	3,540	3,984
	144,950	147,450

The non-current asset information above is based on the locations of the assets and excludes rental deposits and deferred tax assets.

(b) Information about major customers

The turnover from the Group's largest customer amounted to less than 10% of the Group's total turnover for the current Period and prior year.

6. Other income and gains/(losses), net

	Thirteen months ended 31 March 2018 HK\$'000	Year ended 28 February 2017 HK\$'000
Interest income	3,393	5,732
Foreign exchange differences, net	6,078	(4,437)
Government grants*	1,609	1,279
Fair value gain/(loss) on gold loans designated as at fair value through profit or loss	162	(10,372)
Fair value loss on derivative financial instruments	-	(806)
Gain on early redemption of convertible bonds	-	3,000
Gain on sales of scrap gold	1,066	938
Repair service income	1,016	681
Others	6,620	3,586
	19,944	(399)

* This represents subsidies from municipal governments in Mainland China. There are no unfulfilled conditions or contingencies relating to these subsidies.

7. Finance costs

An analysis of finance costs is as follows:

	Thirteen months ended 31 March 2018 HK\$'000	Year ended 28 February 2017 HK\$'000
Interest on bank loans, overdrafts and other loans	40,628	23,821
Interest on convertible bonds	-	36,057
Interest on finance leases	58	32
Interest on gold loans	295	3,183
Other charges	3,367	1,195
	44,348	64,288

8. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	Thirteen months ended 31 March 2018 HK\$'000	Year ended 28 February 2017 HK\$'000
Cost of goods sold*	2,484,454	1,887,832
Provision/(reversal of provision) for impairment of inventories, net	21,219	(3,629)
Depreciation	61,947	59,642
Minimum lease payments in respect of operating leases**	237,370	196,254
Auditor's remuneration	2,860	2,750
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	624,066	589,780
Reversal of equity-settled share option expense	-	(1,450)
Pension scheme contributions***	8,120	8,119
Employee benefit obligations	394	545
	632,580	596,994
Fair value (gain)/loss on gold loans designated as at fair value through profit or loss****	(162)	10,372
Fair value loss on derivative financial instruments ****	-	806
Loss on disposal of items of property, plant and equipment	68	903

* Cost of goods sold includes HK\$94,099,000 (year ended 28 February 2017: HK\$94,547,000) relating to employee benefit expense, depreciation, and operating lease payments, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

** Not including commission payments/contingent rental in relation to sales counters in department stores and shopping malls.

*** At 31 March 2018, there were no forfeited contributions available to the Group to reduce its contributions to pension schemes in future years (28 February 2017: Nil).

**** These amounts are included in "Other income and gains/(losses), net" in the consolidated statement of profit or loss. The purpose of the above gold loans and derivative financial instruments entered into by the Group is to manage the Group's gold price exposure. Such loans and contracts did not meet the criteria for hedge accounting.

9. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period. Taxes on profits assessable in places other than Hong Kong have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Thirteen months ended 31 March 2018 HK\$'000	Year ended 28 February 2017 HK\$'000
Current – Hong Kong		
Charge for the Period/year	3,435	3,798
Underprovision/(overprovision) in prior years	3,230	(1,372)
Current – other than Hong Kong		
Charge for the Period/year	35,075	31,844
Underprovision in prior years	8	386
Deferred	(1,406)	(5,978)
	40,342	28,678

10. Dividends

	Thirteen months ended 31 March 2018 HK\$'000	Year ended 28 February 2017 HK\$'000
First interim dividend declared and paid (2017/18: HK\$0.021 per ordinary share) (2016/17: HK\$0.015 per ordinary share)	5,170	3,155
Second interim dividend declared (2017/18: HK\$0.073 per ordinary share) (2016/17: Nil)	18,019	-
2016/17 approved final dividend (HK\$0.0375 per ordinary share)	-	7,888
	23,189	11,043

- (a) The Board does not recommend the payment of any final dividend for the thirteen months ended 31 March 2018.
- (b) The second interim dividend amounting to HK\$18,019,000, of which HK\$2,523,000 was satisfied in the form of scrip shares. The dividend was paid on 11 June 2018.

10. Dividends (continued)

- (c) The first interim dividend amounting to HK\$5,170,000, of which HK\$1,478,000 was satisfied in the form of scrip shares. The dividend was paid on 15 December 2017.
- (d) Final dividend attributable to the previous financial year was approved and paid during the thirteen months ended 31 March 2018.

According to the annual general meeting of the Company on 19 July 2017, it was approved that the final dividend for the year ended 28 February 2017 was HK\$0.0375 per ordinary share. The dividend was paid on 1 September 2017.

11. Earnings per share attributable to owners of the Company

The calculation of basic earnings per share amount is based on the profit for the Period attributable to owners of the Company of HK\$49,419,000 (year ended 28 February 2017: HK\$23,177,000), and the weighted average number of ordinary shares of 246,836,860 (28 February 2017: 245,391,878[^]) in issue during the Period.

No diluted earnings per share amounts have been presented for the thirteen months ended 31 March 2018 and for the year ended 28 February 2017 as the impact of the share options outstanding had no diluting effect on the basic earnings per share amounts presented.

12. Trade receivables

	At 31 March 2018 HK\$'000	At 28 February 2017 HK\$'000
Trade receivables	<u>189,218</u>	<u>235,709</u>

The Group's retail sales are normally made on a cash basis. Credit card receivables from financial institutions in respect of retail sales are aged within one month. Apart from retail customers, the Group allows an average credit period from 30 to 90 days for other customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing in general.

[^]Adjusted for the bonus issue effected in the current period.

12. Trade receivables (continued)

An ageing analysis of the trade receivables as at the end of the Period, based on the invoice date and net of provisions, is as follows:

	At 31 March 2018 HK\$'000	At 28 February 2017 HK\$'000
Within 1 month	170,290	214,932
1 to 2 months	12,899	10,596
2 to 3 months	1,272	3,964
Over 3 months	4,757	6,217
	<hr/>	<hr/>
Total trade receivables	189,218	235,709

The ageing analysis of the trade receivables net of provisions at the end of the Period, based on the due date, is as follows:

	At 31 March 2018 HK\$'000	At 28 February 2017 HK\$'000
Neither past due nor impaired	142,297	188,938
Less than 6 months past due	36,939	44,707
Over 6 months past due	9,982	2,064
	<hr/>	<hr/>
Total trade receivables	189,218	235,709

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

13. Trade payables

App 16 - 4(2)(b)

An ageing analysis of trade payables as at the end of the Period, based on the invoice date, is as follows:

	At 31 March 2018 HK\$'000	At 28 February 2017 HK\$'000
Within 1 month	119,039	62,946
1 to 2 months	39,278	39,620
2 to 3 months	48,560	47,931
Over 3 months	67,416	165,895
	<hr/>	<hr/>
Total trade payables	274,293	316,392

The trade payables are non-interest-bearing.

14. Gold loans

	At 31 March 2018 HK\$'000	At 28 February 2017 HK\$'000
Secured gold loans	-	29,015
Unsecured gold loans	-	14,508
	<hr/>	<hr/>
	-	43,523
	<hr/>	<hr/>
Contractual interest rate	N/A	3.0% - 3.6%
Original maturity	N/A	Within 1 year

The amounts represented borrowings from banks and the amounts payable are pegged with gold prices.

As at 31 March 2018, no gold loans were secured by pledged time deposits of the Group while gold loans of HK\$29,015,000 as at 28 February 2017 were secured by the Group's pledged time deposits amounting to HK\$27,022,000 as at 28 February 2017 as disclosed in note 16(c) below.

Gold loans were borrowed to reduce the impact of fluctuation of gold prices on gold inventories. However, the criteria for hedge accounting were not fully met. Gold loans were designated as financial liabilities at fair value through profit or loss as they were managed and their performance were evaluated on a fair value basis, in accordance with a documented risk management and investment strategy, and information about the gold loans was provided on that basis to the Group's top management.

15. Share capital

	At 31 March 2018 HK\$'000	At 28 February 2017 HK\$'000
Authorised: 1,500,000,000 ordinary shares of HK\$0.25 each	375,000	375,000
Issued and fully paid: 246,836,860 (28 February 2017: 210,336,221) ordinary shares of HK\$0.25 each	61,709	52,584

A summary of the movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK\$'000
At 1 March 2016, 28 February 2017 and 1 March 2017	210,336,221	52,584
Bonus issue (note 1)	35,055,657	8,764
Scrip issue (note 2)	1,444,982	361
At 31 March 2018	246,836,860	61,709

Note 1: A bonus issue of one bonus share for every six existing shares held by shareholders on the register of members of the Company on 27 July 2017 was made, at an issue price of HK\$0.25 per bonus share, resulting in the issue of 35,055,657 shares for a total cash consideration of HK\$8,764,000.

Note 2: The scrip issue included the scrip dividends for 2016/17 final dividend and 2017/18 first interim dividend, resulting in the issue of 810,976 shares for a consideration of HK\$203,000 and 634,006 shares for a consideration of HK\$158,000 respectively.

16. Pledge of assets

- (a) The Group entered into banking facility arrangements with a bank pursuant to which the Group's land and buildings in Hong Kong with an aggregate carrying value as at 31 March 2018 of HK\$49,899,000 (28 February 2017: HK\$51,864,000) were mortgaged by way of a first legal charge, as security for, *inter alia*, all obligations and liabilities, actual or contingent, from time to time owing by the Group to that bank.
- (b) The Group entered into a subscription agreement with two institutional investors for senior secured notes issued by a subsidiary in Hong Kong, pursuant to which certain inventories (i.e. up to an aggregate book value of HK\$200,000,000 of raw materials, work-in-progress and finished goods) of such subsidiary in Hong Kong were pledged by way of a first floating charge, as security for, *inter alia*, all obligations and liabilities, actual or contingent, from time to time owing by the Group to the two institutional investors.
- (c) As at 28 February 2017, time deposits of HK\$27,022,000 had been pledged to secure certain gold loan contracts outstanding at the end of the Period. No time deposits were pledged for gold loans as at 31 March 2018.
- (d) As at 31 March 2018, time deposits of the Group denominated in RMB and totaling equivalent to HK\$52,500,000 (28 February 2017: HK\$117,307,000) have been pledged to secure standby letters of credit relating to a cross border treasury arrangement.

17. Events after the reporting period

On 26 April 2018, the Group has declared the second interim dividend for the 12 months ended 28 February 2018. The second interim dividends amounting to HK\$18,019,000, of which HK\$2,523,000 was satisfied in the form of scrip shares, were paid on 11 June 2018. This results in an increase of HK\$280,000 and HK\$2,243,000 for the share capital and share premium, respectively.

The second interim dividend was not recognised as a liability as at 31 March 2018 because it was declared after the reporting period.

18. Comparative figures

Certain comparative figures have been reclassified to conform with the Period's presentation.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the thirteen months ended 31 March 2018 (year ended 28 February 2017: 3.75 HK cents per ordinary shares of the Company).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Wednesday, 12 September 2018 ("2018 AGM"), the register of members of the Company will be closed from Friday, 7 September 2018 to Wednesday, 12 September 2018 (both days inclusive). In order to be eligible to attend and vote at the 2018 AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. (Hong Kong Time) on Thursday, 6 September 2018.

REVIEW AND OUTLOOK

Management's Discussion and Analysis

Results of the Group

The consolidated sales turnover of the Group for the thirteen months ended 31 March 2018 (the "Period") was HK\$4,137 million, representing an increase of 21.3% when compared with HK\$3,411 million for the twelve months ended 28 February 2017 ("Year 2016/17"). The profit attributable to owners of the Company for the Period grew by 113.2% to HK\$49.4 million from HK\$23.2 million in Year 2016/17. Earnings per share for the Period was 20.0 HK cents.

As announced and disclosed recently in our second interim results for the twelve months ended 28 February 2018, the profit attributable to owners of the Company had increased remarkably during that time and this trend continued through into March 2018 resulting in a slightly increased profit for the Period as compared to the second interim results. Coupled with our strategy of more strategic deployment of our resources and the implementation of cost saving measures, we are pleased to report an improvement in the group's net profit margin, inventory turnover days and its effective tax rate for the Period as compared to that in Year 2016/17.

Being a leader in the jewellery retail market, we understand the importance of offering quality products and enhanced customer experiences in order to drive customers' spending sentiment. Accordingly, bearing this philosophy in mind, we launched The Signature Collection during the Period to reinforce our distinguished Trendsetting Craftsmanship. The KUHASHI Collection was also introduced to furnish our customers with a refined, simple and elegant line of products and a wider exposure of various styles and cultures. To meet our customers' changing needs and to further strengthen our market position, we will keep on bringing innovative ideas incorporating TSL's intrinsic values into our product assortment.

Continued expansion of our retail network in all our operating regions is one of our key objectives both now and going forward. With a cautious approach to monitoring the rental level and identifying appropriate business partners for our franchising business, we were delighted by the healthy growth in our store network in Hong Kong and Mainland China during the Period.

Business Review

Retailing Business

Hong Kong and Macau

Driven by an improved market environment since September 2017 and the increased number of tourists visiting Hong Kong and Macau from Mainland China, the retail market in both Hong Kong and Macau have performed better than that in Year 2016/17. During the Period, the sales turnover of our retail businesses in Hong Kong and Macau increased by 19.5% overall and the same store sales growth of retail chain stores in Hong Kong, other than those at Headquarters, was 19.0%. As a result of the gold product promotions and enrichment of our product assortments, the average amount per invoice increased promisingly by 20.3%.

To seize the opportunities arising in Hong Kong from both increased tourist traffic and local customers in residential precincts, we opened two more stores during the Period, one in New Town Plaza in Sha Tin and the other in YOHO Mall in Yuen Long. On the condition that we can negotiate a reasonable rental level, we will continue to identify suitable locations to expand into so as to better reach and serve our customers.

Mainland China

The growing demand for daily jewellery products and the continuing emergence of the middle class creates an ongoing opportunity for us to continue to develop our business in Mainland China. Our self-operated stores continue to play a significant role as the Group's growth engine accounting for 39.3% of the Group's turnover. However, as mentioned in our second interim report, due to the shift of the consumers shopping pattern away from department stores to shopping malls, we are undergoing a transition in terms of the repositioning of our retail network to focus more on shopping malls and less on department stores. Encouragingly, during this transition, we have still been able to maintain our sales turnover at a similar levels to that achieved in Year 2016/17 and the same store sales growth was 10.4%, that includes a 13-month effect for the Period.

At the end of the Period, the Group had a total of 380 stores (including 193 self-operated stores and 187 franchised stores) in Mainland China. We will continue to develop there and intend to expand our network by opening a further 100 stores, including franchised stores, over the next 2 years.

From the experience gained thus far from our existing online platforms, we are optimistic that this line of business will continue to grow and will ultimately contribute a substantial and sustainable source of new revenue to the Group going forward. In order to capture this growth, we launched a new official website for mobile users in June 2018 that will further boost both the online-to-offline and offline-to-online business.

Malaysia

Our retail business in Malaysia, which accounts for an insignificant contribution to the Group's performance, recorded an increase in sales turnover of 48.0% for the Period. This encouraging performance has bolstered our confidence in the strategic development of our business outside of the Greater China region. With a total of 4 retail stores operating in Malaysia at the end of the Period, we remain positive about this business and will continue to expand further in appropriate locations when opportunities present themselves.

Wholesale Business

We are delighted to report that a net 55 new franchise stores were opened via the Group's franchising network during the Period bringing the total number of franchised stores to 187 as at 31 March 2018. The Group will continue to explore more opportunities to work with local business partners to facilitate the more robust growth of the Group's franchised store sales network.

Other Business

During the Period, the sales performance of the Groups e-business platforms continued to improve showing an increase of 33.8%. It is observed that shoppers have become more accustomed to and comfortable with this consumption model over recent years and so we will continue to invest in this business to take advantage of this changing trend in consumer behaviour. We will continue to develop our own official mobile website, together with reinforcing our cooperation with the existing e-platforms to uplift the ranking of the Group's brand and to further boost both the online-to-offline and offline-to-online effect.

Outlook

The stabilization of the retail market and the political environment in Hong Kong together with the growing number of tourists from Mainland China all point to a better consumption sentiment being present in the upcoming financial year. We anticipate that the retail market remains static in Mainland China whereas it will continue to progress in an L-shape with positive outlook in Hong Kong. In particular, statistics from Hong Kong Tourism Board illustrate an upward trend in the number of the same-day travelers. This group of visitors, who are shoppers of daily consumer goods, should lead to an increased demand for daily jewelry accessories. For Mainland China, domestic consumption and spending from visitors will keep the momentum of the steady growth of the jewellery retail market. Notwithstanding a shifting trend away from higher price point items over the past few years, we are thrilled to see the average amount per invoice improved during the Period. To grasp the opportunity arising under these current market conditions, we will introduce more product promotions, such as, limited-time offers, and continue to enrich our product assortments and the customer experience in our retail stores. Besides, from our experience in augmenting the product types of the Snoopy series and launching The KUHASHI Collection during the Period, we realized that this appealed to and caught the attention of younger generation customers, who were attracted by these lines of elegant and lovely products. We will continue to invest in developing the younger generation market by bringing more distinguished and dynamic products to the market going forward.

Generally, we will continue to critically review and monitor our tenancies as they expire with a view to achieving a more reasonable market rental rate so as to make our retail businesses more sustainable going forward. Examples of our latest development are further opening of our self-operated stores in the major cities of Mainland China, such as Beijing and Shanghai in the second half of 2018, the enlargement of our existing retail store in Times Square, Hong Kong and the inception of our retail business in Genting, Malaysia in 2018. Despite careful cost control and streamlining the workflow and organizational structure at the moment, the Group will continue to invest in and enhance its brand awareness, inventory, store network and human resources to ensure that it can continue to deliver higher returns to our customers and shareholders in the future.

Enhancing the customer experience is another vital element in the jewellery retail business and we always devote ourselves to bringing novel and refreshing ideas in terms of our product assortments and retail store functionality. With a view to re-molding our brand as a pioneer in the jewellery industry and to enable our customers to enjoy styling solutions we provide for different occasions, we are working towards this direction by keeping on evolving the concept of our retail stores and the customer experience.

Financial Structure

Capital expenditure, comprising mainly store renovation and expansion, furniture & fixtures and machinery, incurred during the Period amounted to approximately HK\$57 million (28 February 2017: HK\$63 million), which was mainly financed by borrowings and funds generated from internal resources.

As at 31 March 2018, the Group's interest-bearing liabilities decreased to HK\$787 million from HK\$1,023 million as at 28 February 2017. Net borrowings (total interest-bearing liabilities less cash and cash equivalents and time deposits) decreased from HK\$532 million to HK\$466 million.

Internally generated funding and borrowings have mainly been applied during the Period to finance the enhancement of the Group's inventory, the opening of new stores and capital expenditure.

The net gearing ratio (the ratio of total interest-bearing liabilities (less cash, cash equivalents and time deposits) to total equity) decreased from 55% to 40% during the Period and is at a more healthier level. All borrowings of the Group are denominated in Hong Kong dollars or RMB. Interest on bank borrowings is calculated on either the inter-bank interest rate or the prime rate or the benchmark interest rate.

As at 31 March 2018, the Group had time deposits, cash and bank balances, and undrawn banking facilities of approximately HK\$321 million and HK\$160 million respectively which, in the opinion of the directors of the Company, should be sufficient to meet the Group's present working capital requirements.

Exchange Rates

During the Period, the transactions of the Group were mainly denominated in local currencies and United States dollars. The impact of any fluctuation of the exchange rate of these currencies to the Group is minimal.

Charge on Group Assets and Contingent Liabilities

Save as disclosed in note 16 to the consolidated financial statements, the Group did not have any material contingent liabilities which have not been provided for in the financial statements as at 31 March 2018 (28 February 2017: Nil).

Human Resources

As at 31 March 2018, the total number of employees of the Group was approximately 3,100 (28 February 2017: 3,280). The change was mainly due to normal staff turnover which is in line with the Group's business strategy with due regard to the market conditions. There were no major changes in human resource policies.

Employees are rewarded on a performance basis with reference to market rates. Other employee benefits include medical cover and subsidies for job-related continuing education. Retail frontline staff are provided with formal on-the-job training by internal senior staff and external professional trainers. There are discussions and in-house seminars for experience sharing.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Company has reviewed the Group's consolidated financial statements for the Period.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the Period as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's consolidated financial statements for the Period. The work performed by the Company's auditors in this respect did not constitute an 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 Company's auditors on the preliminary announcement.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code of the Listing Rules

The Company is committed to the establishment of good governance practices and procedures. During the Period, the Company has applied the principles and complied with all of the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for the deviation of code provisions of the CG Code as expressly below.

Code provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and clearly established and set out in writing. During the Period, the roles of the Chairman and the Chief Executive Officer of the Company were performed by Ms. Yau On Yee, Annie. The Board considered that the current management structure had operated efficiently. According to the Company's practice, all major strategic decisions are taken by the Board, or relevant committee of the Board, as duly constituted.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the Period.

ANNUAL GENERAL MEETING

The 2018 AGM will be held on Wednesday, 12 September 2018. A notice of the 2018 AGM will be published and despatched to shareholders in due course.

By order of the Board
Tse Sui Luen Jewellery (International) Limited
YAU On Yee, Annie
Chairman

Hong Kong, 21 June 2018

At the date of this announcement, the Board comprises:

Executive Directors:

Ms. YAU On Yee, Annie

Ms. NG Yi Kum, Estella

Non-executive Director:

Mr. Erwin Steve HUANG

Independent Non-executive Directors:

Mr. CHUI Chi Yun, Robert

Mr. CHAN Yue Kwong, Michael

Mr. CHOW Chee Wai, Christopher