TSL 謝瑞麟
HONG KONG

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 ANNUAL RESULTS FOR 2012/2013

FINANCIAL HIGHLIGHTS

	2013 HK$'000	2012 HK$'000	Change
Turnover	3,562,819	3,359,063	+6.1%
Profit from operations	143,691	245,184	-41.4%
Profit attributable to owners of the Company	72,234	162,347	-55.5%
Basic earnings per share	34.3 cents	77.2 cents	-55.5%
Proposed final dividend	7 cents	12.5 cents	-44.0%
Total dividends for the year	8 cents	15.2 cents	-47.4%
Total equity attributable to owners of the Company	988,794	938,247	+5.4%
Equity attributable to per ordinary share of the Company	HK$4.70	HK$4.46	+5.4%

BUSINESS HIGHLIGHTS

- Net profit was HK$72.2 million, a decline of 55.5% from last year. Decrease in profit was mainly due to higher inventory cost brought forward from last year realized during the year, shift of sales mix to lower-margin 24-karat business and slow growth in turnover and the increased in cost as a result of investment and strengthening in the staff, the store network, the brand and the capital structure.
- Hong Kong Retail team won "The Best Team Performance Award-Gold Award" in 2012 Service & Courtesy Award.
- We had first collaboration with an international fashion designer, Ms. Vivienne Tam, with the launch of the Vivienne Tam for TSL Fine Jewellery Collection, a total integration of fashion and jewellery originated from the same design concept.
- We have launched a multi-media brand campaign, "The Persistence of Love", in the last quarter of year 2012, which covered mass media such as TV channels, on-line channels, etc. With "Trend-setting Craftsmanship 「非凡工藝 潮流演繹」" as the core of our positioning, a new tagline of "the Artisan of Love" has been introduced to further instill an emotional attachment into our brand.

* *For identification purpose only*

Tse Sui Luen Jewellery (International) Limited
30 May 2013

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 year ended 28 February 2013 was HK$72,234,000 (2012: HK$162,347,000). The basic earnings per share was 34.3 HK cents (2012: 77.2 HK cents). The consolidated results of the Company and its subsidiaries (the "Group") for the year ended 28 February 2013 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2013

	Note	**28 February 2013 HK$'000**	29 February 2012 HK$'000
Turnover	4	**3,562,819**	3,359,063
Cost of goods sold		**(1,894,715)**	(1,749,865)
Gross profit		**1,668,104**	1,609,198
Other income	5	**7,575**	14,674
Selling expenses		**(1,389,798)**	(1,228,604)
Administrative expenses		**(142,190)**	(150,084)
Profit from operations		**143,691**	245,184
Finance costs	6 (a)	**(43,833)**	(9,377)
Profit before taxation	6	**99,858**	235,807
Taxation	7	**(27,773)**	(54,811)
Profit for the year		**72,085**	180,996
Other comprehensive income			
Exchange difference arising on translation of financial statements of foreign subsidiaries		**(1,918)**	19,983
Other comprehensive income for the year, net of tax		**(1,918)**	19,983
Total comprehensive income for the year		**70,167**	200,979
Profit attributable to :			
Owners of the Company		**72,234**	162,347
Non-controlling interests		**(149)**	18,649
		72,085	180,996
Total comprehensive income attributable to:			
Owners of the Company		**70,342**	179,147
Non-controlling interests		**(175)**	21,832
		70,167	200,979
Earnings per share			
Basic	9(a)	**34.3 cents**	77.2 cents
Diluted	9(b)	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 28 FEBRUARY 2013

	Note	**28 February 2013 HK$'000**	29 February 2012 HK$'000
Non-current assets			
Property, plant and equipment		**131,233**	137,932
Intangible assets		**99**	-
Other asset		**500**	500
Deposits	10	**29,551**	23,126
Deferred tax assets		**26,874**	21,036
		188,257	182,594
Current assets			
Inventories		**1,584,764**	1,593,216
Trade and other receivables	10	**233,489**	215,533
Current tax assets		**8,375**	1,237
Cash at bank and in hand		**205,848**	102,512
		2,032,476	1,912,498
Current liabilities			
Trade and other payables	11	**(555,685)**	(632,803)
Bank overdrafts – secured		**(19,914)**	(44,063)
Bank loans		**(335,748)**	(269,246)
Convertible bonds	13	**(12,842)**	-
Interest bearing payable		**-**	(120,000)
Obligations under finance leases		**(5,692)**	(4,179)
Current tax liabilities		**(5,377)**	(39,895)
		(935,258)	(1,110,186)
Net current assets		**1,097,218**	802,312
Total assets less current liabilities		**1,285,475**	984,906
Non-current liabilities			
Obligations under finance leases		**(2,338)**	(2,552)
Employee benefit obligations		**(15,186)**	(19,727)
Convertible bonds	13	**(254,831)**	-
Deferred tax liabilities		**(24,427)**	(24,380)
		(296,782)	(46,659)
NET ASSETS		**988,693**	938,247
CAPITAL AND RESERVES			
Share capital		**52,584**	52,584
Reserves		**936,210**	885,663
Total equity attributable to owners of the Company		**988,794**	938,247
Non-controlling interests		**(101)**	**-**
TOTAL EQUITY		**988,693**	938,247

Notes

1. Adoption of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 March 2012. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

2. Statement of compliance

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by 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 disclosure requirements of Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 3 below.

3. Critical judgements and key estimates

(a) Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amount recognised in the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

3. Critical judgements and key estimates (cont'd)

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and the key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(i) Useful lives and depreciation of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges of its property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, and will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

(ii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. The directors reassess the estimations at the end of each reporting period.

(iii) Allowance for bad and doubtful debts

The Group determines the allowance for bad and doubtful debts based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of the customers and other debtors and the current market condition. The directors reassess the allowance at the end of each reporting period.

(iv) Customer loyalty programmes

The Group measures the cost of the loyalty award credits by reference to the costs of products and gifts redeemed in the prior years and the probability of redemption are estimated by the directors based on the past history. Actual results may different from the estimation.

3. **Critical judgements and key estimates (cont'd)**

(b) Key sources of estimation uncertainty (cont'd)

(v) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. **Turnover**

The principal activities of the Group are the manufacture, sale and marketing of jewellery products. Turnover represents the sales value of jewellery products sold to customers, net of value added tax and discount.

5. **Other income**

	2013	2012
	HK$'000	HK$'000
Interest income	**458**	460
Net foreign exchange gains	**251**	7,316
Others	**6,866**	6,898
	7,575	14,674

6. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	2013	2012
	HK$'000	HK$'000
(a) Finance costs		
Interest on bank loans and overdrafts wholly repayable within five years	**10,665**	9,139
Imputed interest on convertible bonds	**28,846**	-
Interest on other loan wholly repayable within five years	**3,873**	-
Interest element of finance lease payments	**449**	238
	43,833	9,377

The analysis shows the finance costs of bank borrowings, including terms loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayment dates set out in the loan agreements.

	2013	2012
	HK$'000	HK$'000
(b) Staff costs		
Contributions to defined contribution retirement plan	**8,204**	7,288
Adjustment in respect of long service payments	**(4,541)**	6,982
Retirement costs - net	**3,663**	14,270
Salaries, wages and other benefits	**477,266**	440,308
	480,929	454,578

6. Profit before taxation (cont'd)

	2013	2012
	HK$'000	HK$'000
(c) Other items		
Auditors' remuneration		
- current year provision		
- auditor of the Company	**2,000**	2,000
- other auditors	**610**	375
Cost of goods sold	**1,894,715**	1,749,865
Depreciation	**55,055**	54,543
Loss on disposal of property, plant and equipment	**489**	15
Operating lease charges		
- land and buildings situated in Hong Kong	**135,040**	121,841
- land and buildings situated other than in Hong Kong	**39,230**	30,185
Provision for inventories	**3,016**	3,668
Provision/(reversal) of allowance for bad and doubtful debts	**480**	(14,155)

Cost of goods sold includes HK$83,585,000 (2012: HK$78,318,000) relating to staff costs, depreciation expenses, operating lease charges, which amounts are also included in the respective total amounts disclosed separately above in note 6(b) and 6(c) for each of these types of expenses.

7. Taxation

Taxation recognised in profit or loss in the consolidated statement of comprehensive income represents:

	2013 **HK$'000**	2012 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**4,139**	12,955
Underprovision in prior years	**542**	350
	4,681	13,305
Current tax – overseas		
Provision for the year	**28,372**	37,817
Underprovision/(overprovision) in prior years	**338**	(1,669)
	28,710	36,148
Deferred tax	**(5,618)**	5,358
	27,773	54,811

Hong Kong Profits Tax has been provided at a rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

8. Dividends

	2013 **HK$'000**	2012 HK$'000
Interim dividend of HK$0.01 (2012: HK$0.027) per ordinary share paid	**2,103**	5,679
Proposed final dividend of HK$0.07 (2012: HK$0.125) per ordinary share	**14,724**	26,292
	16,827	31,971

9. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company in the amount of HK$72,234,000 (2012: HK$162,347,000) and on the weighted average number of ordinary shares of 210,336,221 (2012: 210,336,221 ordinary shares) in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share is not shown for the year ended 28 February 2013 as all the potential ordinary shares during the year ended 28 February 2013 are anti-dilutive.

No adjustment has been made to the basic earnings per share amount presented for the year ended 29 February 2012 in respect of dilution as the Group had no potential dilutive ordinary shares issue during the year ended 29 February 2012.

10. Trade and other receivables

	2013 **HK$'000**	2012 HK$'000
Trade receivables	**176,190**	160,458
Other receivables, deposits and prepayments	**88,330**	79,524
	264,520	239,982
Less: Allowance for bad and doubtful debts (note (c))	**(1,480)**	(1,323)
	263,040	238,659
Less: Long-term rental deposits classified as non-current assets	**(29,551)**	(23,126)
	233,489	215,533

10. Trade and other receivables (cont'd)

(a) Included in trade and other receivables are trade receivables (net of allowance for bad and doubtful debts) with the following ageing analysis, based on the invoice date:

	2013	2012
	HK$'000	HK$'000
0 to 30 days	**149,953**	137,863
31 to 60 days	**15,730**	12,300
61 to 90 days	**2,371**	2,177
Over 90 days	**7,656**	7,795
Total trade receivables	**175,710**	160,135
Other receivables, deposits and prepayments (note (d))	**87,330**	78,524
	263,040	238,659

Apart from retail customers, the Group allows an average credit period from 30 to 90 days to other customers.

(b) The ageing analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2013	2012
	HK$'000	HK$'000
Neither past due nor impaired	**174,787**	158,877
Less than 6 months past due	**873**	1,211
Over 6 months past due	**50**	47
	175,710	160,135

Receivables that were neither past due nor impaired relate to a wide range 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 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. The Group does not hold any collateral or other credit enhancements over those balances.

The directors consider that the trade and other receivables are approximate their fair values.

10. Trade and other receivables (cont'd)

(c) Movements in allowance for bad and doubtful debts during the year were as follows:

	2013 **HK$'000**	2012 HK$'000
At 1 March	**1,323**	15,478
Provision/(reversal) of allowance for bad and doubtful debts	**480**	(14,155)
Written off of allowance for bad and doubtful debts	**(323)**	-
At 28/29 February	**1,480**	1,323

(d) Details of other receivables, deposits and prepayments are as follows:

	2013 **HK$'000**	2012 HK$'000
Other receivables	**3,664**	6,600
Deposits	**61,547**	58,636
Prepayments	**22,119**	13,288
	87,330	78,524

11. Trade and other payables

(a) The ageing analysis of trade and other payables, based on the date of receipt of goods, is as follows:

	2013 **HK$'000**	2012 HK$'000
0 to 30 days	**72,847**	42,851
31 to 60 days	**35,269**	49,666
61 to 90 days	**39,789**	48,887
Over 90 days	**162,376**	245,964
Total trade payables	**310,281**	387,368
Other payables and accruals (note(b))	**245,404**	245,435
	555,685	632,803

The directors consider that the carrying amounts of the trade and other payables are approximate their fair values.

11. Trade and other payables (cont'd)

(b) Details of other payables and accruals are as follows:-

	2013 HK$'000	2012 HK$'000
Others payables	**96,037**	72,536
Customer deposits	**9,397**	9,223
Provision for liabilities	**19,126**	22,719
Accruals	**120,844**	140,957
	245,404	245,435

As of 28 February 2013, HK$12,346,000 (2012: HK$Nil) included in other payables is unsecured and interest bearing at a fixed interest rate of 6.6% per annum.

12. Segment reporting

(a) Information about segment profit, segment assets and segment liabilities:

	PRC (including Hong Kong and Macau)		Others		Inter-segment elimination		Consolidated	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Year ended 28/29 February								
Revenue from external customers	**3,529,095**	3,326,420	**33,724**	32,643	**-**	-	**3,562,819**	3,359,063
Inter-segment revenue	**36,106**	29,002	**-**	-	**(36,106)**	(29,002)	**-**	-
Other revenue	**7,564**	14,636	**11**	38	**-**	-	**7,575**	14,674
Reportable segment revenue	**3,572,765**	3,370,058	**33,735**	32,681	**(36,106)**	(29,002)	**3,570,394**	3,373,737
Segment results	**151,037**	247,260	**(7,346)**	(2,076)			**143,691**	245,184
Finance costs							**(43,833)**	(9,377)
Taxation							**(27,773)**	(54,811)
Consolidated profit for the year							**72,085**	180,996
Depreciation for the year	**53,412**	53,438	**1,643**	1,105			**55,055**	54,543

12. Segment reporting (cont'd)

(a) Information about segment profit, segment assets and segment liabilities: (cont'd)

	PRC (including Hong Kong and Macau)		Others		Inter-segment elimination		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 28/29 February								
Segment assets	**2,201,170**	2,119,027	**47,834**	39,196	**(63,520)**	(85,404)	**2,185,484**	2,072,819
Deferred tax assets							**26,874**	21,036
Current tax assets							**8,375**	1,237
Consolidated total assets							**2,220,733**	2,095,092
Segment liabilities	**552,361**	630,871	**66,844**	87,336	**(63,520)**	(85,404)	**555,685**	632,803
Bank overdrafts – secured							**19,914**	44,063
Bank loans							**335,748**	269,246
Interest bearing payable							**-**	120,000
Convertible bonds							**267,673**	-
Deferred tax liabilities							**24,427**	24,380
Current tax liabilities							**5,377**	39,895
Obligations under finance leases							**8,030**	6,731
Employee benefit obligations							**15,186**	19,727
Consolidated total liabilities							**1,232,040**	1,156,845
Additions to non-current segment assets	**53,270**	90,163	**2,387**	112			**55,657**	90,275

The Group is principally engaged in one operating segment which is the manufacture, sale and marketing of jewellery products.

(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 and prior year.

13. Convertible Bonds

On 20 April 2012, the Company has issued to CDH King Limited ("CDH") a principal amount of HK$250,000,000 five-year term convertible bonds under which CDH can convert it into ordinary shares of the Company (the "Shares") with an initial conversion price at HK$6.40 per Share (the "Convertible Bonds"). The Convertible Bonds may be converted into the Shares at any time during the conversion period, on or after the Convertible Bonds' issuance date up to its maturity date, subject to anti-dilutive adjustments. The Convertible Bonds are unsecured and subordinated to all present and future indebtednesses of the Company, excluding equity-linked debt securities which is any present or future indebtedness in the form of, or represented by, bonds, debentures, notes, loan stock, redeemable shares or other debt securities, without the prior approval of CDH by ordinary resolution.

Each Convertible Bonds bear interest at the rate of 5% per annum which are due every year, and the Convertible Bonds mature on the date falling on the fifth anniversary of the issue date of the Convertible Bonds.

As at 28 February 2013, a total of 39,062,500 ordinary shares would have been allotted and issued if all the Convertible Bonds were converted in full.

The Company shall redeem the outstanding principal of the Convertible Bonds at the redemption amount representing an internal rate of return of 12% per annum on the fifth anniversary of the issue date of the Convertible Bonds.

The net proceeds received from the issue of the Convertible Bonds have been split between the liability element and an equity component, as follows:

	HK$'000
Nominal value of the Convertible Bonds issued	250,000
Transaction costs	(2,573)
Equity component	(8,600)
Liability component at date of issue	238,827
Imputed interest expenses	28,846
Liability component at 28 February 2013	267,673
Current portion	(12,842)
Non-current portion	254,831

Imputed interest expenses are calculated using the effective interest method by applying the effective interest rate of 14.04% to the liability component of the Convertible Bonds.

14. Events after the reporting period

On 1 March 2013, 15,850,000 options were granted to the directors, employees and service providers of the Company and its subsidiaries pursuant to the share option scheme of the Company adopted on 26 November 2003. The exercise price of options were granted at HK$4.13 per ordinary share of the Company (the "Share"), which is the highest of (i) the closing price of HK$4.13 per Share as stated in the Stock Exchange's daily quotation sheet on the date of grant; and (ii) the average closing price of HK$4.08 per Share as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of HK$0.25 per Share on the date of grant (the "Options").

The Options are valid for a period of 7 years from 1 March 2013 to 29 February 2020 (both dates inclusive) to be exercised in the following manner:

Tranche 1	15% of Options granted shall be exercisable from 1 September 2014 to 29 February 2020 (both dates inclusive)
Tranche 2	15% of Options granted shall be exercisable from 1March 2015 to 29 February 2020 (both dates inclusive)
Tranche 3	30% of Options granted shall be exercisable from 1March 2016 to 29 February 2020 (both dates inclusive)
Tranche 4	40% of Options granted shall be exercisable from 1March 2017 to 29 February 2020 (both dates inclusive)

FINAL DIVIDEND

A final dividend of 7 HK cents per ordinary share, amounting to a total final dividend of approximately HK$14,724,000 (2012: HK$26,292,000) for the year ended 28 February 2013 to be proposed for shareholders' approval at the forthcoming annual general meeting of the Company to be held on Tuesday, 23 July 2013 (the "2013 AGM"). This, together with the interim dividend of 1 HK cent per ordinary share paid on Wednesday, 9 January 2013, will amount to a total dividend of 8 HK cents per ordinary share for the year (2012: 15.2 HK cents per ordinary share).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 19 July 2013 to Tuesday, 23 July 2013 (both days inclusive), during which period no transfer of shares will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2013 AGM. In order to be entitled to attend and vote at the 2013 AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Secretaries Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4:30 p.m. (Hong Kong Time) on Thursday, 18 July 2013.

Upon the approval by shareholders at the 2013 AGM, the proposed final dividend will be paid on Wednesday, 11 September 2013 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 31 July 2013. The Register of Members of the Company will be closed from Monday, 29 July 2013 to Wednesday, 31 July 2013 (both days inclusive), during which period no transfer of shares will be registered, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to be qualified for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Secretaries Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4:30 p.m. (Hong Kong Time) on Friday, 26 July 2013.

REVIEW AND OUTLOOK

Letter to the Shareholders

Despite having experienced a slowdown in growth in the retail jewellery market in Hong Kong and Mainland China during the financial year under review ("the Year") which lead to a decline in the Group's overall business performance as against that of the previous year, I am delighted to report that the Group has continued to take a positive long term view of the market by continuing to invest in its sales network, the refinement of its product assortments, its brand revitalization and the strengthening of its management team capability in order to pave the way for it to achieve its medium to longer term business strategies.

The Group saw a lift in its sales momentum during the Year resulting from the enhancement of its product assortment and the strategic refinement of its sales network including store expansion and relocations. In Hong Kong, we re-developed our jade assortment which was well-received by our customers and we expanded our product offerings in 24-karat gold and platinum in order to further and better penetrate into the mass market segment. In Mainland China, despite the fact that we cautiously maintained the size of our sales network at about the same overall level as that of the previous year, newly opened stores showed encouraging results which compensated for the slowdown in sales in some of our stores situated in sunset locations. In addition, we went through a re-alignment of our product assortment, aimed at better penetrating the mass market and to pave the way for the development of a bigger 24-karat gold business there in the future. In terms of city strategies, we will be looking into a business rejuvenation for the top-tier cities with a focus on Beijing next year. We have also been actively looking into various network expansion opportunities across the country to achieve better market penetration and brand exposure in coming years.

Robust and persistent sales growth needs to be supported by maintaining a differentiated brand position that can continually enhance and increase consumers' awareness over time. After more than a decade of under-investment in the area of mass media advertising, we launched a multi-media brand campaign, "The Persistence of Love", in the last quarter of the Year, which covered mass media such as TV channels, on-line channels, theatres, print media, outdoor billboards and public transport. The theme is a manifestation of the TSL brand character of being persistent in delivering exquisite design and craftsmanship, serving our customers with extraordinary customer service, and facing various challenges with determination - all living stories of TSL. With "Trend-setting Craftsmanship「非凡工藝 潮流演繹」" as the core of our positioning, a new tagline of "the Artisan of Love" has been introduced to further instill an emotional attachment into our brand. Credit should be given to all staff members especially to our marketing teams and supply chain for their tremendous and concerted efforts in launching this campaign, which yielded encouraging results in raising our brand awareness. Research confirms that the campaign has significantly improved our brand consideration as well as the switching power of TSL from our competitors.

Another strategic move by the Group was its first ever collaboration with an international fashion designer, Ms. Vivienne Tam, with the launch of the *Vivienne Tam for TSL Fine Jewellery Collection*, a total integration of fashion and jewellery originating from the same design concept. Following its debut on the runway of New York Fashion Week at the VIVIENNE TAM Spring/Summer 2013 Fashion Show, a series of high profile publicity campaigns by us have raised the corporate standing and trend-setting image of TSL, putting us into the international limelight. This strategic project enabled TSL to extend its footprint beyond the traditional jewellery business to a completely new fashion-conscious segment, customers from which have become interested in patronizing TSL shops.

During the Year, we successfully completed the acquisition of CORE JEWELS, a Japanese life-style jewellery brand. CORE JEWELS demonstrates a strong vision in respect to the life-style jewellery segment and the trends therein, which will complement our core brand positioning of Trend-setting Craftsmanship「非凡工藝 潮流演繹」and enrich our product assortment. We are currently undergoing a preparation process with a view to launching this business in Hong Kong and Mainland China at a later stage.

At the corporate level, I worked with my management team during the Year to review our mid- to long-term corporate development strategies with the aim of taking the Group to a new level. In support of these new strategies, we have re-aligned the organization structure at top management level with effect from 1 March 2013. In order to transform the Group to a brand-led business at the front end, Mr. Lambert Chan has been re-designated as Deputy Chief Executive Officer – Commercial. At the back-end, Mr. Tommy Tse has been re-designated as Deputy Chief Executive Officer – Supplies to lead the research and development of jewellery manufacturing and organize the supply chain to support the new "brand-led" front-end operations. In order to further strengthen the sales and operations of the Group, Mr. Eddie Tsai, who possesses rich experience in leading sizeable and international retail chains, was appointed as Chief Operating Officer. Mr. Erwin Huang has been re-designated as Chief Corporate Development Officer and is responsible for strategy and corporate development. Mr. Lawrence Lai and Ms. Brenda Chan remain as Chief Financial Officer and Chief Talents Officer (formerly called Group HR Director) respectively. I am confident that these organizational changes will enable us to further leverage on my team's respective strengths and take our business to the next level.

Looking ahead, the operating environment of the Group is expected to remain challenging due to weakened consumer sentiment across our operating regions and rising inflation in Mainland China. Due to continuing global economic uncertainties and the recent instability of the gold price, we shall continue to take a cautious approach to the mitigation of risks. Nevertheless, we are confident of the continued growth of domestic consumption in Mainland China over the medium to long term, and are determined to establish a robust platform to maximize our returns from this market. We are also determined to drive for a major expansion of our sales network in order to achieve significant growth in sales turnover. As such, we shall maintain a cautious yet progressive approach in developing our business.

On a final note, I would like to express my sincere gratitude and appreciation to all shareholders, board members, our conscientious staff members, loyal customers, business partners and other stakeholders for their continuing support and commitment to the Group. As the leader of the Company, I am committed to bring TSL to new heights.

Yau On Yee, Annie
Chairman
Hong Kong, 30 May 2013

Management's Discussion and Analysis

Results of the Group

For the financial year ended 28 February 2013, the consolidated turnover of the Group grew by 6.1% to HK$3,563 million from HK$3,359 million last year. Profit attributable to owners of the Company was HK$72.2 million, representing a decline of 55.5% over last year. Earnings per share for the year was 34.3 HK cents.

As a result of the investment in new stores and in the strengthening of management to increase the Group's capability for future business improvement and development in the second half of 2012, overheads increased by HK$15.3 million when compared to last year. During the year, finance costs increased by HK$34.5 million mainly as a result of the successful completion of the issue of HK$250 million in convertible bonds to CDH King Limited (a member of CDH Investments) to broaden the Group's capital base and to raise the funds required for the further development of the core jewellery business. At the end of 2012, the Group invested HK$44.3 million in the brand campaign "the Artisan of Love" to strengthen the brand positioning of the Group. Although the initial increase in the cost of all these initiatives may have affected the short term profitability of the Group, we believe these investments will provide it with ongoing benefits in the years to come.

As discussed in the interim report, this was a challenging year for the jewellery business as the uncertain worldwide economic outlook and the slow down of economic growth of Mainland China affected the consumption atmosphere on luxury items, including jewellery. On the other hand, the boom in the jewellery market that occurred in Hong Kong and Mainland China in the preceding two years has had the effect of driving up the rental and staff costs which have not yet adjusted downward in line with the slower sales growth experienced this year. Together with the above-mentioned investments for the medium and longer term, the growth in turnover this year has not kept up with this increase in costs and so has resulted in the decline of profitability in the year under review.

In Hong Kong and Macau, the Group saw a lift in its sales momentum due to an enhancement of the product assortment and the expansion of our flagship store at Parklane in Tsim Sha Tsui. Sales turnover grew at 9.0 % year on year and accounted for 63.1% of the Group's sales turnover. A new generation of store design was launched there, which has attracted the interest and attention of the market. The previous network expansion in the Mong Kok district has also contributed positively throughout the year by improving our penetration into the mass market, especially in the 24-karat gold business. Furthermore, we re-entered the high-traffic shopping area in Sha Tin in December 2012, which is benefiting from the business of both Chinese tourists and local consumers alike. Last but not least, the relocation of stores in Tsuen Wan and Tuen Mun during the year have definitely improved sales performance and brand exposure. Our showrooms also performed well as tourists in Mainland China continue to spend in the lower-price-point items.

During the year we took a cautious approach to our store network expansion in Mainland China due to the sluggish growth in the demand for jewellery there and an internal re-alignment of business strategies, however, we remain positive about the business development opportunities in this high-growth country. Sales turnover in Mainland China was stable because of the abatement of consumption atmosphere in jewellery items. On the other hand, the 24-karat gold business was started and has been nurtured during the year and we expect it to be one of our major growth engines for this business in the medium to long term. We have also reviewed our business strategy in respect to the city of Beijing where a major revamp of the store network and product assortment will take place next financial year aimed at rejuvenating the business in this capital city. For other strategic locations, we have been actively looking into various network expansion opportunities for better penetration and brand exposure in coming years.

The overall gross profit margin of the Group declined from 47.9% to 46.8% because of the shift in sales mix and the higher inventory cost brought forward from last year being realized during the year.

Our quality and innovative culture have been well recognized by the industry and the market. During the year, our consistent high standard of customer services, once again, has brought us the honour of the Best Team Performance Award – Gold Award in the 2012 Service & Courtesy Award organized by the Hong Kong Retail Management Association. Our brand campaigns "the Artisan of Love" launched at the end of 2012 has not only generated a lot of awareness from consumers but has also won the Best Use of Integrated Media Campaign - Gold Award in MTR Best of the Best Advertising Awards 2012.

Looking ahead, the current economic uncertainties of the world economy have made some parts of our business environment stay volatile. In this respect, the sharp decrease of approximately 15% in the gold price that occurred in mid-April 2013 caused a "gold-rush" that month with buyers rushing in to buy resulting in sales turnover of 24-karat gold doubling over that of the previous month. Thanks to the strategy of fast inventory turnover and frequent replenishment of 24-karat gold to hedge against fluctuations in market prices, the increase in gross profit from sales of 24-karat gold was more than enough to offset the losses incurred on the sale of our older inventory. This resulted in an overall increase in the contribution from this product category during April 2013. The weighted average 24-karat gold cost of the Group at the end of April 2013 had also been restored back to HK$13,844 per tael which was close to the then market prices of HK$13,800 per tael.

We maintain the view that the growth of the economy and hence the home consumption of Mainland China, albeit at a slower rate, will continue and will eventually offset the unfavourable effects on the consumption atmosphere caused by the lingering economic uncertainties in US and Europe. The Group will continue to cautiously invest in and enhance its brand, inventory, store network and human resources in order to further develop its "Trend-setting Craftsmanship 「非凡工藝 潮流演繹」" position to capitalize on future market growth as and when such opportunities arise.

Finance, Liquidity, Capital Structure and Gearing

Capital expenditure, comprising mainly store renovation and expansion, furniture and fixtures and machineries, incurred during the year amounted to approximately HK$49.1 million (2012: HK$67.1 million), which was mainly financed by borrowings and funds generated from internal resources.

As at 28 February 2013, the Group's interest bearing liabilities increased to HK$631 million from HK$440 million as at 29 February 2012 mainly as a result of the completion of the issue of HK$250 million in convertible bonds to CDH King Limited in April 2012 which was to provide funding for general corporate development and working capital requirements of the Group. The gearing ratio (ratio of total interest bearing liability to total equity) increased to 63.9% from 46.9% and is at a healthy level. All borrowings of the Group are denominated in Hong Kong dollars. Interest on bank borrowings are calculated on either the inter-bank interest rate or the prime rate while the interest on convertible bonds is fixed.

As at 28 February 2013, the Group had cash and bank balances and undrawn banking facilities of approximately HK$206 million and HK$33 million respectively which, in the opinion of the directors, should be sufficient for the Group's present working capital requirements.

Exchange Rates

During the year, the transactions of the Group were mainly denominated in local currencies and US dollars. The impact of the fluctuation of foreign exchange rates of these currencies to the Group is minimal.

Charges on Group Assets

(a) As at 28 February 2013, debentures have been executed by the Group in favour of its banker charging, by way of fixed and floating charges, all of the undertakings, properties and assets of the Company and of its 11 subsidiaries as security for, *inter alia*, all obligations and liabilities, actual or contingent, from time to time owing by the Group to the banker. Rental revenue of the Group is also charged in favour of the Group's banker.

(b) As at 28 February 2013, the Company and 6 of its subsidiaries (the "Subsidiaries") have executed a second floating charge and the Company made a guarantee to the Subsidiaries and there was a cross guarantee among the Subsidiaries in favour of Rosy Blue Hong Kong Limited to pledge all of the Subsidiaries' respective rights to and title and interest from time to time in their inventories or stock-in-trade and their receivables from their overseas fellow subsidiaries in connection with the sales and supply of any inventory or stock-in-trade to such overseas fellow subsidiaries as a continuing security for the debts. As at 28 February 2013, the debts amounted to HK$112,911,000 (at 29 February 2012: HK$170,692,000).

Contingent Liabilities

The Group did not have any material contingent liabilities as at 28 February 2013.

Human Resources

As at 28 February 2013, the total number of employees of the Group was approximately 3,340 (2012: 3,800). The decrease was mainly in sales operations, production and administration departments as a result of a conscious decision to streamline the structure and build of a more efficient team for future business expansion.

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. The Group also has an employee share option scheme. No options were granted pursuant to the scheme during the year. Subsequent to the year ended 28 February 2013, options were granted to provide incentive to certain directors, employees and service providers as disclosed in the announcement of the Company on 1 March 2013.

Retail frontline staff is provided with formal on-the-job training by internal seniors 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 consolidated financial statements of the Group for the year ended 28 February 2013.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 28 February 2013 have been agreed by the Group's auditor, RSM Nelson Wheeler, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by RSM Nelson Wheeler 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 RSM Nelson Wheeler on the preliminary announcement.

ANNUAL GENERAL MEETING

The 2013 AGM will be held on Tuesday, 23 July 2013. A notice of the 2013 AGM will be published and despatched to shareholders in due course.

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 year ended 28 February 2013, the Company has applied the principles and complied with all of the code provisions and some recommended best practices of the Code on Corporate Governance Practices (effective until 31 March 2012) ("Former Code") and the Corporate Governance Code (effective from 1 April 2012) (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for the deviation of code provision A.2.1 of the Former Code and CG Code as expressly below.

Code provision A.2.1

Code provision A.2.1 of the Former Code and 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 year ended 28 February 2013, the roles of the Chairman and the Chief Executive Officer of the Company were performed by Ms. Yau On Yee, Annie. The Board of Directors 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 comprises of four Independent Non-executive Directors of the Company, namely, Mr. Chui Chi Yun, Robert, Mr. Heng Ching Kuen, Franklin, Mr. Chan Yue Kwong, Michael and Mr. Chow Chee Wai, Christopher. Its terms of reference are in compliance with the provisions set out in the CG Code.

The Audit Committee has reviewed the Company's consolidated financial statements and annual report for the year ended 28 February 2013, including the accounting principles and practices adopted by the Group, and discussed with management regarding auditing, internal control and financial reporting matters.

Model Code for Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made with all Directors and the Directors have confirmed compliance with the required standard set out in the Model Code during the year ended 28 February 2013.

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 year ended 28 February 2013.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2012/2013 ANNUAL REPORT

The annual results announcement will be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.tslj.com. The 2012/2013 Annual Report will be despatched to the shareholders and published on the above websites.

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

Hong Kong, 30 May 2013

At the date of this announcement, the Board comprises:

Executive Directors:
Ms. YAU On Yee, Annie
Mr. Erwin Steve HUANG
Mr. LAI Tsz Mo, Lawrence

Non-executive Director:
Mr. WANG Guosheng

Independent Non-executive Directors:
Mr. CHUI Chi Yun, Robert
Mr. HENG Ching Kuen, Franklin
Mr. CHAN Yue Kwong, Michael
Mr. CHOW Chee Wai, Christopher