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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

#### FINANCIAL HIGHLIGHTS

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Turnover	1,177,341	1,652,154
Profit from operations	2,527	44,566
(Loss)/profit attributable to owners of the Company	(41,578)	1,568
Basic (loss)/earnings per share	(16.7 HK cents)	0.6 HK cent
Total equity attributable to owners of the Company	898,653	900,214 <sup>†</sup>
Equity attributable to owners of the Company per share	HK\$3.61	HK\$3.61 <sup>†</sup>

<sup>†</sup>figure as at 31 March 2020(audited)

#### BUSINESS HIGHLIGHTS

- The consolidated turnover for the six months ended 30 September 2020 decreased by 28.7% period-on-period to HK\$1,177 million.
- Loss attributable to owners of the Company for the six months ended 30 September 2020 was HK\$41.6 million, compared to a profit of HK\$1.6 million for the same period last year.

\* For identification purpose only

## RESULTS

The board of directors (the “Board”) of Tse Sui Luen Jewellery (International) Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2020 (the “Period”). The interim results for the Period have been reviewed by the Company’s audit committee (the “Audit Committee”).

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Notes	Six months ended 30 September	
		2020 HK\$’000 (unaudited)	2019 HK\$’000 (unaudited)
<b>Turnover</b>	4	<b>1,177,341</b>	1,652,154
Cost of sales		<b>(767,291)</b>	(970,182)
<b>Gross profit</b>		<b>410,050</b>	681,972
Other income and gains, net		<b>50,679</b>	16,109
Selling and distribution expenses		<b>(387,533)</b>	(576,274)
Administrative expenses		<b>(70,669)</b>	(77,241)
<b>PROFIT FROM OPERATIONS</b>		<b>2,527</b>	44,566
Finance costs		<b>(28,028)</b>	(29,967)
<b>(LOSS)/PROFIT BEFORE TAX</b>	5	<b>(25,501)</b>	14,599
Income tax expense	6	<b>(16,120)</b>	(13,069)
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<b>(41,621)</b>	1,530
<b>ATTRIBUTABLE TO :</b>			
Owners of the Company		<b>(41,578)</b>	1,568
Non-controlling interests		<b>(43)</b>	(38)
		<b>(41,621)</b>	1,530
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Basic and diluted	8	<b>(16.7 HK cents)</b>	0.6 HK cent

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

	<b>Six months ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>(LOSS)/PROFIT FOR THE PERIOD</b>	<u><b>(41,621)</b></u>	<u>1,530</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>40,026</u>	<u>(58,817)</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>	<u><b>40,026</b></u>	<u>(58,817)</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<u><b>(1,595)</b></u>	<u>(57,287)</u>
<b>ATTRIBUTABLE TO :</b>		
Owners of the Company	<u>(1,561)</u>	<u>(57,253)</u>
Non-controlling interests	<u>(34)</u>	<u>(34)</u>
	<u><b>(1,595)</b></u>	<u>(57,287)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 30 SEPTEMBER 2020**

		<b>At 30 September 2020</b>	At 31 March 2020
	Notes	<b>HK\$'000</b> <b>(unaudited)</b>	HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>112,803</b>	132,157
Right-of-use assets		<b>244,791</b>	280,303
Intangible assets		<b>99</b>	99
Other asset		<b>500</b>	500
Prepayments and deposits		<b>32,537</b>	41,506
Deferred tax assets		<b>38,193</b>	40,526
		<hr/> <b>428,923</b> <hr/>	<hr/> 495,091 <hr/>
<b>CURRENT ASSETS</b>			
Inventories		<b>1,264,819</b>	1,453,755
Trade receivables	9	<b>108,086</b>	77,783
Prepayments, other receivables and other assets		<b>102,449</b>	98,745
Tax recoverable		<b>12,642</b>	14,788
Time deposits		<b>272,736</b>	232,003
Cash and cash equivalents		<b>440,573</b>	336,750
		<hr/> <b>2,201,305</b> <hr/>	<hr/> 2,213,824 <hr/>
<b>CURRENT LIABILITIES</b>			
Trade payables	10	<b>(153,883)</b>	(245,718)
Other payables and accruals		<b>(281,617)</b>	(284,966)
Interest-bearing bank and other borrowings		<b>(578,178)</b>	(446,150)
Lease liabilities		<b>(134,727)</b>	(155,162)
Tax payable		<b>(5,701)</b>	(3,355)
		<hr/> <b>(1,154,106)</b> <hr/>	<hr/> (1,135,351) <hr/>
<b>NET CURRENT ASSETS</b>		<hr/> <b>1,047,199</b> <hr/>	<hr/> 1,078,473 <hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>1,476,122</b> <hr/>	<hr/> 1,573,564 <hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**  
**AT 30 SEPTEMBER 2020**

		At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
<b>NON-CURRENT LIABILITIES</b>			
Other payables and accruals		(3,465)	(4,278)
Interest-bearing bank and other borrowings		(498,260)	(567,611)
Employee benefit obligations		(3,556)	(1,639)
Lease liabilities		(56,424)	(84,070)
Deferred tax liabilities		(15,925)	(15,879)
		<u>(577,630)</u>	<u>(673,477)</u>
<b>NET ASSETS</b>		<b><u>898,492</u></b>	<b><u>900,087</u></b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	11	(62,296)	(62,296)
Reserves		(836,357)	(837,918)
		<u>(898,653)</u>	<u>(900,214)</u>
<b>Non-controlling interests</b>		<u>161</u>	<u>127</u>
<b>TOTAL EQUITY</b>		<b><u>(898,492)</u></b>	<b><u>(900,087)</u></b>

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange” and the “Listing Rules”, respectively) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the Group’s financial statements for the year ended 31 March 2020. These interim consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, HKASs and Interpretations).

These interim consolidated financial statements have been prepared under historical cost convention.

These interim consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the Group’s financial statements for the year ended 31 March 2020, except for the adoption of the following revised HKFRSs which become effective for accounting periods beginning on or after 1 April 2020 as disclosed in note 2 below.

### 2. Changes in accounting policies and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current Period’s interim consolidated financial statements:

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

The adoption of the above revised HKFRSs has had no significant financial effect on these financial statements.

### 3a. 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 provision of retail management services to other retailers.

Wholesale Business includes wholesale sales of jewellery products to customers.

Other Businesses includes E-business and others.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources 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/(loss) before tax except that unallocated income and expenses, net, finance costs and income tax expense are excluded from such measurement.

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.

### 3a. Operating segment information (continued)

Six months ended 30 September 2020	Retail Business HK\$'000 (unaudited)	Wholesale Business HK\$'000 (unaudited)	Other Businesses HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>Segment revenue:</b>				
Sales to external customers	767,604	284,968	99,963	1,152,535
Other revenue	24,806	-	-	24,806
	<b>792,410</b>	<b>284,968</b>	<b>99,963</b>	<b>1,177,341</b>
<b>Segment results:</b>	<b>2,950</b>	<b>55,703</b>	<b>(32,293)</b>	<b>26,360</b>
<i>Reconciliation:</i>				
Unallocated income and expenses, net				(23,833)
Finance costs				(28,028)
Loss before tax				(25,501)
Income tax expense				(16,120)
Loss for the Period				<b>(41,621)</b>

Six months ended 30 September 2019	Retail Business HK\$'000 (unaudited)	Wholesale Business HK\$'000 (unaudited)	Other Businesses HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>Segment revenue:</b>				
Sales to external customers	1,218,880	326,990	81,219	1,627,089
Other revenue	25,065	-	-	25,065
	<b>1,243,945</b>	<b>326,990</b>	<b>81,219</b>	<b>1,652,154</b>
<b>Segment results:</b>	<b>669</b>	<b>60,217</b>	<b>20,666</b>	<b>81,552</b>
<i>Reconciliation:</i>				
Unallocated income and expenses, net				(36,986)
Finance costs				(29,967)
Profit before tax				14,599
Income tax expense				(13,069)
Profit for the period				<b>1,530</b>



### 3b. Geographical information

Revenue from external customers

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong and Macau	185,343	537,129
Mainland China	966,931	1,080,230
Other countries	25,067	34,795
	<u>1,177,341</u>	<u>1,652,154</u>

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

### 4. Turnover

The principal activities of the Group are the manufacturing, sales 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:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<i>Revenue from contracts with customers</i>		
Sales of jewellery products	1,152,535	1,627,089
Service income	24,806	25,065
	<u>1,177,341</u>	<u>1,652,154</u>

## 5. (Loss)/profit before tax

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

	<b>Six months ended 30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Cost of goods sold*	<b>748,067</b>	982,603
Provision/(reversal of provision) for impairment of inventories	<b>19,224</b>	(12,421)
Depreciation of property, plant and equipment	<b>27,329</b>	32,465
Depreciation of right-of-use assets	<b>80,087</b>	94,339
Lease payments not included in the measurement of lease liabilities**	<b>2,072</b>	6,756
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	<b>217,355</b>	312,716
Pension scheme contributions***	<b>2,804</b>	4,398
	<b>220,159</b>	317,114
Impairment of property, plant and equipment	<b>1,263</b>	-
Impairment of right-of-use assets	<b>4,526</b>	-
Loss on disposal of items of property, plant and equipment	<b>542</b>	230
Government grants and rent concessions related to COVID-19	<b>(43,119)</b>	(11,150)
Foreign exchange differences, net	<b>(703)</b>	4,075

\* Comprising cost of sales in the interim consolidated statement of profit or loss and includes HK\$41,584,000 (2019: HK\$54,556,000) relating to employee benefit expense, depreciation on property, plant and equipment and right-of-use assets, which are also included in the respective type of expenses disclosed separately above.

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

\*\*\* At 30 September 2020, there were no forfeited contributions available to the Group to reduce its contributions to pension scheme in future years (30 September 2019: Nil).

## 6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period. Taxes on profits assessable other than Hong Kong have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current – Hong Kong	2,425	3,728
Current – Other than Hong Kong	11,157	14,488
Deferred	2,538	(5,147)
	<u>16,120</u>	<u>13,069</u>

## 7. Dividend

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
2018/19 approved final dividend of HK\$0.056 per ordinary share	-	13,919

The Board resolved not to declare any interim dividend for the six months ended 30 September 2020 (2019: Nil).

## 8. (Loss)/earnings per share attributable to owners of the Company

The calculation of basic (loss)/earnings per share amount is based on the loss for the Period attributable to owners of the Company of HK\$41,578,000 (2019: profit attributable to owners of the Company: HK\$1,568,000), and the weighted average number of ordinary shares of 249,182,030 (30 September 2019: 248,551,651) in issue during the Period.

The Group had no potentially dilutive ordinary shares in issue during the period ended 30 September 2020.

No diluted earnings per share amounts were presented for the period ended 30 September 2019 as the impact of the share options outstanding had no diluting effect on the basic earnings per share amounts presented.

## 9. Trade receivables

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
Trade receivables	120,990	91,105
Impairment	(12,904)	(13,322)
	<u>108,086</u>	<u>77,783</u>

The Group's retail sales are normally made on 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. Trade receivables are non-interest-bearing in general.

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

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
Within 1 month	102,763	59,397
1 to 2 months	3,413	9,680
2 to 3 months	598	6,879
Over 3 months	1,312	1,827
Total trade receivables	<u>108,086</u>	<u>77,783</u>

## 10. Trade payables

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

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
Within 1 month	102,226	64,392
1 to 2 months	9,340	714
2 to 3 months	18,952	44,501
Over 3 months	23,365	136,111
Total trade payables	<u>153,883</u>	<u>245,718</u>

The trade payables are non-interest-bearing.

## 11. Share capital

	<b>At 30 September 2020 HK\$'000 (unaudited)</b>	<b>At 31 March 2020 HK\$'000 (audited)</b>
Authorised: 1,500,000,000 ordinary shares of HK\$0.25 each	<b>375,000</b>	375,000
Issued and fully paid: 249,182,030 (31 March 2020: 249,182,030) ordinary shares of HK\$0.25 each	<b>62,296</b>	62,296

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

	<b>Number of shares in issue</b>	<b>Share capital HK\$'000</b>
At 1 March 2019	248,551,651	62,138
Scrip issue (note)	630,379	158
At 31 March 2020, 1 April 2020 and 30 September 2020	<b>249,182,030</b>	<b>62,296</b>

Note: The scrip issue included the scrip dividends for 2018/19 final dividend, resulting in the issue of 630,379 shares for a total consideration of HK\$1,007,000, representing an increase of share capital and share premium of HK\$158,000 and HK\$849,000, respectively.

## 12. Pledge of assets

- (a) The Group entered into banking facility arrangements with banks pursuant to which the Group's land and buildings in Hong Kong with an aggregate carrying value as at 30 September 2020 of HK\$74,023,000 (31 March 2020: HK\$75,278,000) 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 those banks.
- (b) As at 30 September 2020, time deposits of the Group denominated in Renminbi equivalent to approximately HK\$272,736,000 (31 March 2020: HK\$232,003,000) have been pledged to secure for standby letters of credit relating to a cross border treasury arrangement.

## **INTERIM DIVIDEND**

The Board resolved not to declare any interim dividend for the six months ended 30 September 2020 (for the six-month period ended 30 September 2019: Nil).

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Overall Financial Results**

The Group's turnover decreased by 28.7% from HK\$1,652 million for the six-month period ended 30 September 2019 to HK\$1,177 million for the Period. The loss attributable to owners of the Company for the Period is HK\$41.6 million as compared to the profit attributable to owners for the six-month period ended 30 September 2019 of HK\$1.6 million. The loss per share attributable to owners of the Company for the Period is 16.7 HK cents (earnings per share attributable to owners of the Company for the six-month period ended 30 September 2019: 0.6 HK cent).

The outbreak of the COVID-19 pandemic has rocked the world and our operating regional/local economies in ways that we could never have imagined or have been prepared for. Unfortunately, the pandemic is still raging unabated and will continue to pose a tremendous threat and severe challenge to our business going forward. Such attempts to curb the spread as social distancing measures, travel restrictions and nationwide lockdowns have brought both the business world and social activities to a near standstill. Closed borders and mandatory quarantines disrupted business and leisure travel, eventually halting worldwide tourism. Together with the heightened China-US tensions, the world economy has fallen into contraction with the result that consumer spending on luxury goods and services, such as jewellery and entertainment, has declined substantially during the Period, particularly in Hong Kong. All these have turned the retail industry into one of the largest casualties of the COVID-19 pandemic with our sales performance in our major operating regions having been hit hard during the Period. However, Mainland China's economy has been picking up from the ravages of the coronavirus through effective containment measures with a broad-based recovery. The consumer spending rebounded quickly in Mainland China has thrown some lights on retailers in this difficult time.

The economic situation is expected to get worse before it starts to get better with countries across the globe still struggling to deal with the health and economic impacts of the initial outbreak while preparing for the subsequent possible emergence of "second and third waves" as winter approaches. Our business will remain impacted in the near future. The Group will strive to overcome obstacles ahead and weather the storm by continuing to adjust its business scale and costs to match the reality of the current market situation, negotiating with landlords for rental reduction or relief and taking a cautious approach to our future retail business development in Hong Kong, while tapping the opportunity of the "internal circulation" policy in Mainland China.

## **Review and Outlook**

### **Retailing Business**

#### *Hong Kong and Macau*

During the Period, the Hong Kong economy continued to suffer from the triple whammy of the COVID-19 pandemic, the US-China trade war and the social events. The impact on the luxury retail sector was nothing short of calamitous. The implementation of travel restrictions and other quarantine measures on inbound travelers has led to a significant drop in the number of tourists visiting Hong Kong and Macau. Apart from the sluggish sales as a result of the decimated tourism, the third wave of COVID-19 infections in Hong Kong since July and the resultant tightening of social distancing measures further weakened local consumer sentiment. With the soaring gold prices and the cancellation of wedding receptions under the pandemic, the demand for gold and jewellery products plummeted. During the Period, the turnover of our Hong Kong and Macau retail businesses decreased by 62.0%. Negative same store sales of 59.3% was recorded for our stores in these regions.

Being one of the most affected industry under the COVID-19, the Group has applied the Retail Sector Subsidy Scheme and the Employment Support Scheme under the Anti-epidemic Fund launched by the Hong Kong Government. The subsidies granted have availed us some of the operating pressures. During the Period, the Group has also relentlessly negotiated rental with landlords and focused on enhancing its rental cost effectiveness. In order to reform and streamline its store network while maintaining effective cost control, the Group has strategically reorganized its sales network and closed some poor performing stores in Hong Kong after taking all relevant factors into account, such as the store operating expenses as well as number of stores, customer base and demand in each district. Given the challenging economic climate we find ourselves in, we will continue to impose prudent policies to control operating costs strictly and strive to minimize rental expenses by continuous negotiation with landlords on rentals.

#### *Mainland China*

Our retail business in Mainland China via self-operated stores accounted for 48.3% of the Group's turnover during the Period and will continue to play an important role in the Group's future development. Although the retail industry in Mainland China has now roughly recovered from the effects of the COVID-19 pandemic, the escalating tensions between Mainland China and the US resulted in further Renminbi depreciation and have continued to drag down the rate of consumer sentiment recovery. Despite this trying situation, the Group still managed to contain the fallout of all the above mentioned factors to a decrease of 12.9% in turnover. During the Period, the same store sales growth in Mainland China recorded minus 5.2%.

In order to accommodate the uncertainties in the Mainland China retail environment, the Group will keep a close watch on market conditions, tap the opportunity of "internal circulation" policy to boost sales and take a conservative approach towards our retail network planning. As of 30 September 2020, the Group has a total number of 453 stores in Mainland China.

Under the pandemic, consumers seek online shopping as alternatives to cope with lockdowns and reduce social interactions. To ride on the global online shopping trend, during the Period the Group has upped its sales and marketing efforts through online channels and platforms, with our frontline staff setting up live streams to interact with younger consumers so as to encourage purchases. Together with our cooperation with Chinese KOLs, the Group has built a solid online presence, boosted brand awareness and promoted our brand image to the younger generation. We will keep on enhancing our online marketing strategies in order to further capitalize on the online-to-offline and offline-to-online business opportunities for the Group.

### *Malaysia*

During the Period, our 6 retail stores were temporarily closed due to the COVID-19 pandemic and only reopened in phases in accordance with the implementation of the nationwide Movement Control Order in Malaysia. Amid the national lockdown and the unfavorable economic situation, the turnover of our retail business in Malaysia dropped by 28.1% for the Period. Going forward, the Group will remain judicious while endeavouring to maintain brand presence in regions beyond Greater China.

### **Wholesale Business**

The uncertainties brought by the China-US trade war as well as the COVID-19 pandemic slowed down the growth of our wholesale business in Mainland China. During the Period, 48 new franchised stores were opened, bringing the total number of franchised stores to 271 as at the end of the Period. The Group will continue to prudently explore more opportunities to work with appropriate business partners with caution to develop our franchised store sales network.

### **Other Businesses**

Despite the gloomy economic outlook, the sales performance of the Group's e-business platforms had a positive growth in turnover of 17.0%. Opportunities are to be found amid crises. Online shopping has rapidly gained prevalence during this pandemic period. The shift in consumer behavior and the burgeoning development of our e-business platform led to the addition allocation of resources by the Group to this sector and accelerated the launch of our Hong Kong official website. During the Period, the Group has also extended its footprint in e-commerce platforms by opening a TSL flagship store on China Merchants Bank online mall and entered several other banks' online mall platforms. The Group will also continue its close relationships with the current e-commerce platforms, such as JD.com, Tmall and Taobao, to grasp the sales opportunities for further growth of our e-business.



## **Financial Structure**

Capital expenditure, comprising mainly store renovation, furniture & fixtures and machinery, incurred during the Period amounted to approximately HK\$8.7 million (for the six-month period ended 30 September 2019: HK\$47.4 million), and was mainly financed by borrowings and funds generated from internal resources.

As at 30 September 2020, the Group's total interest-bearing liabilities increased from approximately HK\$906 million as at 30 September 2019 to approximately HK\$1,076 million, including current interest-bearing bank and other borrowings of HK\$578 million and non-current interest-bearing bank and other borrowings of HK\$498 million. Net borrowings (total interest-bearing liabilities less cash and cash equivalent and time deposits) decreased from HK\$442 million (as at 30 September 2019) to HK\$363 million.

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

The net gearing ratio (the ratio of total interest-bearing liabilities (less cash and cash equivalents and time deposits) to total equity) decreased to 40% during the Period (for the six-month period ended 30 September 2019: 44%). All borrowings of the Group are denominated in Hong Kong dollars or Renminbi. Interest on bank borrowings is calculated on either the inter-bank interest rate or the prime rate or the benchmark interest rate.

As at 30 September 2020, the Group had time deposits, cash and bank balances of approximately HK\$713 million, mostly denominated in Hong Kong dollars, Renminbi and United States dollars, which, in the opinion of the directors of the Company, is sufficient to meet the Group's present working capital requirements.

## **Exchange Rates**

During the Period, the transactions of the Group were mainly denominated in Hong Kong dollars, Renminbi and United States dollars. Renminbi is not a freely convertible currency and any significant exchange rate fluctuation of Renminbi may have financial impacts on the Group. The board of directors of the Company believes that such foreign exchange exposure is manageable by using natural hedges that arise from holding assets and liabilities denominated in the same foreign currencies, and that the Group's exposure to foreign exchange fluctuation remains minimal. We will continue to closely monitor the Group's foreign exchange position.

## **Charge on Group Assets and Contingent Liabilities**

Charge on the Group's assets during the Period is disclosed in note 12 to this interim results announcement. The Group did not have any material contingent liabilities which have not been provided for in the financial statements as at 30 September 2020 (as at 30 September 2019: Nil).

## **Human Resources**

As at 30 September 2020, the total number of employees of the Group was approximately 2,560 (as at 30 September 2019: 3,260). The change was mainly due to the centralization of manpower resources in Mainland China and streamlining of the Group's store network with due regard to the market conditions. There were no major changes in human resources policies.

The Company offers competitive remuneration packages including salary, allowances, and discretionary bonus. Employees are rewarded on a performance basis with reference to market rates. To provide incentive or rewards to the employees, the Company has adopted a share option scheme. 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 discussion forum and in-house seminars for experience sharing.

Notwithstanding the foregoing, human resources policies, capital structure, financial policies, exposure to foreign exchange rates, capital expenditure planning, contingent liabilities and charges on the Group's assets did not differ materially during the Period from the information presented in the last annual report.

## **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 to the Listing Rules, except for the deviation of code provision A.2.1 of the CG Code as expressly provided below.

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.

## **Audit Committee**

The Audit Committee has reviewed the Company's unaudited consolidated financial statements and interim report for the Period, including the accounting principles and practices adopted by the Group, and discussed with management regarding auditing, risk management and internal control, and financial reporting matters.

Messrs. Ernst & Young, the Company's external auditors, have been engaged by the Company to conduct certain procedures on the Group's interim consolidated financial statements for the Period in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the HKICPA. The Audit Committee has discussed with Messrs. Ernst & Young the findings of these procedures including consistency of accounting policies adopted by the Group in preparing this interim financial information and the relevant disclosures made in accordance with the requirements of HKAS 34 and Appendix 16 to the Listing Rules.

## **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.

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

Hong Kong, 18 November 2020

At the date of this announcement, the Board comprises:

*Executive Directors:*

Ms. YAU On Yee, Annie

Ms. NG Yi Kum, Estella

*Independent Non-executive Directors:*

Mr. CHUI Chi Yun, Robert

Mr. CHAN Yue Kwong, Michael

Mr. CHOW Chee Wai, Christopher