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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 SECOND INTERIM RESULTS  
FOR THE TWELVE MONTHS ENDED 28 FEBRUARY 2018**

**FINANCIAL HIGHLIGHTS**

	Twelve months ended 28 February		Change
	<b>2018</b> <b>HK\$'000</b> <b>(unaudited)</b>	<b>2017</b> <b>HK\$'000</b> <b>(audited)</b>	
Turnover	<b>3,814,301</b>	3,410,923	11.8%
Profit from operations	<b>120,549</b>	116,170	3.8%
Profit attributable to owners of the Company	<b>46,573</b>	23,177	100.9%
Basic earnings per share	<b>18.9 HK cents</b>	11.0 HK cents	71.8%
Second interim dividend/final dividend	<b>7.3 HK cents</b>	3.75 HK cents	94.7%
Total equity attributable to owners of the Company	<b>1,130,516</b>	974,425	16.0%
Equity attributable to owners of the Company per ordinary share	<b>HK\$4.58</b>	HK\$4.63	-1.1%

**BUSINESS HIGHLIGHTS**

- The consolidated turnover for the period increased by 11.8% as comparing with the same period in last year.
- Profit attributable to owners of the Company for the period increased by 100.9% as comparing with the same period in last year.

\* For identification purpose only

## RESULTS

The board of directors (the “Board”) of Tse Sui Luen Jewellery (International) Limited (the “Company”) announces the unaudited consolidated second interim results of the Company and its subsidiaries (the “Group”) for the twelve months ended 28 February 2018 (the “Period”). The second interim results for the Period have been reviewed by the Company’s audit committee (the “Audit Committee”).

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE TWELVE MONTHS ENDED 28 FEBRUARY 2018

		Twelve months ended 28 February	
	Notes	2018 HK\$’000 (unaudited)	2017 HK\$’000 (audited)
<b>Turnover</b>	4	<b>3,814,301</b>	3,410,923
Cost of sales		<b>(2,314,206)</b>	(1,884,203)
<b>Gross profit</b>		<b>1,500,095</b>	1,526,720
Other income and gains/(losses), net		<b>19,891</b>	(399)
Selling and distribution expenses		<b>(1,233,481)</b>	(1,243,051)
Administrative expenses		<b>(165,956)</b>	(167,100)
<b>PROFIT FROM OPERATIONS</b>		<b>120,549</b>	116,170
Finance costs		<b>(41,152)</b>	(64,288)
<b>PROFIT BEFORE TAX</b>	5	<b>79,397</b>	51,882
Income tax expense	6	<b>(32,838)</b>	(28,678)
<b>PROFIT FOR THE PERIOD/YEAR</b>		<b>46,559</b>	23,204
<b>ATTRIBUTABLE TO :</b>			
Owners of the Company		<b>46,573</b>	23,177
Non-controlling interests		<b>(14)</b>	27
		<b>46,559</b>	23,204
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Basic and diluted	8	<b>18.9 HK cents</b>	11.0 HK cents

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE TWELVE MONTHS ENDED 28 FEBRUARY 2018**

	<b>Twelve months ended 28 February</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
<b>PROFIT FOR THE PERIOD/YEAR</b>	<u>46,559</u>	<u>23,204</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent years:</b>		
Remeasurement gain on defined benefit plan	-	5,656
Income tax effect	-	(933)
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent years</b>	-	4,723
<b>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent years:</b>		
Exchange differences on translation of foreign operations	<u>118,841</u>	<u>(68,742)</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD/YEAR, NET OF TAX</b>	<u>118,841</u>	<u>(64,019)</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD/YEAR</b>	<u><b>165,400</b></u>	<u><b>(40,815)</b></u>
<b>ATTRIBUTABLE TO :</b>		
Owners of the Company	165,423	(40,797)
Non-controlling interests	<u>(23)</u>	<u>(18)</u>
	<u><b>165,400</b></u>	<u><b>(40,815)</b></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 28 FEBRUARY 2018**

		At 28 February 2018	At 28 February 2017
	Notes	HK\$'000 (unaudited)	HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		141,929	141,178
Intangible assets		99	99
Other asset		500	500
Prepayments and deposits		43,271	52,655
Deferred tax assets		60,406	55,214
		<u>246,205</u>	<u>249,646</u>
<b>CURRENT ASSETS</b>			
Inventories		1,660,076	1,478,679
Trade receivables	9	211,700	235,709
Prepayments, deposits and other receivables		105,554	163,098
Tax recoverable		18,102	11,978
Time deposits		51,852	166,801
Cash and cash equivalents		248,036	323,657
		<u>2,295,320</u>	<u>2,379,922</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	10	(302,724)	(316,392)
Other payables and accruals		(269,007)	(259,317)
Gold loans	11	-	(43,523)
Interest-bearing bank and other borrowings		(376,563)	(269,602)
Finance lease payables		(640)	-
Tax payable		(19,014)	(22,448)
		<u>(967,948)</u>	<u>(911,282)</u>
<b>NET CURRENT ASSETS</b>		<u>1,327,372</u>	<u>1,468,640</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,573,577</u>	<u>1,718,286</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**  
**AT 28 FEBRUARY 2018**

		At 28 February 2018	At 28 February 2017
	Note	HK\$'000 (unaudited)	HK\$'000 (audited)
<b>NON-CURRENT LIABILITIES</b>			
Other payables and accruals		(5,195)	(6,595)
Interest-bearing bank and other borrowings		(408,713)	(709,775)
Finance lease payables		(734)	-
Employee benefit obligations		(10,956)	(11,240)
Deferred tax liabilities		(17,590)	(16,394)
		<u>(443,188)</u>	<u>(744,004)</u>
<b>NET ASSETS</b>		<b><u>1,130,389</u></b>	<b><u>974,282</u></b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	12	(61,709)	(52,584)
Reserves		(1,068,807)	(921,841)
		<u>(1,130,516)</u>	<u>(974,425)</u>
<b>Non-controlling interests</b>		<u>127</u>	<u>143</u>
<b>TOTAL EQUITY</b>		<b><u>(1,130,389)</u></b>	<b><u>(974,282)</u></b>

## NOTES TO THE SECOND INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation

Pursuant to a resolution of the Board dated 23 May 2017, the Company's financial year end date has been changed from 28 February (or 29 February in a leap year) to 31 March commencing from financial year of 2017/18. Accordingly, the current financial year will cover a period of thirteen months from 1 March 2017 to 31 March 2018. These unaudited second interim consolidated financial statements now presented cover a period of twelve months from 1 March 2017 to 28 February 2018. The comparative figures presented for the unaudited consolidated statement of profit or loss, unaudited consolidated statement of comprehensive income, and related notes cover the audited figures of the financial year from 1 March 2016 to 28 February 2017.

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

These second 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>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

The adoption of the above revised HKFRSs has had no significant financial effect on these second interim consolidated financial statements and there have been no significant changes to the accounting policies applied in these second 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 gain on early redemption of convertible bonds, 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)

Twelve months ended 28 February 2018	Retail Business HK\$'000 (unaudited)	Wholesale Business HK\$'000 (unaudited)	Other Businesses HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>Segment revenue:</b>				
Sales to external customers	2,924,790	661,059	177,772	3,763,621
Other revenue	50,680	-	-	50,680
	<u>2,975,470</u>	<u>661,059</u>	<u>177,772</u>	<u>3,814,301</u>
<b>Segment results</b>	140,726	118,981	(15,928)	243,779
<i>Reconciliation:</i>				
Unallocated expenses				(123,230)
Finance costs				(41,152)
Income tax expense				<u>(32,838)</u>
Profit for the Period				<u>46,559</u>
Year ended 28 February 2017	Retail Business HK\$'000 (audited) (restated)	Wholesale Business HK\$'000 (audited) (restated)	Other Businesses HK\$'000 (audited) (restated)	Total HK\$'000 (audited) (restated)
<b>Segment revenue:</b>				
Sales to external customers	2,769,672	441,261	164,846	3,375,779
Other revenue	35,144	-	-	35,144
	<u>2,804,816</u>	<u>441,261</u>	<u>164,846</u>	<u>3,410,923</u>
<b>Segment results</b>	141,662	79,789	2,734	224,185
<i>Reconciliation:</i>				
Unallocated expenses				(111,015)
Gain on early redemption of convertible bonds				3,000
Finance costs				(64,288)
Income tax expense				<u>(28,678)</u>
Profit for the year				<u>23,204</u>



### 3b. Geographical information

Revenue from external customers

	Twelve months ended 28 February	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Hong Kong and Macau	1,416,198	1,301,373
Mainland China	2,340,355	2,067,364
Other countries	57,748	42,186
	<u>3,814,301</u>	<u>3,410,923</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:

	Twelve months ended 28 February	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Sales of jewellery products	3,763,621	3,375,779
Service income	50,680	35,144
	<u>3,814,301</u>	<u>3,410,923</u>

## 5. Profit before tax

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

	<b>Twelve months ended 28 February</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Cost of goods sold*	<b>2,294,624</b>	1,887,832
Provision/(reversal of provision) for impairment of inventories, net	<b>19,582</b>	(3,629)
Depreciation	<b>57,865</b>	59,642
Minimum lease payments in respect of operating leases**	<b>218,600</b>	196,254
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	<b>573,813</b>	589,780
Reversal of equity-settled share option expense	-	(1,450)
Pension scheme contributions***	<b>7,431</b>	8,119
Employee benefit obligations	-	545
	<b>581,244</b>	596,994
Fair value (gain)/loss on gold loans designated at fair value through profit or loss ****	<b>(162)</b>	10,372
Fair value loss on derivative financial instruments****	-	806
Loss on disposal of items of property, plant and equipment	<b>55</b>	903
Foreign exchange differences, net	<b>(6,230)</b>	4,437

\* Cost of goods sold includes HK\$90,450,000 (2017: HK\$94,547,000) 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 28 February 2018, there were no forfeited contributions available to the Group to reduce its contributions to pension scheme in future years (2017: Nil).

\*\*\*\* These amounts are included in "Other income and gains/(losses), net" in the second 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% (2017: 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.

	Twelve months ended 28 February	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (audited)
Current – Hong Kong	4,508	2,426
Current – Other than Hong Kong	31,652	32,230
Deferred	(3,322)	(5,978)
	<u>32,838</u>	<u>28,678</u>

## 7. Dividend

	Twelve months ended 28 February	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (audited)
2016/17 approved final dividend of HK\$0.0375 per ordinary share	-	7,888
First Interim dividend of HK\$0.021 (2017: HK\$0.015) per ordinary share declared	5,170	3,155
Second interim dividend of HK\$0.073 per ordinary share declared	18,019	-
	<u>23,189</u>	<u>11,043</u>

- (a) The second interim dividend was not recognised as a liability as at 28 February 2018 because it was declared after the end of the Period.

The Board resolved that the second 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 second 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 second interim dividend.

## 7. Dividend (continued)

- (b) Dividend attributable to the previous financial year, approved and paid during the twelve months ended 28 February 2017.

According to the annual general meeting of the Company on 19 July 2017, it was approved that the final dividend for the year ended 28 February 2017 was HK\$0.0375 per ordinary share. The dividend was paid on 1 September 2017.

- (c) The first interim dividend amounting to HK\$5,170,000, of which HK\$1,478,000 was satisfied in the form of scrip shares. The dividend was paid on 15 December 2017.

## 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\$46,573,000 (2017: HK\$23,177,000), and the weighted average number of ordinary shares of 246,836,860 (2017: 210,336,221) in issue during the Period.

No diluted earnings per share amounts have been presented for the period ended 28 February 2018 and for the year ended 28 February 2017 as the impact of the share options 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:

	<b>At 28 February 2018 HK\$'000 (unaudited)</b>	At 28 February 2017 HK\$'000 (audited)
Within 1 month	<b>201,690</b>	214,932
1 to 2 months	<b>4,623</b>	10,596
2 to 3 months	<b>3,262</b>	3,964
Over 3 months	<b>2,125</b>	6,217
Total trade receivables	<b>211,700</b>	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:

	<b>At 28 February 2018 HK\$'000 (unaudited)</b>	At 28 February 2017 HK\$'000 (audited)
Within 1 month	124,277	62,946
1 to 2 months	62,152	39,620
2 to 3 months	37,655	47,931
Over 3 months	78,640	165,895
Total trade payables	<b>302,724</b>	<b>316,392</b>

The trade payables are non-interest-bearing.

## 11. Gold loans

	<b>At 28 February 2018 HK\$'000 (unaudited)</b>	At 28 February 2017 HK\$'000 (audited)
Secured gold loans	-	29,015
Unsecured gold loans	-	14,508
	<b>-</b>	<b>43,523</b>
Contracted interest rate	N/A	3.0% – 3.6%
Original maturity	N/A	within 1 year

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

As at 28 February 2018, 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 13(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 were managed and their performance were 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. Share Capital

	<b>At 28 February 2018</b>	At 28 February 2017
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Authorised:		
1,500,000,000 ordinary shares of HK\$0.25 each	<b>375,000</b>	375,000
Issued and fully paid:		
246,836,860 (28 February 2017: 210,336,221) ordinary shares of HK\$0.25 each	<b>61,709</b>	52,584

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

	<b>Number of shares in issue</b>	<b>Share capital HK\$'000</b>
At 1 March 2016, 28 February 2017 and 1 March 2017	210,336,221	52,584
Bonus issue (note 1)	35,055,657	8,764
Scrip issue (note 2)	1,444,982	361
At 28 February 2018	<b>246,836,860</b>	<b>61,709</b>

Note 1: A bonus issue of one bonus share for every six existing shares held by members on the register of members of the Company on 27 July 2017 was made, at an issue price of HK\$0.25 per bonus share, resulting in the issue of 35,055,657 shares for a total cash consideration of HK\$8,764,000

Note 2: The scrip issue included the scrip dividends for 2016/17 final dividend and 2017/18 first interim dividend, at an issue price of HK\$0.25 per scrip share resulting in the issue of 810,976 shares for a consideration of HK\$202,000 and 634,006 shares for a consideration of HK\$159,000.

### 13. 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 28 February 2018 of HK\$50,049,000 (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 28 February 2018, 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 28 February 2018, time deposits of the Group denominated in RMB and totaling equivalent to HK\$51,852,000 (28 February 2017: HK\$117,307,000) have been pledged to secure standby letters of credit relating to a cross border treasury arrangement.

### 14. Comparative figures

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERALL FINANCIAL RESULTS

The Group's turnover for the Period increased by 11.8% to HK\$3,814 million from HK\$3,411 million for the corresponding period in 2017. The profit attributable to owners of the Company increased by 100.9% to HK\$46.6 million from HK\$23.2 million for the corresponding period in 2017. Earnings per share attributable to owners of the Company were 18.9 HK cents (28 February 2017: 11.0 HK cents per share).

The profit attributable to owners of the Company increased significantly during the Period being approximately double that achieved for the same period in 2017. This increase was mainly attributable to (i) more favourable business conditions experienced towards the end of 2017 which continued into 2018 and (ii) cost saving measures undertaken by the Group during the Period including but not limited to a significant decrease in finance costs mainly due to the adjustment of the Group's financing structure.

An upward trend in the number of tourists visiting Hong Kong and Macau was also experienced during the Period which was encouraging and a welcome relief to the entire retail industry in these regions following many years of a downward trend. Driven by a relatively favourable consumption sentiment across all the festive seasons, the average sales per invoice improved resulting in a year-on-year increase in the revenue of our Hong Kong retail operations during the Period. Coupled with the steady performance of our other retail businesses in the Mainland China, Malaysia and our e-business platform, the Group's overall performance for the Period remained in line with our expectations.

### REVIEW AND OUTLOOK

#### Retailing Business

##### *Hong Kong and Macau*

By previously maintaining a prudent and cautious approach to expansion in this region, we have started to benefit from the "store-for-store strategy" deployed by us over the past few years. This, together with the effect of the increase in the number of tourists visiting the region, the improved consumption sentiment in the second half of the Period and our enhanced product assortment, have resulted in the sales turnover of our retail businesses in Hong Kong and Macau recording an increase of 10.3% while the overall same store sales remained stable during the Period. The same store sales growth of retail chain stores in Hong Kong, other than those at Headquarters, is in line with the market performance, catalyzed by the 24k gold product promotions and other product enhancements that boosted up sales turnover satisfactorily.



Having gained a competitive edge over our competitors, we have been reinforcing our market position as a wedding expert and strengthening our product uniqueness with the aid of new products which demonstrate our Trendsetting Craftsmanship and by launching The Signature Collection. An example of our position as a trendsetter in the jewellery retail market was our launch of the KUHASHI Collection. This new mix and match line of products is poised to bring a touch of refined details in Japanese style with simplicity and elegance, and demonstrates the success of our efforts to bring international perspectives to the Group's jewellery products, which enabled us to expand our market to the younger generations. We will continue to invest in developing the youth market through new product introductions and providing new customer experiences.

With a comparatively stabilized market and political environment in this region, we anticipate that the retail market will continue to progress in an L-shape. We will continue to seek appropriate opportunities for business expansion.

#### *Mainland China*

Accounting for 39.3% of the Group's total turnover, our retail business in Mainland China continues to play a vital role as the Group's growth engine for its future expansion and development. With the shift in the shopping pattern by Mainland shoppers away from department stores to shopping malls, we have proactively addressed such a change by optimizing our retail network by putting a focus on identifying high-traffic and quality shopping malls for future store openings. As a result of our strategy of maintaining a comparable level of the number of self-operated stores, our retail business in Mainland China was stable during the Period. With the said optimization exercise being in progress, its efficiency is yet to be fully reflected and we stay positive the same store sales growth in this region, where it stayed at minus 3.0%, would be further improved.

Our retail network in Mainland China grew to a total number of 380 stores (including franchised stores) during the Period, representing a net increase of 50 stores as compared with that of the corresponding period in 2017.

We believe that the growing middle class in Mainland China provides us with a solid base and plenty of room for the expansion of our offering of luxury jewellery to this segment for personal use. Positioning ourselves as a leading jeweler in this region and distinguishing ourselves from the others by quality design and Trendsetting Craftsmanship, we will relentlessly arrange various activities to bring refreshing ideas and more novel items to meet the customers' growing and changing demand. As shopping via electronic platforms is also very popular and people are accustomed to electronic consumption in Mainland China, we are setting about developing our online network through the establishment of our own official websites, which enables us to strengthen and better utilize the online platforms to boost the online-to-offline effect.

## *Malaysia*

Being a visionary jewellery retailer and pioneer, we have further established our leading position outside the Greater China region through the operation and expansion of our retail outlets in Malaysia. Our retail business in Malaysia recorded an encouraging boost in sales of 37.5% for the Period. This positive performance has reinforced our belief in this jewellery market after many years of operation. The Group remains optimistic about the development of jewellery retail market in Malaysia and will continue to expand in appropriate locations throughout this region if and when such opportunities arise.

### **Wholesale Business**

Expansion of the retail network in Mainland China via the franchising model is another of the Group's growth engines for now and the future. We are pleased to report that a total of 187 franchise stores were in operation at the end of the Period. We remain positive about the jewellery retail atmosphere in Mainland China and will continue to grasp this opportunity by further expanding the Group's sales network via franchised stores and to better reach and serve our customers.

### **Other Business**

The Group's major e-business platforms achieved a positive result with sales surging by over 20% as compared with that in the corresponding period in 2017. We are satisfied with our cooperation with the existing e-platforms in which we will continue to focus on increasing its sales performance and the ranking of the Group's brand.

## **FINANCIAL STRUCTURE**

Capital expenditure, comprising mainly store renovation and expansion, furniture & fixtures and machinery, incurred during the Period amounted to approximately HK\$55 million (28 February 2017: HK\$63 million), and was mainly financed by borrowings and funds generated from internal resources.

As at 28 February 2018, the Group's interest-bearing liabilities decreased to HK\$786.7 million from HK\$1,023 million as at 28 February 2017. Net borrowings (total interest-bearing liabilities less cash and cash equivalent and time deposits) decreased from HK\$532 million as at 28 February 2017 to HK\$486.8 million as at 28 February 2018.

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 55% to 43% during the Period and is at a much healthier 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 28 February 2018, the Group had time deposits, cash and bank balances, and undrawn borrowing facilities of approximately HK\$300 million and HK\$141 million respectively which, in the opinion of the directors of the Company (the “Directors”), should be sufficient to meet the Group’s present working capital requirements.

In 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 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 is of the opinion that the existing financial structure strengthens its financial position with a more solid, simple and balanced structure which is more suited to meeting the Group’s general working capital requirements.

## **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 13 to the consolidated financial statements, the Group did not have any material contingent liabilities which have not been provided for in the financial statements as at 28 February 2018 (28 February 2017: Nil).

## **HUMAN RESOURCES**

As at 28 February 2018, the total number of employees of the Group was approximately 3,060 (28 February 2017: 3,280). The change was mainly due to normal staff turnover which is in line with the Group’s business strategy with due regard to the market conditions. 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.

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.

## **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 second interim report for the Period, including the accounting principles and practices adopted by the Group, and discussed with management regarding auditing, risk management and internal control, and financial reporting matters.

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

## **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, 26 April 2018

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