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**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 2013/2014**

FINANCIAL HIGHLIGHTS	Six months ended		
	31 August		
	2013	2012	Change
	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	
Turnover	2,129,221	1,658,936	+28.3%
Profit from operations	89,451	63,471	+40.9%
Profit attributable to owners of the Company	47,564	30,675	+55.1%
Basic earnings per share	23 HK cents	15 HK cents	+55.1%
Interim dividend	2.2 HK cents	1 HK cent	+120%
Total equity attributable to owners of the Company	1,034,741	988,794 <sup>†</sup>	+4.6%
Equity attributable to per ordinary share of the Company	HK\$4.92	HK\$4.46	+10.3%

<sup>†</sup> figure as at 28 February 2013(audited)

\* For identification purpose only

## **BUSINESS HIGHLIGHTS**

- Benefited from the buying spree for 24-karat gold and the enhanced brand image brought about by our brand building program, sales in Hong Kong and Macau for the period under review increased by 41% and accounted for 69.4% of the turnover of the Group.
- Consolidated turnover for the first half of the 2013/2014 financial year increased by 28.3% to HK\$2,129 million.
- Profit attributable to owners of the Company for the same period increased by 55.1% to HK\$47.6 million. Earnings per share was 23 HK cents.
- The Group's brand campaign has had the honour to be chosen as one of the Top 10 Marketing Campaigns in the "HKMA/TVB Award for Marketing Excellence".
- During the period, the Group opened two new stores, one in Tseung Kwan O in Hong Kong and the other in Macau. In the second half of the year, two more new stores will be opened in Hong Kong.
- The Group will continue to take a prudent yet progressive approach to capitalize its "Trend-setting Craftsmanship 「非凡工藝 潮流演繹」" position.

## **RESULTS**

The board of directors (the "Board") of Tse Sui Luen Jewellery (International) Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 August 2013. The interim results for the six months ended 31 August 2013 have been reviewed by the Company's Audit Committee.

**CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 31 AUGUST 2013**

	Note	Six months ended 31 August	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
<b>Turnover</b>	2	<b>2,129,221</b>	1,658,936
Cost of goods sold		<b>(1,212,221)</b>	(872,866)
<b>Gross profit</b>		<b>917,000</b>	786,070
Other income		<b>5,047</b>	4,517
Selling expenses		<b>(744,975)</b>	(657,420)
Administrative expenses		<b>(87,621)</b>	(69,696)
<b>Profit from operations</b>		<b>89,451</b>	63,471
Finance costs		<b>(23,253)</b>	(20,416)
<b>Profit before tax</b>	3	<b>66,198</b>	43,055
Taxation	4	<b>(18,736)</b>	(12,380)
<b>Profit for the period</b>		<b>47,462</b>	30,675
<b>Profit attributable to :</b>			
Owners of the Company		<b>47,564</b>	30,675
Non-controlling interests		<b>(102)</b>	-
		<b>47,462</b>	30,675
<b>Earnings per share attributable to Owners of the Company</b>			
Basic	6(a)	<b>23 cents</b>	15 cents
Diluted	6(b)	<b>N/A</b>	N/A

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 31 AUGUST 2013**

	<b>Six months ended 31 August</b>	
Note	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	(unaudited)	(unaudited)
<b>Profit for the period</b>	<b>47,462</b>	30,675
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising on translation of financial statements of foreign subsidiaries	<u>8,317</u>	<u>(12,266)</u>
<b>Total comprehensive income for the period</b>	<b><u>55,779</u></b>	<b><u>18,409</u></b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<u>55,865</u>	18,409
Non-controlling interests	<u>(86)</u>	<u>-</u>
	<b><u>55,779</u></b>	<b><u>18,409</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 AUGUST 2013**

	Note	At 31 August 2013 HK\$'000 (unaudited)	At 28 February 2013 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		129,019	131,233
Intangible assets		99	99
Other asset		500	500
Deposits and prepayments	7	41,750	29,551
Deferred tax assets		27,596	26,874
		<u>198,964</u>	<u>188,257</u>
<b>Current assets</b>			
Inventories		1,810,070	1,584,764
Trade and other receivables	7	257,519	233,489
Tax recoverable		9,955	8,375
Cash at bank and in hand		73,351	205,848
		<u>2,150,895</u>	<u>2,032,476</u>
<b>Current liabilities</b>			
Trade and other payables	8	(594,199)	(555,685)
Bank overdrafts – secured		(40,898)	(19,914)
Bank loans		(318,347)	(335,748)
Convertible bonds	11	(12,500)	(12,842)
Dividends payable		(14,724)	-
Obligations under finance leases		(4,012)	(5,692)
Tax payable		(11,837)	(5,377)
		<u>(996,517)</u>	<u>(935,258)</u>
<b>Net current assets</b>		<u>1,154,378</u>	<u>1,097,218</u>
<b>Total assets less current liabilities</b>		<u>1,353,342</u>	<u>1,285,475</u>
<b>Non-current liabilities</b>			
Other loan		(12,500)	-
Obligations under finance leases		(863)	(2,338)
Employee benefit obligations		(15,186)	(15,186)
Convertible bonds	11	(259,234)	(254,831)
Other payables and accruals	8	(4,644)	-
Deferred tax liabilities		(26,361)	(24,427)
		<u>(318,788)</u>	<u>(296,782)</u>
<b>NET ASSETS</b>		<u>1,034,554</u>	<u>988,693</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		52,584	52,584
Reserves		982,157	936,210
<b>Total equity attributable to owners of the Company</b>		<u>1,034,741</u>	<u>988,794</u>
<b>Non-controlling interests</b>		<u>(187)</u>	<u>(101)</u>
<b>TOTAL EQUITY</b>		<u>1,034,554</u>	<u>988,693</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. Basis of preparation

This interim financial report has 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”).

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. 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 28 February 2013. The condensed consolidated interim 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 Hong Kong Financial Reporting Standards, HKASs and Interpretations).

This condensed financial statements have been prepared under historical cost convention.

This condensed financial statements have been prepared in accordance with the same accounting policies adopted in the Group’s financial statements for the year ended 28 February 2013, except for the adoption of the following amendments, new and revised HKFRSs which become effective for accounting periods beginning on or after 1 March 2013:

HKAS 1 Amendment	Presentation of Items of Other Comprehensive Income
HKFRS 1 Amendment	Government Loans
HKFRS 7 Amendment	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, 11 and 12 Amendment	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements Project	Annual Improvements 2009-2011 Cycle

The adoption of the above amendments, new and revised HKFRSs has had no material impact on the Group’s results of operations and financial position.

## 1. Basis of preparation (cont'd)

The Group has not adopted earlier or applied the following amendments, new and revised HKFRSs that have been issued but are not yet effective, in this interim financial report.

		Effective for accounting periods beginning on or after
HKFRS 10, HKFRS 12 and HKAS 27(2011) Amendment	Investment Entities	1 January 2014
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
HK(IFRIC) – Int 21	Levies	1 January 2014
HKFRS 9	Financial Instruments	1 January 2015

The Group has already commenced an assessment of the impact of these amendments, new and revised HKFRSs but is not yet in a position to state whether these amendments, new and revised HKFRSs would have a material impact on its results of operations and financial position.

The preparation of an interim financial report requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The financial information relating to the financial year ended 28 February 2013 included in this interim financial report does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 28 February 2013 are available from the Company's principal office.

## 2. Segment reporting

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.

The following table represents the revenue and results for the Group's reportable segments for the periods ended 31 August 2013 and 2012, respectively.

	PRC (including Hong Kong and Macau)		Others		Inter-segment elimination		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012
	Six months ended 31 August							
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)	<b>(unaudited)</b>	(unaudited)	<b>(unaudited)</b>	(unaudited)	<b>(unaudited)</b>	(unaudited)
Revenue from external customers	<b>2,107,892</b>	1,642,799	<b>21,329</b>	16,137	-	-	<b>2,129,221</b>	1,658,936
Inter-segment revenue	<b>17,394</b>	15,802	<b>2,337</b>	-	<b>(19,731)</b>	(15,802)	-	-
Other revenue	<b>4,963</b>	4,539	<b>84</b>	(22)	-	-	<b>5,047</b>	4,517
Reportable segment revenue	<b>2,130,249</b>	1,663,140	<b>23,750</b>	16,115	<b>(19,731)</b>	(15,802)	<b>2,134,268</b>	1,663,453
Segment results	<b>91,952</b>	64,397	<b>(2,501)</b>	(926)			<b>89,451</b>	63,471
Finance costs							<b>(23,253)</b>	(20,416)
Taxation							<b>(18,736)</b>	(12,380)
Profit for the period							<b>47,462</b>	30,675



### 3. Profit before tax

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

	Six months ended 31 August	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Interest on borrowings		
- Bank loans	5,760	5,231
- Convertible bonds	16,903	12,218
- Other loans	590	2,967
	<b>23,253</b>	20,416
Depreciation	<b>23,695</b>	27,990
Staff costs		
- Retirement costs	4,483	3,825
- Share-based payment	4,806	-
- Salaries, wages and other benefits	271,650	229,356
	<b>280,939</b>	233,181
Operating lease charges		
- Land and buildings situated in Hong Kong	76,911	67,451
- Land and buildings situated other than in Hong Kong	21,522	17,656
	<b>98,433</b>	85,107
(Reversal of provision)/provision for inventories	<b>(459)</b>	1,849

### 4. Taxation

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

	Six months ended 31 August	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the period	<u>2,291</u>	<u>4,502</u>
	<u>2,291</u>	<u>4,502</u>
<b>Current tax - Overseas</b>		
Provision for the period	<u>15,115</u>	<u>15,787</u>
	<u>15,115</u>	<u>15,787</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>1,330</u>	<u>(7,909)</u>
	<u>1,330</u>	<u>(7,909)</u>
	<b>18,736</b>	<b>12,380</b>

#### 4. Taxation (cont'd)

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

#### 5. Dividends

##### (a) Dividends attributable to the periods

	Six months ended 31 August	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interim dividend, declared after period end, of HK\$0.022 (2012: HK\$0.01) per ordinary share	<u>4,627</u>	<u>2,103</u>

At the board meeting held on 30 October 2013, the directors declared an interim dividend of HK\$0.022 per share. These dividends have not been recognised as a liability as at 31 August 2013.

##### (b) Dividends attributable to the previous financial year, approved during the period

	Six months ended 31 August	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Final dividend attributable to the previous financial year, approved during the period, of HK\$0.07 (2012: HK\$0.125) per ordinary share	<u>14,724</u>	<u>26,292</u>

#### 6. 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 period attributable to owners of the Company in the amount of HK\$47,564,000 (2012: HK\$30,675,000) and on the weighted average number of ordinary shares of 210,336,221 (2012: 210,336,221 ordinary shares) in issue during the period.

## 6. Earnings per share (cont'd)

### (b) Diluted earnings per share

Diluted earnings per share is not shown for the period ended 31 August 2013 and 2012 as all the potential ordinary shares during the periods are anti-dilutive.

## 7. Trade and other receivables

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:

	<b>At 31 August 2013 HK\$'000 (unaudited)</b>	At 28 February 2013 HK\$'000 (audited)
0 to 30 days	<b>134,201</b>	149,953
31 to 60 days	<b>14,573</b>	15,730
61 to 90 days	<b>1,967</b>	2,371
Over 90 days	<b>8,859</b>	7,656
	<hr/>	<hr/>
Total trade receivables	<b>159,600</b>	175,710
Other receivables, deposits and prepayments	<b>139,669</b>	87,330
	<hr/>	<hr/>
	<b>299,269</b>	263,040
Long-term deposits and prepayments classified as non-current assets	<b>(41,750)</b>	(29,551)
	<hr/>	<hr/>
	<b>257,519</b>	233,489
	<hr/>	<hr/>

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

## 8. Trade and other payables

Included in trade and other payables are trade payables with the following ageing analysis, based on the date of receipt of goods:

	<b>At 31 August 2013 HK\$'000 (unaudited)</b>	At 28 February 2013 HK\$'000 (audited)
0 to 30 days	95,217	72,847
31 to 60 days	94,669	35,269
61 to 90 days	75,665	39,789
Over 90 days	<u>134,990</u>	<u>162,376</u>
Total trade payables	400,541	310,281
Other payables and accruals	<u>198,302</u>	<u>245,404</u>
	<b>598,843</b>	<b>555,685</b>
Long-term other payables and accruals classified as non-current liabilities	<u>(4,644)</u>	<u>-</u>
	<u><b>594,199</b></u>	<u><b>555,685</b></u>

## 9. Pledge of assets

- (a) As at 31 August 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 31 August 2013, the Company and its 6 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 arising from the supply of polished diamonds and precious stones by Rosy Blue HK to the Subsidiaries (the "Debts") from time to time. As at 31 August 2013, the Debts amounted to HK\$130,052,000 (at 28 February 2013: HK\$112,911,000).

## 10. Commitments

- (a) At 31 August 2013, the total capital commitments in respect of property, plant and equipment were as follows:

	<b>At 31 August 2013 HK\$'000 (unaudited)</b>	At 28 February 2013 HK\$'000 (audited)
Contracted but not provided for	<u>5,543</u>	<u>-</u>

- (b) At 31 August 2013, the total future minimum lease payments under non-cancellable operating leases were as follows:

	<b>At 31 August 2013 HK\$'000 (unaudited)</b>	At 28 February 2013 HK\$'000 (audited)
Within 1 year	165,053	146,838
After 1 year but within 5 years	195,643	155,712
After 5 years	6,120	-
	<u>366,816</u>	<u>302,550</u>

## 11. 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”) at an initial conversion price of 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 are, in the form of 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 will mature on the date falling on the fifth anniversary of their issue date.

## 11. Convertible Bonds (cont'd)

As at 31 August 2013, a total of 39,062,500 ordinary shares would be allotted and issued upon the conversion in full of the Convertible Bonds.

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:

	<b>The Group and the Company</b>	
	<b>At 31 August 2013</b>	<b>At 28 February 2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Nominal value of the Convertible Bonds issued	<b>250,000</b>	250,000
Transaction costs	<b>(2,573)</b>	(2,573)
Equity component	<b>(8,600)</b>	(8,600)
	<hr/>	<hr/>
Liability component at date of issue	<b>238,827</b>	238,827
Accumulated imputed interest expenses	<b>45,749</b>	28,846
Interest paid	<b>(12,842)</b>	-
	<hr/>	<hr/>
Liability component at end of the period/year	<b>271,734</b>	267,673
Current portion	<b>(12,500)</b>	(12,842)
	<hr/>	<hr/>
Non-current portion	<b>259,234</b>	254,831
	<hr/> <hr/>	<hr/> <hr/>

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.

## INTERIM DIVIDEND

The Board resolved to declare an interim dividend of 2.2 HK cents per ordinary share of the Company for the six months ended 31 August 2013 (2012: 1 HK cent per ordinary share) to shareholders whose names appear on the Register of Members of the Company on Friday, 22 November 2013. The interim dividend will be paid on Wednesday, 27 November 2013.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Wednesday, 20 November 2013 to Friday, 22 November 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim 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 Tuesday, 19 November 2013.

## **BUSINESS REVIEW AND PROSPECTS**

### **Financial results**

For the first half of the 2013/2014 financial year, the Group's turnover increased by 28.3% from HK\$1,659 million to HK\$2,129 million mainly due to rapid growth in the sales of 24-karat gold and more moderate growth in the sales of jewellery products during the period. This growth, when combined with careful monitoring of margins by the Group, resulted in profit attributable to owners of the Company growing by 55.1% from HK\$30.7 million to HK\$47.6 million. Earnings per share was 23 HK cents (2012: 15 HK cents per share).

### **Review and outlook**

Sales in Hong Kong and Macau substantially benefited from the buying spree for 24-karat gold that followed the sudden drop in the gold price in April 2013 and the enhanced brand image brought about by our brand building program. Although the demand for higher-priced gifting items was weaker during the period, this was compensated for by the growth in sales of jewellery for end-use. As a result, sales in Hong Kong and Macau for the period under review increased by 41% and accounted for 69.4% of the turnover of the Group.

During the first half of the financial year, the Group opened two new stores, one in Tseung Kwan O in Hong Kong and the other in Macau. In the second half of the year, we will continue to strengthen our store network in Hong Kong and will open two more new stores, one in China Hong Kong City in Tsim Sha Tsui and the other in V City in Tuen Mun.

Mainly owing to the much smaller scale of our 24-karat gold business in Mainland China but also due to a slow down experienced in the growth of jewellery sales due to a decline in the gifting market, the sales growth of this business was lower than that experienced in our Hong Kong and Macau business, showing a growth of 6% for the period. We have reviewed and have strengthened our store network and product assortment in key cities like Beijing. During the first half of the financial year, there has been a net increase of 9 outlets and the total number of outlets has increased to 189 as at 31 August 2013. More focus is being given to the development of products for the end-user market following a down turn in the gifting market. The Group is looking into various network expansion opportunities for better penetration and brand exposure into locations it considers has good potential and where the Group is not yet represented.

As a result of the shift in the sales mix towards lower margin 24-karat gold products, the overall gross profit margin of the Group declined from 47.4% to 43.1%. With more focus on the monitoring and management of our gross profit margins, there has been improvement which, when coupled with the increased volume of business during the period, brought about a satisfactory growth in overall gross profit.

Quality is the culture of the Group and this is well recognized in the industry. The Group's brand campaign has had the honour to be chosen as one of the Top 10 Marketing Campaigns in the "HKMA/TVB Award for Marketing Excellence" and our Director-Group Marketing also received the "Distinguished Marketing Leadership Award". Our showroom has won the "2013 Outstanding QTS Merchant-Gold Award" and "Outstanding QTS Merchant Merit Award" and our staff have also won the "2013 Outstanding QTS Merchant Service Staff Award" all awarded by the Hong Kong Tourism Board.

The tightening by the Mainland Government of its travel policies for packaged tours coming to Hong Kong has resulted in a slow down occurring in that business starting from its implementation on 1 October 2013. The purpose of the policy is to protect the interests of Mainland tourists shopping in Hong Kong. We believe the policy will not affect quality merchants like us in the long term and we expect that things will normalize again once the industry players adapt to the new policy.

Going forward, the uncertainty in the world economy and the slow down in economic growth in the Mainland will continue to pose challenges to the business. On the other hand, growing home consumption in the Mainland, albeit at a slower rate than in the past, will continue to provide us with ongoing business opportunities. The Group will continue to take a prudent yet progressive approach in investing in and enhancing its brand, inventory, store network and human resources in order to capitalize its "Trend-setting Craftsmanship 「非凡工藝 潮流演繹」" position to meet this gradual growing market needs.

## **Finance**

Capital expenditure totaled to approximately HK\$21.2 million during the period under review and was mainly in respect to store renovations and expansion. This was funded largely by internal resources and borrowings.

As at 31 August 2013, the Group's total borrowings increased to HK\$648.4 million from HK\$631.4 million as at 28 February 2013. The Group's cash and bank balance as of 31 August 2013 was HK\$73.4 million, while undrawn banking facilities were HK\$29.2 million. Our debt-to-equity ratio (ratio of total borrowings to total equity) decreased from 63.9 % to 62.7% and is at a healthy level.



## **Employees**

As of 31 August 2013, the total number of employees of the Group was approximately 3,570 (28 February 2013: 3,340). The increase was mainly in sales operations to complement the growth of stores and development of the business.

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

## **REVIEW OF UNAUDITED FINANCIAL STATEMENTS**

The Audit Committee of the Company has reviewed the unaudited consolidated financial statements of the Group for the six months ended 31 August 2013.

## **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 six month ended 31 August 2013, the Company has applied the principles and complied with all of the code provisions and the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for the deviation of code provision 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 ended 31 August 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.

#### **Code provision A.5.6**

Code provision A.5.6 of the CG Code stipulates that the nomination committee should have a policy concerning diversity of board members, and should disclose the policy in the corporate governance report with effect from 1 September 2013. The Nomination Committee of the Company has discussed on the requirements of the amendment and how a board diversity policy should be adopted in a meeting held on 24 May 2013. The Nomination Committee of the Company concluded to revisit this matter in the next meeting in order to allow more time to make reference to market practice.

### **Code provision A.6.7**

Code provision A.6.7 of the CG Code stipulates independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Chui Chi Yun, Robert, an independent, non-executive director of the Company, and Mr. Wang Guosheng, a non-executive director of the Company, were unable to attend the annual general meeting of the Company held on 23 July 2013 due to his being absent from Hong Kong and the other business commitments respectively.

### **Audit Committee**

The Audit Committee of the Company 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 of the Company has reviewed the Group's unaudited consolidated financial statements and interim report for the six months ended 31 August 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 six months ended 31 August 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 six months ended 31 August 2013.

### **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 2013/2014 INTERIM REPORT**

The interim results announcement will be published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.tslj.com](http://www.tslj.com). The 2013/2014 Interim 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 October 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