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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
THE SIX MONTHS ENDED 31 AUGUST 2017**

FINANCIAL HIGHLIGHTS

	Six months ended 31 August		Change
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	
Turnover	1,733,498	1,549,954	11.8%
Profit from operations	51,012	62,318	-18.1%
Profit attributable to owners of the Company	17,474	11,739	48.9%
Basic earnings per share	7.1 HK cents	5.6 HK cents	26.8%
Interim dividend	2.1 HK cents	1.5 HK cents	40.0%
Total equity attributable to owners of the Company	1,056,540	974,425 [†]	8.4%
Equity attributable to owners of the Company per ordinary share	HK\$4.31	HK\$4.63 [†]	-6.9%

[†]figure as at 28 February 2017(audited)

BUSINESS HIGHLIGHTS

- The consolidated turnover for the period increased by 11.8% as comparing with the same period in last year.
- PRC business grew steadily which contributed 62.0% in consolidated turnover for the period while it was 60.3% for the same period in last year.
- Turnover for e-business increased by 33.3% as comparing with the same period in last year.

RESULTS

The board of directors (the “Board”) of Tse Sui Luen Jewellery (International) Limited (the “Company”) announces that the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 August 2017 (the “Period”). The interim results for the Period have been reviewed by the Company’s audit committee (the “Audit Committee”).

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE SIX MONTHS ENDED 31 AUGUST 2017

		Six months ended 31 August	
	Notes	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Turnover	4	1,733,498	1,549,954
Cost of sales		(1,021,263)	(796,253)
Gross profit		712,235	753,701
Other income and gains/(losses), net		11,565	(5,482)
Selling and distribution expenses		(591,247)	(597,968)
Administrative expenses		(81,541)	(87,933)
PROFIT FROM OPERATIONS		51,012	62,318
Finance costs		(21,548)	(34,419)
PROFIT BEFORE TAX	5	29,464	27,899
Income tax expense	6	(12,002)	(16,180)
PROFIT FOR THE PERIOD		17,462	11,719
ATTRIBUTABLE TO :			
Owners of the Company		17,474	11,739
Non-controlling interests		(12)	(20)
		17,462	11,719
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	8	7.1 HK cents	5.6 HK cents

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 AUGUST 2017**

	Six months ended 31 August	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	<u>17,462</u>	<u>11,719</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent years:		
Exchange differences on translation of foreign operations	<u>70,281</u>	<u>(25,600)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>70,281</u>	<u>(25,600)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>87,743</u>	<u>(13,881)</u>
ATTRIBUTABLE TO :		
Owners of the Company	87,755	(13,861)
Non-controlling interests	<u>(12)</u>	<u>(20)</u>
	<u>87,743</u>	<u>(13,881)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 AUGUST 2017

		At 31 August	At 28 February
		2017	2017
	Notes	HK\$'000	HK\$'000
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment		142,532	141,178
Intangible assets		99	99
Other asset		500	500
Prepayments and deposits		56,194	52,655
Deferred tax assets		60,016	55,214
		259,341	249,646
CURRENT ASSETS			
Inventories		1,671,880	1,478,679
Trade receivables	9	275,268	235,709
Prepayments, deposits and other receivables		140,430	163,098
Tax recoverable		17,431	11,978
Time deposits		121,429	166,801
Cash and cash equivalents		267,384	323,657
		2,493,822	2,379,922
CURRENT LIABILITIES			
Trade payables	10	(359,449)	(316,392)
Other payables and accruals		(363,538)	(259,317)
Gold loans	11	(8,969)	(43,523)
Interest-bearing bank and other borrowings		(250,932)	(269,602)
Dividend payable		(5,640)	-
Finance lease payables		(621)	-
Tax payable		(11,179)	(22,448)
		(1,000,328)	(911,282)
NET CURRENT ASSETS		1,493,494	1,468,640
TOTAL ASSETS LESS CURRENT LIABILITIES		1,752,835	1,718,286

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AT 31 AUGUST 2017

	At 31 August 2017 HK\$'000 (unaudited)	At 28 February 2017 HK\$'000 (audited)
NON-CURRENT LIABILITIES		
Other payables and accruals	(6,906)	(6,595)
Interest-bearing bank and other borrowings	(659,244)	(709,775)
Finance lease payables	(1,059)	-
Employee benefit obligations	(10,951)	(11,240)
Deferred tax liabilities	(18,251)	(16,394)
	<u>(696,411)</u>	<u>(744,004)</u>
NET ASSETS	<u>1,056,424</u>	<u>974,282</u>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	(61,348)	(52,584)
Reserves	(995,192)	(921,841)
	<u>(1,056,540)</u>	<u>(974,425)</u>
Non-controlling interests	<u>116</u>	<u>143</u>
TOTAL EQUITY	<u>(1,056,424)</u>	<u>(974,282)</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

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

The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the Group's financial statements for the year ended 28 February 2017. These interim consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, HKASs and Interpretations).

These interim consolidated financial statements have been prepared under historical cost convention, except for gold loans which have been measured at fair value.

These interim consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the Group's financial statements for the year ended 28 February 2017, except for the adoption of the following revised HKFRSs which become effective for accounting periods beginning on or after 1 March 2017 as disclosed in note 2 below.

2. Changes in accounting policies and disclosures

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

Amendments to HKAS 7	<i>Disclosure initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
<i>Annual Improvements 2014-2016 Cycle</i>	<i>Amendments to HKFRS 12 Clarification of the scope of disclosure requirements in HKFRS 12</i>

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

3a. Operating segment information

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

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

Retail Business includes direct retail sale 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 sale 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.

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

3a. Operating segment information (continued)

	Retail Business HK\$'000 (unaudited)	Wholesale Business HK\$'000 (unaudited)	Other Businesses HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Six months ended 31 August 2017				
Segment revenue:				
Sales to external customers	1,321,126	318,992	73,845	1,713,963
Other revenue	19,535	-	-	19,535
	<u>1,340,661</u>	<u>318,992</u>	<u>73,845</u>	<u>1,733,498</u>
Segment results	73,974	27,832	537	102,343
<i>Reconciliation:</i>				
Unallocated expenses				(51,331)
Finance costs				(21,548)
Income tax expense				<u>(12,002)</u>
Profit for the Period				<u>17,462</u>
	Retail Business HK\$'000 (unaudited) (restated)	Wholesale Business HK\$'000 (unaudited) (restated)	Other Businesses HK\$'000 (unaudited) (restated)	Total HK\$'000 (unaudited) (restated)
Six months ended 31 August 2016				
Segment revenue:				
Sales to external customers	1,297,745	186,474	52,116	1,536,335
Other revenue	13,619	-	-	13,619
	<u>1,311,364</u>	<u>186,474</u>	<u>52,116</u>	<u>1,549,954</u>
Segment results	86,404	19,256	10,769	116,429
<i>Reconciliation:</i>				
Unallocated expenses				(54,111)
Finance costs				(34,419)
Income tax expense				<u>(16,180)</u>
Profit for the period				<u>11,719</u>

3b. Geographical information

Revenue from external customers

	Six months ended 31 August	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong and Macau	631,810	592,084
Mainland China	1,075,076	934,093
Other countries	26,612	23,777
	<u>1,733,498</u>	<u>1,549,954</u>

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

4. Turnover

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

	Six months ended 31 August	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales of jewellery products	1,713,963	1,536,335
Service income	19,535	13,619
	<u>1,733,498</u>	<u>1,549,954</u>

5. Profit before tax

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

	Six months ended 31 August	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cost of goods sold*	1,019,681	798,444
Provision for/(reversal of provision) impairment of inventories	1,582	(2,191)
Depreciation	26,618	28,582
Minimum lease payments in respect of operating leases**	107,153	94,723
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	277,431	292,505
Equity-settled share option expense	-	(1,321)
Pension scheme contributions***	3,592	4,107
	281,023	295,291
Fair value (gain)/loss on gold loans designated at fair value through profit or loss ****	(132)	9,788
Fair value loss on derivative financial instruments****	-	806
Gain on disposal of items of property, plant and equipment	(2)	(21)
Foreign exchange differences, net	(2,752)	1,174

* Cost of goods sold includes HK\$41,467,000 (2016: HK\$47,059,000) relating to employee benefit expense, depreciation and operating lease payments, which are also included in the respective type of expenses disclosed separately above.

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

*** At 31 August 2017, there were no forfeited contributions available to the Group to reduce its contributions to pension scheme in future years (2016: Nil).

**** These amounts are included in "Other income and gains/(losses), net" in the interim consolidated statement of profit or loss. The purpose of the above gold loans 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.

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period. Taxes on profits assessable other than Hong Kong have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 31 August	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current – Hong Kong	2,607	426
Current – Other than Hong Kong	11,807	15,543
Deferred	(2,412)	211
	<u>12,002</u>	<u>16,180</u>

7. Dividend

	Six months ended 31 August	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interim dividend of HK\$0.021 (2016: HK\$0.015) per ordinary share declared	5,170	3,155
2015/16 approved final dividend of HK\$0.026 per ordinary share	-	5,469
2016/17 approved final dividend of HK\$0.0375 per ordinary share	7,888	-
	<u>13,058</u>	<u>8,624</u>

The interim dividend was not recognised as a liability as at 31 August 2017 and 2016 because it was declared after the end of the Period.

The Board resolved that the interim dividend be satisfied wholly in the form of an allotment of scrip shares. The shareholders of the Company will be given the option of receiving the interim dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares. The arrangement is subject to the Stock Exchange's granting the listing of and permission to deal in the scrip shares to be issued in respect of the interim dividend.

8. Earnings per share attributable to owners of the Company

The calculation of basic earnings per share amount is based on the profit for the Period attributable to owners of the Company of HK\$17,474,000 (2016: HK\$11,739,000), and the weighted average number of ordinary shares of 245,391,878 (2016: 210,336,221) in issue during the Period.

No diluted earnings per share amounts have been presented for the periods ended 31 August 2017 and 2016 as the impact of the share options (2016: share options and convertible bonds) outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

9. Trade receivables

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

	At 31 August 2017 HK\$'000 (unaudited)	At 28 February 2017 HK\$'000 (audited)
Within 1 month	252,635	214,932
1 to 2 months	15,674	10,596
2 to 3 months	4,658	3,964
Over 3 months	2,301	6,217
Total trade receivables	275,268	235,709

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. Trade receivables are non-interest-bearing in general.

10. Trade payables

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

	At 31 August 2017 HK\$'000 (unaudited)	At 28 February 2017 HK\$'000 (audited)
Within 1 month	102,735	62,946
1 to 2 months	93,665	39,620
2 to 3 months	88,504	47,931
Over 3 months	74,545	165,895
Total trade payables	359,449	316,392

The trade payables are non-interest-bearing.

11. Gold loans

	At 31 August 2017 HK\$'000 (unaudited)	At 28 February 2017 HK\$'000 (audited)
Secured gold loans	-	29,015
Unsecured gold loans	8,969	14,508
	8,969	43,523
Contracted interest rate	3.2%	3.0% – 3.6%
Original maturity	within 1 year	within 1 year

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

As at 31 August 2017, no gold loans were secured by pledged time deposits of the Group while gold loans of HK\$29,015,000 as at 28 February 2017 were secured by the Group's pledged time deposits amounting to HK\$27,022,000 as at 28 February 2017 as disclosed in note 12(c) below.

Gold loans are borrowed to reduce the impact of fluctuation of gold prices on gold inventories. However, the criteria for hedge accounting are 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.

12. Pledge of assets

- (a) The Group entered into banking facility arrangements with a bank pursuant to which certain land and buildings in Hong Kong with an aggregate carrying value as at 31 August 2017 of HK\$50,956,000 (28 February 2017: HK\$51,864,000) were mortgaged by way of a first legal charge, as security for, *inter alia*, all obligations and liabilities, actual or contingent, from time to time owing by the Group to that bank.
- (b) The Group entered into a subscription agreement with two institutional investors for senior secured notes issued by a subsidiary in Hong Kong, pursuant to which certain inventories (i.e. up to an aggregate book value of HK\$200,000,000 of raw materials, work-in-progress and finished goods) of such subsidiary in Hong Kong were pledged by way of a first floating charge, as security for, *inter alia*, all obligations and liabilities, actual or contingent, from time to time owing by the Group to the two institutional investors.
- (c) As at 31 August 2017, no time deposits of the Group (28 February 2017: HK\$27,022,000) have been pledged to secure certain gold loan contracts outstanding at the end of the Period.
- (d) As at 31 August 2017, time deposits of the Group denominated in RMB and totaling equivalent to HK\$121,429,000 (28 February 2017: HK\$117,307,000) have been pledged to secure standby letters of credit relating to a cross border treasury arrangement.

13. Comparative figures

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

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 2.1 HK cents (2016: 1.5 HK cents) per ordinary share of the Company for the Period (the “Interim Dividend”) in scrip form with cash option to shareholders whose names appear on the register of members of the Company on Friday, 17 November 2017.

Subject to the listing committee of the Stock Exchange granting the listing of and permission to deal in the new shares to be issued under the Interim Dividend, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount which such shareholders could elect to receive in cash and they will be given the option of electing to receive payment in cash of HK\$0.021 per share instead of the allotment of scrip shares. A circular containing details of the scrip dividend arrangement will be despatched to shareholders of the Company together with a form of election for cash dividend on or about 22 November 2017.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders’ entitlement to the Interim Dividend, the register of members of the Company will be closed from Thursday, 16 November 2017 to Friday, 17 November 2017, 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 Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 4:30 p.m. (Hong Kong Time) on Wednesday, 15 November 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overall Financial results

The Group's turnover for the Period increased by 11.8% from HK\$1,550 million to HK\$1,733 million. The profit attributable to owners of the Company increased by 48.9% from HK\$11.7 million to HK\$17.5 million. Earnings per share attributable to owners of the Company were 7.1 HK cents (2016: 5.6 HK cents per share).

While retail conditions in Hong Kong continued to be challenging during the Period, we did see a slight year-on-year increase in the number of tourists visiting Hong Kong therefore finally bringing to an end the year-on-year declines that we had experienced in previous years. This increased tourist traffic helped to stabilize the retail market in Hong Kong and ultimately translated into a modest lift in the sales of the Company during the Period. While we believe that the retail market in Hong Kong may have finally bottomed out, it is still early to say if the industry is about to rebound, particularly given other uncertainties in the market and the political uncertainties all over different regions of the globe. Nevertheless, the Group's overall performance for the Period was in line with our expectations.

Review and outlook

Retailing Business

Hong Kong and Macau

Statistics published by the Hong Kong government showed that the previous 24-month decline in the value of total retail sales in Hong Kong had finally come to an end with the performance since March 2017 recording a year-on-year growth of 3.1% followed by a mild increase for the three successive months. This, together with the increase in the number of tourists visiting Hong Kong, has been encouraging for our business in Hong Kong after years of decline. Given the gradual drop that has occurred in retail rentals over the last 12 to 24 months, the Group has taken this opportunity to expand its our retail network by moving into some high-traffic shopping arcades in the New Territories where it opened two chain stores, one at New Town Plaza in Sha Tin and the other at YOHO Mall in Yuen Long during the Period. Our business in Macau remained stable during the Period; thanks to an encouraging upward trend in customers' spending which we have witnessed since the first quarter of 2017. Taking all the above factors into account, the turnover of our retail businesses in Hong Kong and Macau recorded an increase of 5.3% and the same store sales growth for all businesses in the regions was minus 2.5% during the Period.

In order to continue to capture the sales momentum observed during the Period, the Group will continue to focus on improving its sales by reinforcing its market position as a wedding expert, exploring new consumer groups and attracting more market attention by means of introducing limited-time offers on some popular products and developing a number of new products with Trendsetting Craftsmanship, so as to enrich our product collections, customer experience as well as to better cater to our different customers' needs.

Mainland China

Our retail business in Mainland China continues to play a significant part in the future development and direction of the Group accounting for 39.4% of its total turnover during the Period. Under the impact of devaluation of Renminbi during the Period, our retail business in Mainland China recorded a slight decline of 1.7% in sales and same store sales growth was minus 3.1% during the Period.

The main growth engine for this business at the moment is its franchise network with the Group opening 31 new franchised stores during the period, resulting in a net increase in franchised stores from 132 to 151. When combined with our 198 self-operated stores, the total number of stores in Mainland China amounted to 349 extending its footprint to 120 cities.

The Group believes the fast-growing middle class is the key driver of rising consumption for luxury jewellery for personal use in Mainland China as they seek more expensive and premium brands and spend more on high-quality goods and services. With the successful launch of International Design Collection which enables the Group to work with various jewellery designers, the Group will keep on arranging different activities with the aim of bringing more crossover collections and refreshing ideas in order to meet changing customers' needs and enrich the Group's product portfolio. The Group will continue to focus on the development and expansion of our end-user market and on our unique brand positioning of quality design and trendsetting craftsmanship.

Malaysia

During the Period, our retail business in Malaysia recorded a boost in sales of 20.6%. The Group values the shopping experience of its customers. One of our retail stores in Malaysia is equipped with a private VIP zone to showcase exquisite craftsmanship and offer unique customer shopping experience. As the Group remains positive about the jewellery retail business in this region, we will continue to explore the possibility of expanding further in appropriate locations but only if and when suitable opportunities present themselves.

Wholesale Business

As mentioned above, 31 new stores were opened under the Group's franchising model during the Period bringing the total number of franchised stores to 151. Looking ahead, we will continue to explore more opportunities to work with local business partners to facilitate a more robust growth of the Group's franchise store sales network. The Group is looking forward to increasing its franchise sales network and shop opening momentum will be maintained in the forthcoming years.

Other Business

By further expanding its e-business platform during the Period, the Group recorded a year-on-year growth in turnover of 33.3%. The Group's major e-business platforms achieved a very positive result on Chinese Valentine's Day (that is, 28 August 2017) with sales surging by 30% as compared with that experienced in 2016. Instead of penetrating into other new e-platforms, the Group will focus on increasing its sales performance and the ranking of the Group's brand in its existing e-business platforms.

Financial Structure

Capital expenditure, comprising mainly store renovation and expansion, furniture & fixtures and machinery, incurred during the Period amounted to approximately HK\$26 million (2016: HK\$31 million), and was mainly financed by borrowings and funds generated from internal resources.

As at 31 August 2017, the Group's interest-bearing liabilities decreased to HK\$921 million from HK\$1,054 million as at 31 August 2016. Net borrowings (total interest-bearing liabilities less cash and cash equivalent and time deposits) decreased from HK\$588 million to HK\$532 million.

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

The net gearing ratio (the ratio of total interest-bearing liabilities (less cash and cash equivalents and time deposits) to total equity) decreased promisingly from 58% to 50% during the Period 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.

As at 31 August 2017, the Group had time deposits, cash and bank balances, and undrawn borrowing facilities of approximately HK\$389 million and HK\$170 million respectively which, in the opinion of the directors, should be sufficient to meet the Group's present working capital requirements

In September 2016, certain subsidiaries of the Company as borrowers together with the Company as guarantor entered into a five-year syndicated loan facilities agreement with four leading international financial institutions pursuant to which term loan facilities in the aggregate amount of HK\$573 million, inclusive of an exercised greenshoe option upsize of HK\$23 million, was granted to the borrowers for a term of 5 years from the date of the first utilisation of such facilities.

In December 2016, the Company as guarantor and its indirectly wholly-owned subsidiary as issuer, entered into a subscription agreement with two institutional investors for the senior secured notes in an aggregate principal amount of up to HK\$200 million maturing on the second anniversary of the issue date of such notes.

The Board of the Company is of the opinion that entering into the facilities and subscription agreements provide a stabilized basis of general working capital to the Group.

Exchange Rates

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

Charge on group assets and Contingent Liabilities

Save as disclosed in note 12 to the interim consolidated financial statements, the Group did not have any material contingent liabilities which have not been provided for in the financial statements as at 31 August 2017 (2016: Nil).

Human Resources

As at 31 August 2017, the total number of employees of the Group was approximately 3,080 (31 August 2016: 3,390). The change was mainly due to normal staff turnover, headcount adjustment of sales teams in Hong Kong and Mainland China, and delayed recruitment in light of the sluggish business environment. There were no major changes in human resource policies.

The Company offers competitive remuneration packages including salary, allowances, and discretionary bonus. Employees are rewarded on a performance basis with reference to market rates. To provide incentive or rewards to the employees, the Company has adopted a share option scheme. Other employee benefits include medical cover and subsidies for job-related continuing education. Retail frontline staff are provided with formal on-the-job training by internal senior staff and external professional trainers. There are discussion forum and in-house seminars for experience sharing.

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

REVIEW OF THE INTERIM RESULTS ANNOUNCEMENT BY AUDITORS

The unaudited consolidated interim results of the Group have been reviewed by the Group's auditor, Ernst & Young, in accordance with Hong Kong Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*, issued by the HKICPA.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code of the Listing Rules

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

Code provision A.2.1

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

Audit Committee

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

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 Period.

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

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

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

Hong Kong, 24 October 2017

At the date of this announcement, the Board comprises:

Executive Directors:

Ms. YAU On Yee, Annie

Ms. NG Yi Kum, Estella

Non-executive Director:

Mr. Erwin Steve HUANG

Independent Non-executive Directors:

Mr. CHUI Chi Yun, Robert

Mr. CHAN Yue Kwong, Michael

Mr. CHOW Chee Wai, Christopher