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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 ANNUAL RESULTS FOR 2015/2016

FINANCIAL HIGHLIGHTS	2016	2015	Change
	HK\$'000	HK\$'000	
Turnover	3,538,862	3,871,029	-8.6%
Profit from operations	108,890	122,473	-11.1%
Profit attributable to owners of the Company	23,623	39,758	-40.6%
Basic earnings per share	11.2 cents	18.9 cents	-40.6%
Proposed final dividend	2.6 cents	3.7 cents	-29.7%
Total dividends for the year	4.1 cents	4.9 cents	-16.3%
Total equity attributable to owners of the Company	1,030,803	1,094,759	-5.8%
Equity attributable to owners of the Company per share	HK\$4.90	HK\$5.20	-5.8%

BUSINESS HIGHLIGHTS

- The consolidated turnover for the financial year 2015/16 (the “Year”) decreased by 8.6% as compared with that for last year.
- Profit attributable to owners of Tse Sui Luen Jewellery (International) Limited (the “Company”) for the Year is HK\$23.6 million, decreased by 40.6%.
- The rapid growth in the number of shops and expansion of the sales network in Mainland China relied on our franchise business in Mainland China.
- Joining a new sales platform during the Year, e-business recorded a high percentage growth rate and is expected to grow in the forthcoming year.

* For identification purpose only

FINAL RESULTS

The board of directors (the “Board”) of the Company announces that the consolidated profit attributable to owners of the Company for the Year is HK\$23,623,000 (2015: HK\$39,758,000). The basic earnings per share is 11.2 HK cents (2015: 18.9 HK cents). The consolidated results of the Company and its subsidiaries (the “Group”) for the Year are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 29 FEBRUARY 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Turnover	3	3,538,862	3,871,029
Cost of sales		(1,927,303)	(2,072,151)
Gross profit		1,611,559	1,798,878
Other income and gains, net	5	2,134	10,615
Selling and distribution expenses		(1,341,720)	(1,511,810)
Administrative expenses		(163,083)	(175,210)
PROFIT FROM OPERATIONS		108,890	122,473
Finance costs	6	(62,584)	(59,543)
PROFIT BEFORE TAX	7	46,306	62,930
Income tax expense	8	(22,493)	(23,331)
PROFIT FOR THE YEAR		23,813	39,599
ATTRIBUTABLE TO :			
Owners of the Company		23,623	39,758
Non-controlling interests		190	(159)
		23,813	39,599
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	10	11.2 cents	18.9 cents

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 29 FEBRUARY 2016**

	2016	2015
	HK\$'000	HK\$'000
PROFIT FOR THE YEAR	23,813	39,599
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent years:		
Remeasurement gain/(loss) on defined benefit plan	4,601	(3,978)
Income tax effect	(759)	656
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent years	3,842	(3,322)
Other comprehensive loss to be reclassified to profit or loss in subsequent years:		
Exchange differences on translation of foreign operations	(80,433)	(3,043)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(76,591)	(6,365)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	(52,778)	33,234
ATTRIBUTABLE TO:		
Owners of the Company	(53,019)	33,423
Non-controlling interests	241	(189)
	(52,778)	33,234

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 29 FEBRUARY 2016**

	Notes	2016 HK\$'000	2015 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		139,441	144,947
Intangible assets		99	99
Other asset		500	500
Prepayments and deposits		43,379	43,326
Time deposits		71,429	-
Deferred tax assets		50,692	37,430
		<u>305,540</u>	<u>226,302</u>
CURRENT ASSETS			
Inventories		1,607,509	1,766,797
Trade receivables	11	254,642	217,256
Prepayments, deposits and other receivables		115,517	107,227
Tax recoverable		7,649	7,754
Time deposits		181,891	158,247
Cash and cash equivalents		202,549	130,062
		<u>2,369,757</u>	<u>2,387,343</u>
CURRENT LIABILITIES			
Trade payables	12	(271,633)	(258,460)
Other payables and accruals		(244,471)	(269,969)
Derivative financial instruments		(3,648)	-
Gold loans	13	(98,849)	(21,073)
Interest-bearing bank and other borrowings		(610,925)	(581,435)
Convertible bonds	14	(12,500)	(12,500)
Finance lease payables		(1,632)	(2,464)
Tax payable		(23,967)	(21,896)
		<u>(1,267,625)</u>	<u>(1,167,797)</u>
NET CURRENT ASSETS		<u>1,102,132</u>	<u>1,219,546</u>
TOTAL ASSETS LESS CURRENT LIABILITES		<u>1,407,672</u>	<u>1,445,848</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AT 29 FEBRUARY 2016

	Note	2016 HK\$'000	2015 HK\$'000
NON-CURRENT LIABILITIES			
Other payables and accruals		(6,656)	(6,199)
Convertible bonds	14	(336,041)	(305,268)
Finance lease payables		(88)	(1,709)
Employee benefit obligations		(17,863)	(21,571)
Deferred tax liabilities		(16,346)	(16,793)
		<u>(376,994)</u>	<u>(351,540)</u>
NET ASSETS		<u>1,030,678</u>	<u>1,094,308</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital		(52,584)	(52,584)
Reserves		(978,219)	(1,042,175)
		<u>(1,030,803)</u>	<u>(1,094,759)</u>
Non-controlling interests		<u>125</u>	<u>451</u>
TOTAL EQUITY		<u>(1,030,678)</u>	<u>(1,094,308)</u>

NOTES:

1. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and gold loans which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. Changes in accounting policies and disclosures

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

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

Annual Improvements to HKFRSs 2010-2012 Cycle

Annual Improvements to HKFRSs 2011-2013 Cycle

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

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the Year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3. Turnover

The principal activities of the Group are the manufacture, sale and marketing of jewellery products and the provision of service income. 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:

	2016	2015
	HK\$'000	HK\$'000
Sales of jewellery products	3,505,657	3,853,009
Service income	33,205	18,020
	<u>3,538,862</u>	<u>3,871,029</u>

4. 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 of jewellery products to customers.

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 before tax except that finance costs and income tax expense are excluded from such measurement.

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

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

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

4. Operating segment information (continued)

Year ended 29 February 2016	Retail Business HK\$'000	Wholesale Business HK\$'000	Other Business HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	3,113,835	362,027	29,795	3,505,657
Other revenue	<u>33,205</u>	<u>-</u>	<u>-</u>	<u>33,205</u>
	<u>3,147,040</u>	<u>362,027</u>	<u>29,795</u>	<u>3,538,862</u>
Segment results	101,176	21,324	(13,610)	108,890
<i>Reconciliation:</i>				
Finance costs				(62,584)
Income tax expense				<u>(22,493)</u>
Profit for the year				<u>23,813</u>
Segment assets:	2,440,945	108,634	67,377	2,616,956
<i>Reconciliation:</i>				
Deferred tax assets				50,692
Tax recoverable				<u>7,649</u>
Total assets				<u>2,675,297</u>
Segment liabilities:	(444,629)	(75,749)	(2,382)	(522,760)
<i>Reconciliation:</i>				
Derivative financial instruments				(3,648)
Gold loans				(98,849)
Interest-bearing bank and other borrowings				(610,925)
Convertible bonds				(348,541)
Tax payable				(23,967)
Deferred tax liabilities				(16,346)
Finance lease payables				(1,720)
Employee benefit obligations				<u>(17,863)</u>
Total liabilities				<u>(1,644,619)</u>
Other segment information:				
Depreciation	62,158	13	134	62,305
Capital expenditure*	58,649	27	-	58,676

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

4. Operating segment information (continued)

	Retail Business HK\$'000	Wholesale Business HK\$'000	Other Business HK\$'000	Total HK\$'000
Year ended 28 February 2015				
Segment revenue:				
Sales to external customers	3,627,801	217,903	7,305	3,853,009
Other revenue	18,020	-	-	18,020
	<u>3,645,821</u>	<u>217,903</u>	<u>7,305</u>	<u>3,871,029</u>
Segment results	118,119	12,618	(8,264)	122,473
<i>Reconciliation:</i>				
Finance costs				(59,543)
Income tax expense				<u>(23,331)</u>
Profit for the year				<u>39,599</u>
Segment assets:	2,460,855	89,487	18,119	2,568,461
<i>Reconciliation:</i>				
Deferred tax assets				37,430
Tax recoverable				<u>7,754</u>
Total assets				<u>2,613,645</u>
Segment liabilities:	(465,841)	(65,355)	(3,432)	(534,628)
<i>Reconciliation:</i>				
Gold loans				(21,073)
Interest-bearing bank and other borrowings				(581,435)
Convertible bonds				(317,768)
Tax payable				(21,896)
Deferred tax liabilities				(16,793)
Finance lease payables				(4,173)
Employee benefit obligations				<u>(21,571)</u>
Total liabilities				<u>(1,519,337)</u>
Other segment information:				
Depreciation	52,964	3	399	53,366
Capital expenditure*	60,803	4	-	60,807

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

4. Operating segment information (continued)

(a) Geographical information

Revenue from external customers

	2016 HK\$'000	2015 HK\$'000
Hong Kong and Macau	1,695,532	2,241,641
Mainland China	1,795,801	1,582,999
Other countries	47,529	46,389
	<u>3,538,862</u>	<u>3,871,029</u>

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

Non-current assets

	2016 HK\$'000	2015 HK\$'000
Hong Kong and Macau	107,138	104,136
Mainland China	36,128	39,602
Other countries	2,837	5,101
	<u>146,103</u>	<u>148,839</u>

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

(b) Information about major customers

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

5. Other income and gains, net

	2016 HK\$'000	2015 HK\$'000
Interest income	8,423	3,195
Foreign exchange differences, net	4,502	(1,648)
Government grant*	1,759	1,342
Fair value loss on gold loans designated as at fair value through profit or loss	(9,627)	(590)
Fair value loss on derivative financial instruments	(3,580)	-
Others	657	8,316
	<u>2,134</u>	<u>10,615</u>

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

6. Finance costs

An analysis of finance costs is as follows:

	2016 HK\$'000	2015 HK\$'000
Interest on bank loans, overdrafts and other loans	16,419	18,879
Interest on convertible bonds	43,273	39,379
Interest on finance leases	141	103
Interest on gold loans	2,751	1,182
	<u>62,584</u>	<u>59,543</u>

7. Profit before tax

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

	2016	2015
	HK\$'000	HK\$'000
Cost of goods sold*	1,926,938	2,083,574
Provision/(reversal of provision) for impairment of inventories	365	(11,423)
Depreciation	62,305	53,366
Minimum lease payments in respect of operating leases**	207,467	229,493
Auditors' remuneration	2,560	2,480
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	580,206	609,135
Equity-settled share option expense	-	7,410
Pension scheme contributions***	9,556	9,711
Employee benefit obligations	1,273	810
	591,035	627,066
Equity-settled share option expense to service providers	-	504
Fair value loss on gold loans designated as at fair value through profit or loss****	9,627	590
Fair value loss on derivative financial instruments****	3,580	-
Loss on disposal of items of property, plant and equipment	139	192
Foreign exchange differences, net	(4,502)	1,648

* Cost of goods sold includes HK\$94,918,000 (2015: HK\$112,080,000) relating to employee benefit expense, depreciation, and operating lease payments, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

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

*** At 29 February 2016, there were no forfeited contributions available to the Group to reduce its contributions to pension scheme in future years (2015: Nil).

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

8. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the Year. 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.

	2016	2015
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the year	310	83
Underprovision/(overprovision) in prior years	1,353	(757)
Current – other than Hong Kong		
Charge for the year	34,042	35,180
Underprovision in prior years	308	-
Deferred	(13,520)	(11,175)
	22,493	23,331

9. Dividends

	2016	2015
	HK\$'000	HK\$'000
Interim dividend of HK\$0.015 (2015: HK\$0.012) per ordinary share paid	3,155	2,524
Proposed final dividend of HK\$0.026 (2015:HK\$0.037) per ordinary share	5,469	7,782
	8,624	10,306

The proposed final dividend for the Year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and has not been recognised as a liability at the end of the reporting period.

10. Earnings per share attributable to owners of the Company

The calculation of basic earnings per share amount is based on the profit for the Year attributable to owners of the Company of HK\$23,623,000 (2015: HK\$39,758,000), and the weighted average number of ordinary shares of 210,336,221 (2015: 210,336,221) in issue during the Year.

No adjustment has been made to basic earnings per share amounts presented for the years ended 29 February 2016 and 28 February 2015 in respect of a dilution as the impact of the share options and convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

11. Trade receivables

	2016 HK\$'000	2015 HK\$'000
Trade receivables	<u>254,642</u>	<u>217,256</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 to other customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing in general.

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

	2016 HK\$'000	2015 HK\$'000
Within 1 month	234,656	202,965
1 to 2 months	9,177	6,715
2 to 3 months	2,784	423
Over 3 months	8,025	7,153
Total trade receivables	<u>254,642</u>	<u>217,256</u>

11. Trade receivables (continued)

The aged analysis of the trade receivables net of provisions at the end of the reporting period, is as follows:

	2016 HK\$'000	2015 HK\$'000
Neither past due nor impaired	197,073	189,163
Less than 6 months past due	55,268	26,611
Over 6 months past due	2,301	1,482
	<u>254,642</u>	<u>217,256</u>

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

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

12. Trade payables

An aged analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2016 HK\$'000	2015 HK\$'000
Within 1 month	77,969	78,266
1 to 2 months	73,069	40,499
2 to 3 months	37,419	42,091
Over 3 months	83,176	97,604
	<u>271,633</u>	<u>258,460</u>

The trade payables are non-interest-bearing.

13. Gold loans

	2016 HK\$'000	2015 HK\$'000
Secured gold loans	74,214	21,073
Unsecured gold loans	24,635	-
	<hr/> 98,849 <hr/>	<hr/> 21,073 <hr/>
Contracted interest rate	3.0% - 5.2%	4.1% - 4.6%
Original maturity	Within 1 year	6 months – 1 year

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

As at 29 February 2016, gold loans of HK\$74,214,000 (2015: HK\$21,073,000) were secured by several pledged time deposits totalling HK\$54,238,000 (2015: HK\$27,184,000) as disclosed in note 15(c) below.

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

14. Convertible bonds

	2016	2015
	HK\$'000	HK\$'000
Convertible bonds	348,541	317,768
Interest payable classified as current liabilities	(12,500)	(12,500)
	<hr/>	<hr/>
Non-current portion	336,041	305,268
	<hr/>	<hr/>

On 20 April 2012, the Company issued to CDH King Limited (“CDH”) five-year term convertible bonds with a principal amount of HK\$250,000,000 under which CDH has the right to convert the bonds into ordinary shares of the Company at an initial conversion price at HK\$6.40 per share (the “Convertible Bonds”) at any time during the conversion period, subject to anti-dilutive adjustments. The Convertible Bonds are unsecured and subordinated to all present and future non-equity-linked indebtednesses of the Company. Any equity-linked debt securities issued or to be issued are subordinated to the Convertible Bonds unless the prior approval of CDH is obtained. The net proceeds are intended to be used by the Company for general corporate development and general working capital requirements.

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

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 fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

As at 29 February 2016, a total of 39,062,500 ordinary shares (2015: 39,062,500 ordinary shares) would have been allotted and issued if all the Convertible Bonds were converted in full. There was no conversion during the Year (2015: Nil).

15. Pledge of assets

- (a) The Group entered into banking facility arrangements with two banks in a prior year pursuant to which certain fixed properties (i.e. land and buildings with aggregate carrying value as at 29 February 2016 of HK\$53,678,000 (2015: HK\$55,492,000)) in Hong Kong 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 the banks.
- (b) As at 29 February 2016, time deposits of 2 subsidiaries in the PRC denominated in Renminbi (“RMB”) totalling equivalent to HK\$54,238,000 (2015: HK\$27,184,000) have been pledged to secure several gold loan contracts.
- (c) As at 29 February 2016, time deposits of 2 subsidiaries in the PRC denominated in RMB totalling equivalent to HK\$179,558,000 (2015: HK\$126,633,000) have been pledged to secure standby letters of credit issued by banks to the banks of another subsidiary in Hong Kong for a cross border treasury arrangement.

FINAL DIVIDEND

The Board recommends a final dividend of 2.6 HK cents (2015: 3.7 HK cents) per ordinary share, amounting to a total final dividend of approximately HK\$5,469,000 (2015: HK\$7,782,000) for the year ended 29 February 2016. Together with the interim dividend of 1.5 HK cents (2015: 1.2 HK cents) per ordinary share paid on Thursday, 26 November 2015, total dividend will amount to 4.1 HK cents per ordinary share for the Year (2015: 4.9 HK cents per ordinary share).

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company (the “2016 AGM”) to be held on Thursday, 21 July 2016, will be payable on or about Wednesday, 7 September 2016 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 3 August 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed during the following periods:

- (a) from Monday, 18 July 2016 to Thursday, 21 July 2016 (both days inclusive), for the purpose of ascertaining shareholders’ entitlement to attend and vote at the 2016 AGM. In order to be entitled to attend and vote at the 2016 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 Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 4:30 p.m. (Hong Kong Time) on Friday, 15 July 2016; and
- (b) from Tuesday, 2 August 2016 to Wednesday, 3 August 2016 (both days inclusive), 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 at the address as set out in sub-paragraph (a) above no later than 4:30 p.m. (Hong Kong Time) on Monday, 1 August 2016.

During the periods mentioned in sub-paragraph (a) and (b) above, no transfer of shares will be registered.

REVIEW AND OUTLOOK

Management's Discussion and Analysis

Results of the Group

The consolidated sales turnover of the Group for the Year declined by 8.6% to HK\$3,539 million from HK\$3,871 million last year. The profit attributable to owners of the Company declined by 40.6% to HK\$23.6 million from HK\$39.8 million last year. Earnings per share for the Year was 11.2 HK cents.

The decline in sales and profit attributable to owners of the Company for the Year was mainly attributable to a significant year-on-year drop in retail sales activity in Hong Kong resulting from a reduction in the number of tourists visiting from Mainland China. The continuing political uncertainty in Hong Kong, the devaluation of the Renminbi and the austerity measures undertaken by the Mainland government all conspired to give rise to a reduction in tourist arrivals, overall consumer confidence and consumer purchasing power. Notwithstanding the decline in sales activity in Hong Kong, we were able to partially offset this decline by the growth of our business in Mainland China particularly our franchise business which the Group started last year.

In addition, notwithstanding the tough trading conditions experienced by the Group in Hong Kong, we were able to limit the drop in overall consolidated gross margin to a little over 1% from 46.5% to 45.5% during the Year due to our corporate policy on consistent monitoring of gross margins. Unfortunately, the high level of rental in Hong Kong and Macau still remains a challenge as it has still not reacted to the market down turn at the same rate as the decline in retail sales so is still out of sync with the prevailing economic and retail conditions in Hong Kong. We continue to review our tenancies as they expire and are striving for a more reasonable market rental rate so as to make our retail businesses more sustainable going forward.

Business Review

Retailing Business

Hong Kong and Macau

With a significant drop in the number of tourists visiting Hong Kong and Macau from Mainland China during the Year, overall tourist and customers' spending decreased as a result. During the Year, the sales turnover of retail section in Hong Kong and Macau dropped by 21.9% and same store sales growth was minus 24.3%. In spite of this challenging market situation, the Group identified opportunities in the local market by opening three new stores (one in Olympian City, Mongkok, one in Plaza Hollywood, Diamond Hill and one in Temple Mall North, Wong Tai Sin) and closing two stores during the Year. We will keep reviewing and expanding our store portfolio prudently so as to better serve our customers. The total number of self-operated outlets in Hong Kong and Macau were 28 and 3 stores, respectively, at the end of the Year.

In terms of the product types, the consumption pattern changed during the Year moving away from luxury jewellery products and high-ticketed items towards more popular mass market commodities. To accommodate the changing market, the Group launched Finger Language campaign in order to attract the younger generation - this was well received by social media enthusiasts. The Group will keep on developing various lines of products in order to meet changing customers' needs.

Mainland China

Our retail business in Mainland China achieved pleasing growth during the Year of 2.3% with same store sales growth was 1.5%. This business accounted for 40.0% of the Group's turnover. Similar to the market in Hong Kong, more focus has been given to the development and expansion of the end-user market and on our quality design and craftsmanship. The Group will regularly review its store network and increase the store opening pace to better reach and serve our customers. The total number of self-operated outlets was 187 at the end of the Year.

There was a rapid growth to our franchised store business in Mainland China. During the Year, forty-nine (49) new stores were opened under the Group's franchising model, representing an increase of franchised stores from 34 to 83 which, when coupled with our 187 self-operated stores, meant the Group had 270 stores in total in Mainland China extending its footprint to 108 cities. With our focus to further penetrate into the Mainland China market, the new stores were opened in the second and third tier cities across various provinces, among others, Sichuan, Anhui, Shandong, Jiangsu, Henan, Hunan and Fujian Provinces to reinforce our market presence. To maintain the consistency and the high quality standards of the Group, although such franchised stores are owned by the franchisees, the store operation remain under the management of the Group enabling the franchisee to leverage on the Group's retail and brand management experience.

Malaysia

Notwithstanding the introduction of a 6% Goods and Services Tax in Malaysia on 1 April 2015, our Malaysia retail business recorded solid growth of 4.6% during the Year. The Group remains optimistic but prudent towards the prospects of this business. Should opportunity arise, the Group will seek to open one to two more stores in Malaysia in the forthcoming year.

Wholesale Business

As mentioned above, forty-nine (49) new stores came into operation via the Group's franchising network during the Year bringing the total number of franchised stores to 83 as at 29 February 2016. The Group will continue to explore more opportunities to work with local business partners to facilitate a more robust growth of the Group's franchised store sales network. The Group is looking forward to increasing its franchise sales network by more than 100 point of sales in Mainland China in the next two years.

Other Business

The Group further extended its e-business platform achieving growth of 584.0% during the Year (with its comparative figure starting from mid-2014 to February 2015). The Group joined a new e-business platform, VIP.com, in July 2015 and will continue to explore more suitable channels to complement its existing platforms and the Group's brand. With a view to better controlling the operational costs and logistics, the Group ceased cooperation with an e-business contractor in Mainland China in early 2016. The Group expects that the e-business channel will be able to maintain a high growth rate in the forthcoming year.

Outlook

The on-going uncertainty in the world and Mainland China economies and the political instability in Hong Kong have all resulted in a significant uncertainty in the outlook for the business environment going forward. We have been taking ongoing cost control measures to combat this challenging environment. Growth of other operating overheads including staff costs will also be closely monitored. Our inventory portfolio has been carefully expanded to cater for the change in the market conditions but inventory replenishment is prudently controlled with an aim to reduce the inventory turnover days.

The Group believes that the growing middle class in Mainland China still provides a solid base for market expansion going forward and that the unfavourable market environment currently being experienced is cyclical and transient. Despite careful cost control being applied by the Group at the moment, it will continue to invest in and enhance its brand, inventory, store network and human resources to ensure that it can continue to deliver higher returns to our customers and shareholders in the future.

Driven by its fast expansion during the Year, the Group believes that the franchising model in Mainland China will continue to be a major element to the growth of the Group's turnover, brand development and profitability. The Group will keep identifying appropriate franchisees for expanding our retail network commensurate with the Group's business needs.

Financial Structure

Capital expenditure, comprising mainly store renovation and expansion, furniture & fixtures and machinery, incurred during the Year amounted to approximately HK\$59 million (2015: HK\$61 million), which was mainly financed by borrowings and funds generated from internal resources.

As at 29 February 2016, the Group's interest-bearing liabilities increased to HK\$1,060 million from HK\$924 million as at 28 February 2015. Net borrowings (total interest-bearing liabilities less cash and cash equivalents and time deposits) decreased from HK\$636 million to HK\$604 million.

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

The net gearing ratio (the ratio of total interest-bearing liabilities (less cash, cash equivalents and time deposits) to total equity) increased from 58% to 59% during the Year and is at a healthy level. All borrowings of the Group are denominated in Hong Kong dollars or RMB. Interest on bank borrowings is calculated on either the inter-bank interest rate or the prime rate or the benchmark interest rate while interest on convertible bonds is fixed.

As at 29 February 2016, the Group had time deposits and cash and bank balances, and undrawn banking facilities of approximately HK\$456 million and HK\$214 million, respectively, which, in the opinion of the directors, should be sufficient to meet the Group's present working capital requirements.

Exchange Rates

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

Charge on Group Assets and Contingent Liabilities

- (a) The Group entered into banking facility arrangements with two banks in a prior year pursuant to which certain fixed properties (i.e. land and buildings with aggregate carrying value as at 29 February 2016 of HK\$53,678,000 (2015: HK\$55,492,000) in Hong Kong 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 the banks.
- (b) As at 29 February 2016, time deposits of 2 subsidiaries in the PRC denominated in RMB totalling equivalent to HK\$54,238,000 (2015: HK\$27,184,000) have been pledged to secure several gold loan contracts.
- (c) As at 29 February 2016, time deposits of 2 subsidiaries in the PRC denominated in RMB totalling the equivalent to HK\$179,558,000 (2015: HK\$126,633,000) have been pledged to secure standby letters of credit issued by banks to the banks of another subsidiary in Hong Kong for a cross border treasury arrangement.

The Group did not have any material contingent liabilities not provided for in the financial statements as at 29 February 2016 (2015: Nil).

Human Resources

As at 29 February 2016, the total number of employees of the Group was approximately 3,420 (2015: 3,550). The change was mainly due to downsizing of factory, normal staff turnover and delayed recruitment in light of the uncertain business environment.

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

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the Group's consolidated financial statements for the Year.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

ANNUAL GENERAL MEETING

The 2016 AGM will be held on Thursday, 21 July 2016. A notice of the 2016 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, the Company has applied the principles and complied with all of the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for the deviation of code provisions of the CG Code as expressly below.

Code provision A.2.1

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

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

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

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2015/2016 ANNUAL REPORT

The annual results announcement is 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 2015/2016 Annual Report will be despatched to the shareholders and published on the above websites on or about Tuesday, 21 June 2016.

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

Hong Kong, 23 May 2016

At the date of this announcement, the Board comprises:

Executive Directors:

Ms. YAU On Yee, Annie
Ms. NG Yi Kum, Estella
Mr. CHAN Lambert Lap Yip

Non-executive Directors:

Mr. Erwin Steve HUANG
Mr. WANG Guosheng

Independent Non-executive Directors:

Mr. CHUI Chi Yun, Robert
Mr. CHAN Yue Kwong, Michael
Mr. CHOW Chee Wai, Christopher