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 FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2024

FINANCIAL HIGHLIGHTS

	Year Ended 31 March	
	2024	2023
	HK$'000	HK$'000
Turnover	2,654,627	2,590,936
(Loss)/profit from operations	(256,929)	22,198
Loss attributable to owners of the Company	(374,198)	(71,435)
Basic loss per share	(150.2) HK cents	(28.7) HK cents
Total equity attributable to owners of the Company	553,725	894,058
Equity attributable to owners of the Company per share	HK$2.22	HK$3.59

FINAL RESULTS

The board of directors (the "**Board**") of Tse Sui Luen Jewellery (International) Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2024 (the "**Year**").

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 MARCH 2024

	Notes	**2024 HK$'000**	2023 HK$'000
Turnover	3	**2,654,627**	2,590,936
Cost of sales		**(1,868,962)**	(1,682,093)
Gross profit		**785,665**	908,843
Other income and gains, net	5	**16,774**	52,246
Selling and distribution expenses		**(873,591)**	(782,302)
Administrative expenses		**(185,777)**	(156,589)
(LOSS)/PROFIT FROM OPERATIONS		**(256,929)**	22,198
Finance costs	6	**(90,893)**	(69,375)
LOSS BEFORE TAX	7	**(347,822)**	(47,177)
Income tax expense	8	**(26,524)**	(24,366)
LOSS FOR THE YEAR		**(374,346)**	(71,543)
ATTRIBUTABLE TO:			
Owners of the Company		**(374,198)**	(71,435)
Non-controlling interests		**(148)**	(108)
		(374,346)	(71,543)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted (HK cents)	10	**150.2**	28.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2024

	2024 **HK$'000**	2023 HK$'000
LOSS FOR THE YEAR	**(374,346)**	(71,543)
OTHER COMPREHENSIVE INCOME/ (LOSS)		
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	**85,141**	35,063
Remeasurement gain on defined benefit plan	**496**	51
Income tax effect	**(82)**	(8)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**85,555**	35,106
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(51,711)**	(113,160)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(51,711)**	(113,160)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**33,844**	(78,054)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(340,502)**	(149,597)
ATTRIBUTABLE TO:		
Owners of the Company	**(340,333)**	(149,437)
Non-controlling interests	**(169)**	(160)
	(340,502)	(149,597)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2024

	Notes	**2024** **HK$'000**	2023 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**138,418**	151,725
Investment properties		**151,910**	69,300
Right-of-use assets		**135,030**	208,721
Intangible assets		**99**	99
Other asset		**500**	500
Prepayments and deposits		**28,145**	32,672
Deferred tax assets		**34,518**	34,081
		488,620	497,098
CURRENT ASSETS			
Inventories		**1,253,246**	1,469,770
Trade receivables	11	**77,447**	78,575
Prepayments, other receivables and other assets		**62,325**	72,133
Tax recoverable		**5,524**	12,144
Pledged time deposits		**294,143**	366,216
Cash and cash equivalents		**179,967**	348,282
		1,872,652	2,347,120
CURRENT LIABILITIES			
Trade payables	12	**(337,981)**	(328,537)
Other payables and accruals		**(231,532)**	(257,679)
Gold loan		**(16,185)**	-
Interest-bearing bank borrowings		**(568,527)**	(571,822)
Lease liabilities		**(73,515)**	(93,927)
Tax payable		**(5,866)**	(7,623)
		(1,233,606)	(1,259,588)
NET CURRENT ASSETS		**639,046**	1,087,532
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,127,666**	1,584,630

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 MARCH 2024

	2024 HK$'000	2023 HK$'000
NON-CURRENT LIABILITIES		
Other payables and accruals	**(1,938)**	(1,957)
Interest-bearing bank borrowings	**(491,682)**	(601,755)
Employee benefit obligations	**(3,407)**	(3,894)
Lease liabilities	**(43,412)**	(59,732)
Deferred tax liabilities	**(34,265)**	(23,828)
	(574,704)	(691,166)
NET ASSETS	**552,962**	893,464
EQUITY		
Issued capital	**(62,296)**	(62,296)
Reserves	**(491,429)**	(831,762)
Equity attributable to owners of the Company	**(553,725)**	(894,058)
Non-controlling interests	**763**	594
TOTAL EQUITY	**(552,962)**	(893,464)

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 the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and gold loan 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.

Going concern

The Group incurred a loss for the year of HK$374 million during the year ended 31 March 2024, and as of 31 March 2024 the Group had cash and bank balances (including pledged time deposits) of HK$474 million while total interest-bearing bank borrowings amounted to HK$1,060 million of which HK$569 million was classified as current liabilities. The jewellery industry has continued to experience a downward trend mainly contributed by significant decline in consumer demand for natural diamond jewellery especially in the Mainland China market. Further, the Group also breached certain financial covenants for some of its bank borrowings and banking facilities for which bank waivers were obtained before the end of the financial reporting period. The related bank borrowings continued to classify as non-current liabilities in view of the waivers were obtained prior to year end.

In view of the above circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The following plans and measures have been undertaken to mitigate the liquidity pressure and to improve the financial position of the Group:

(a) The Group continues to transform its business model (especially in the Mainland China market) and restructure the store network to improve the sales;

(b) The Group will actively manage inventory to an optimal level by monitoring market demands, thereby minimizing carrying excess stock while preventing shortages;

(c) The Group has implemented various cost control strategies, such as streamlining organization functions by relocating staff resources and substantially reducing staff headcount; and

(d) The Group will continue to closely monitor its compliance with financial covenants for banking facilities and bank borrowings and will actively negotiate with banks to obtain waivers as needed in order to avoid banks from requesting immediate repayment of any outstanding bank borrowings drawn under the banking facilities, such that the facilities and bank borrowings will continue to be available to the Group. The Group will also proactively engage in discussions with banks to negotiate renewal of banking facilities with more favourable financial covenants.

1. Basis of preparation (continued)

Going concern (continued)

The directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 March 2024. In the opinion of the directors of the Company, taking into account the anticipated cash flows to be generated from the Group's operations as well as the above plans and measures, the Group will have sufficient working capital to meet its financial obligations and commitments as and when they fall due for a period of not less than twelve months from 31 March 2024. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2. Changes in accounting policies and disclosures

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

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

2. Changes in accounting policies and disclosures (continued)

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 April 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 April 2022.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. Turnover

	2024	2023
	HK$'000	HK$'000
Revenue from contracts with customers		
Sales of jewellery products	**2,562,047**	2,511,366
Service income	**92,580**	79,570
	2,654,627	2,590,936

4. Operating segment information

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

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

Retail Business includes direct retail sales of jewellery products to end consumers through the physical outlets carrying the trademarks of TSL | 謝瑞麟, DUO by TSL and TSL TOSI. It also includes the service fee income received from the provision of retail management services to other retailers.

Wholesale Business includes wholesale sales of jewellery products to customers, including franchisees.

E-Business includes sales of jewellery products to customers on e-commerce platforms.

Other Businesses includes others.

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 loss before tax except that unallocated expenses, fair value gains/(losses) on investment properties and non-lease-related finance costs 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 loan, interest-bearing bank borrowings, tax payable, deferred tax liabilities 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)

	Retail Business HK$'000	Wholesale Business HK$'000	E-Business HK$'000	Other Business HK$'000	Total HK$'000
Year ended 31 March 2024					
Segment revenue					
Sales to external customers	**1,846,206**	**378,442**	**328,114**	**9,285**	**2,562,047**
Service income from external customers	**92,580**	**-**	**-**	**-**	**92,580**
	1,938,786	**378,442**	**328,114**	**9,285**	**2,654,627**
Segment results	**(216,879)**	**56,452**	**(4,498)**	**2,793**	**(162,132)**
Reconciliation					
Unallocated expenses					**(91,804)**
Fair value loss on gold loan					**(3,492)**
Fair value losses on investment properties					**(7,390)**
Finance costs (other than interest on lease liabilities)					**(83,004)**
Loss before tax					**(347,822)**
Income tax expense					**(26,524)**
Loss for the Year					**(374,346)**
Segment assets	**2,167,836**	**56,522**	**92,967**	**3,905**	**2,321,230**
Reconciliation					
Deferred tax assets					**34,518**
Tax recoverable					**5,524**
Total assets					**2,361,272**
Segment liabilities	**(609,490)**	**(66,986)**	**(11,062)**	**(840)**	**(688,378)**
Reconciliation					
Gold loan					**(16,185)**
Interest-bearing bank borrowings					**(1,060,209)**
Tax payable					**(5,866)**
Deferred tax liabilities					**(34,265)**
Employee benefit obligations					**(3,407)**
Total liabilities					**(1,808,310)**
Other segment information					
Depreciation of:					
Property, plant and equipment	**34,312**	**172**	**1,845**	**4,807**	**41,136**
Right-of-use assets	**90,072**	**-**	**-**	**10,460**	**100,532**
Impairment of:					
Property, plant and equipment	**36,782**	**-**	**-**	**-**	**36,782**
Right-of-use assets	**58,490**	**-**	**-**	**-**	**58,490**

4. Operating segment information (continued)

Year ended 31 March 2023	Retail Business HK$'000	Wholesale Business HK$'000	E-Business HK$'000	Other Business HK$'000	Total HK$'000
Segment revenue					
Sales to external customers	1,595,114	484,578	422,628	9,046	2,511,366
Service income from external customers	79,570	-	-	-	79,570
	1,674,684	484,578	422,628	9,046	2,590,936
Segment results	(48,611)	91,599	11,944	5,825	60,757
Reconciliation					
Unallocated expenses					(52,238)
Fair value gains on investment properties					4,574
Finance costs (other than interest on lease liabilities)					(60,270)
Loss before tax					(47,177)
Income tax expense					(24,366)
Loss for the year					(71,543)
Segment assets	2,642,115	35,677	114,322	5,879	2,797,993
Reconciliation					
Deferred tax assets					34,081
Tax recoverable					12,144
Total assets					2,844,218
Segment liabilities	(647,161)	(79,709)	(13,875)	(1,087)	(741,832)
Reconciliation					
Interest-bearing bank borrowings					(1,173,577)
Tax payable					(7,623)
Deferred tax liabilities					(23,828)
Employee benefit obligations					(3,894)
Total liabilities					(1,950,754)
Other segment information					
Depreciation of:					
Property, plant and equipment	33,760	325	1,354	5,284	40,723
Right-of-use assets	103,937	-	-	10,240	114,177
Impairment of:					
Property, plant and equipment	4,200	-	-	-	4,200
Right-of-use assets	14,800	-	-	-	14,800

4. Operating segment information (continued)

(a) Geographical information

Revenue from external customers

	2024	2023
	HK$'000	HK$'000
Hong Kong and Macau	**821,390**	654,762
Mainland China	**1,687,152**	1,809,064
Other countries	**146,085**	127,110
	2,654,627	2,590,936

The revenue information above is based on the geographical locations of the customers.

Non-current assets

	2024	2023
	HK$'000	HK$'000
Hong Kong and Macau	**267,785**	192,968
Mainland China	**162,675**	234,775
Other countries	**5,289**	11,219
	435,749	438,962

The non-current asset information above is based on the geographical locations of the assets and excludes rental 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 years.

5. Other income and gains, net

	2024	2023
	HK$'000	HK$'000
Interest income	**8,671**	10,612
Foreign exchange differences, net	**(115)**	845
Government grants* and rent concessions	**2,047**	24,288
Gain on sales of scrap gold	**-**	900
Fair value loss on gold loan	**(3,492)**	-
Fair value (losses)/gains on investment properties	**(7,390)**	4,574
Repair service income	**978**	841
Rental income	**3,443**	3,149
Others	**12,632**	7,037
	16,774	52,246

* The government grants represented subsidies from municipal governments in Mainland China and the Government of Hong Kong Special Administrative Region. There were no unfulfilled conditions or contingencies relating to these subsidies.

6. Finance costs

	2024	2023
	HK$'000	HK$'000
Interest on bank loans, overdrafts and other loans	**79,025**	51,446
Interest on lease liabilities	**7,889**	9,105
Other charges	**6,636**	8,824
	93,550	69,375
Less: Interest capitalised	**(2,657)**	-
	90,893	69,375

7. Loss before tax

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

	2024 HK$'000	2023 HK$'000
Cost of goods sold*	**1,832,367**	1,679,246
Provision for impairment of inventories, net	**36,595**	2,847
Depreciation of:		
Property, plant and equipment	**41,136**	40,723
Right-of-use assets	**100,532**	114,177
Lease payments not included in the measurement of lease liabilities**	**10,339**	3,020
Impairment of:		
Property, plant and equipment (included in selling and distribution expenses)	**33,000**	4,200
Property, plant and equipment (included in administrative expenses)	**3,782**	-
	36,782	4,200
Impairment of:		
Right-of-use assets (included in selling and distribution expenses)	**57,000**	14,800
Right-of-use assets (included in administrative expenses)	**1,490**	-
	58,490	14,800
Impairment/(reversal of impairment) of trade receivables, net	**301**	(634)
Loss on disposal of items of property, plant and equipment	**2,985**	289

* Cost of goods sold includes HK$109,340,000 (2023: HK$86,397,000) relating to employee benefit expense, depreciation of property, plant and equipment and depreciation of right-of-use assets, which are also included in the respective total amounts disclosed separately above under each of these types of expenses.

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

8. Income tax expense

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. In the prior year, Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during that year. Taxes on profits assessable in places other than Hong Kong have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2024	2023
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**-**	5,644
Underprovision in prior years	**-**	1,150
Current – Outside Hong Kong	**16,167**	11,784
Deferred	**10,357**	5,788
	26,524	24,366

9. Dividends

The Board did not recommend the payment of any dividend for the Year (2023: Nil).

10. Loss per share attributable to owners of the Company

The calculation of basic loss per share is based on the loss for the Year attributable to owners of the Company of HK$374,198,000 (2023: HK$71,435,000) and the weighted average number of 249,182,030 (2023: 249,182,030) ordinary shares in issue during the Year.

The Company had no potential dilutive ordinary shares in issue during the years ended 31 March 2024 and 2023.

11. Trade receivables

	2024	2023
	HK$'000	HK$'000
Trade receivables	**89,278**	90,458
Impairment	**(11,831)**	(11,883)
	77,447	78,575

The Group's retail sales are normally made on a 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 for 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 ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowances, is as follows:

	2024	2023
	HK$'000	HK$'000
Within 1 month	**73,807**	75,140
1 to 2 months	**1,249**	3,046
2 to 3 months	-	-
Over 3 months	**2,391**	389
	77,447	78,575

12. Trade payables

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

	2024	2023
	HK$'000	HK$'000
Within 1 month	**140,167**	156,514
1 to 2 months	**21,427**	44,438
2 to 3 months	**17,745**	23,051
Over 3 months	**158,642**	104,534
	337,981	328,537

13. Pledge of assets

As at 31 March 2024, certain Group's property, plant and equipment, investment properties, right-of-use assets and pledged time deposits in aggregate of approximately HK$615,284,000 (31 March 2023: HK$581,619,000) were mortgaged or pledged to secure banking facilities granted to its subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

Results Overview

It was a very challenging year to the Group for the past financial year ended 31 March 2024 (the "Year"). Following the easing of pandemic and its associated restrictions around the world, especially in Mainland China and Hong Kong in early 2023, the Group observed a mild recovery of retail industry at the beginning of the Year. However, the worldwide geopolitical tension and the persisting deterioration of the global economy arising from high inflation rate and increasing financing costs had inevitably affected consumers' spending behaviour and sentiment throughout the Year. Accordingly, the performance of the Group was greatly affected by the significant decline in consumer demand for natural diamond jewellery products, especially in Mainland China market, and the diminishing profit margins arising from the adjustment of sales mix to 24 karat gold products with a relatively lower profit margin.

Despite the unfavorable factors encountered, the turnover of the Group recorded a slight increase of 2.5% to approximately HK$2,655 million for the Year. The gross profit margin decreased to 29.6% for the Year, as compared to 35.1% for the year ended 31 March 2023 ("Year 2022/23"), resulting from the increasing sales mix of 24 karat gold products during the Year.

Starting from the second half of the Year, the Group had taken a series of immediate actions to mitigate the negative impact of reduced gross profit. In order to cope with the drastic adjustment of sales mix to 24 karat gold products as mentioned above, the Group implemented various cost control measures including streamlining organization functions by relocating staff resources, substantial reduction of staff costs, restructuring of the retail store network and also reduction of inventory level. Consequently, the Group incurred an additional restructuring cost of approximately HK$75 million during the Year.

The surge in interest rates together with certain adjustments to comply with applicable accounting standards had brought negative impact to the Group's profitability for the Year. After taking up some non-cash fixed assets impairment, provision for inventories and investment properties revaluation amounting to approximately HK$139 million in total, the Group recorded a loss attributable to owners of the Company of HK$374.2 million for the Year, as compared to loss of HK$71.4 million for Year 2022/23. The loss per share attributable to owners of the Company for the Year was 150.2 HK cents (Year 2022/23: loss of 28.7 HK cents).

Business Review

Retailing Business

Hong Kong and Macau

The Hong Kong and Macau Special Administrative Region governments had initiated extensive campaigns and collaborated with various stakeholders through a variety of cultural and entertainment programs in order to attract tourists from all over the world including the target visitors from Mainland China during the Year. We observed certain improvement to Group's sales performance on year-on-year basis at the beginning of the financial year, due to the release of accumulated consumption power when the borders were just reopened. However, the local retail industry started to remain stagnant or even deteriorating since the beginning of 2024, resulting from the continuous shifting of local consumer spending northward to Mainland China or to other countries and the post-pandemic change of visitors' shopping habits.

The Group had addressed this critical downturn in retail sales especially in jewellery sector by proactively negotiating with landlords to reduce the retail shops rental cost, restructuring the retail sales networks, adjusting the manpower to optimize the labor cost at retail level and more aggressively, closed 5 non-perform retail shops in Hong Kong market during the Year.

Given the ultimate execution of above critical measures and recent announcement of extension of the Individual Visit Scheme to further 8 cities of Mainland China, the Group expects the sales performance in these two local markets will be improved progressively. The continuous evaluation of retail shops rental cost and the optimization of the store-level manpower is expected to enhance the overall profitability of both retail markets in coming year.

Mainland China

Amidst a challenging economic environment resulting from continuing consolidation of property markets in Mainland China, consumer spending sentiment showed surprising restraint during the Year despite that the Chinese Government had taken proactive measures to stimulate the overall economy. In 2023, the Group observed a slight uptick in sales performance of its self-operated stores, but witnessed a decline in the turnover of its franchising stores. This was mainly due to considerable decline of market demand for natural diamond jewellery, in contrast to a significantly increasing consumer demand for 24 karat gold products.

Given such dramatic change in its largest market of Mainland China, the Group reacted proactively and adapted to this evolving shift in market dynamics by enhancing the sales in 24 karat gold jewellery products. This includes improvements in inventory and supply chain management, sales network enhancement and also uplifting the overall operational efficiency to better support the merchandising capabilities and consistency. The increasing sales of 24 karat gold products with comparatively lower gross profit margin to that of natural diamond jewellery products, however, contributed to a significant reduction of gross profit margin as a whole during the Year.

The Group currently operates 391 stores in Mainland China, of which approximately 77% are franchised stores. By continuous leveraging the opportunities arising from expanding the sales network of franchised stores during the Year, the Group targets to maintain a robust mix of self-operated stores and franchised stores. Moreover, the Group will continue to enhance its 24 karat gold inventory for a more balanced inventory mix based on the latest sales mix.

Besides enhancing the overall profitability of Mainland China market, the Group will adopt a prudent approach in expanding the franchise network with optimal capital investment.

Malaysia

The Group's retail business in Malaysia showed a mild growth in turnover during the Year, reflecting a conservatively positive trend in this market. The improvement in sales performance was resulted from the increasing domestic demand for 24 karat gold jewellery products, while observing a gentle upward trend of inbound tourism to this country in times to come.

During the Year, the Group achieved a remarkable milestone with the grand opening of a new store at The Exchange TRX, a prestigious shopping mall in the heart of Kuala Lumpur, alongside other esteemed international brands. The Group remains prudently positive and will continue to realize the market potential by gradually expanding the sales network.

Wholesale Business

The Group's franchising network in Mainland China showed a slowdown in business expansion leading to a decrease in turnover, mainly due to the significant decline in demand for natural diamonds during the Year. The poor market sentiment coupled with other prevailing business challenges, significantly affected the pace of expansion of wholesale business during the Year.

Amid the sluggish recovery in retail sector and overall business environment, the Group is committed to enhance and optimize the franchising model by actively exploring opportunities to expand its franchise network in the near future. The Group is keen to engage potential franchisees to cultivate sustainable long-term partnerships, aiming to boost the presence of franchise domain in Mainland China and to foster collaborative synergy across major cities of different tiers.

e-Business

During the Year, the e-business turnover in Mainland China showed a year-on-year mild decline as the Group deliberately adjust the sales strategy by focusing on product categories with higher profit margin. Besides, a slight increase in turnover of e-business in Hong Kong was recorded, through *TSL e-shop* platform.

The Group always recognizes the importance of e-commerce in digital landscape nowadays. It remains committed to diversifying its online sales channels, expanding its market presence beyond its traditional brick-and-mortar stores and also maximizing the return from the growing trend of digital commerce. The e-platform enables the Group not only to foster a deeper connection with customers but also to provide valuable insights of customer preferences and accordingly, to deliver its tailored promotions precisely for individual needs. The Group aims to elevate the overall customer experience, cultivate brand loyalty and drive sustainable growth in the competitive e-commerce landscape.

Outlook

Looking ahead, the Group will continue to focus on its core strengths and proactively enhance the Group's performance by expanding its retail stores network through franchising. Moreover, in view of the increasing uncertainty of economic environment globally and domestically, the Group will also focus on optimizing the product mix as well as the profitability of different product categories.

At the backend, the Group will continue to prioritize cost control measures across all operational aspects, streamline the organization for a simple structure and shorten inventory turnover cycle. In addition, the Group will continue its prudent approach of financial and treasury management by maintaining adequate cashflow to meet operations needs and monitoring any capital investments with reasonable return.

Financial Structure

As at 31 March 2024, the Group's total outstanding interest-bearing bank borrowings and gold loan amounted to HK$1,076.4 million (31 March 2023: HK$1,173.6 million), which comprised mainly bank loans and trade finance facilities. All borrowings of the Group are denominated in Hong Kong dollars and Renminbi. 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 March 2024, the Group had pledged time deposits, cash and bank balances of HK$474.1 million (Year 2022/23: HK$714.5 million), which were mostly denominated in Hong Kong dollars, Renminbi and United States dollars.

Internally generated funding and borrowings have mainly been applied during the Year to finance the enhancement of the Group's inventory mix on 24 karat gold products and capital expenditure incurred.

The Group was in a net debt position of approximately HK$602.3 million as at 31 March 2024, as compared to approximately HK$459.1 million as at 31 March 2023. As at 31 March 2024, the net gearing ratio was 108.9% (31 March 2023: 51.4%), which was calculated based on the amount of net debt position (sum of total interest-bearing bank borrowings and gold loan less cash and cash equivalents) as a percentage of total equity.

During the Year, the transactions of the Group were mainly denominated in Hong Kong dollars, Renminbi and United States dollars. Renminbi is not a freely convertible currency and any significant exchange rate fluctuation of Renminbi may have financial impacts on the Group. The Board is of the view that such foreign exchange exposure is manageable by using natural hedges that arise from holding assets and liabilities denominated in the same foreign currencies and that the Group's exposure to foreign exchange fluctuation remains minimal. The Group will continue to closely monitor its foreign exchange position.

Human Resources

As at 31 March 2024, the total number of employees of the Group was approximately 1,891 (31 March 2023: 2,360). The change was with due regard to the Group's business strategies and the market conditions. There were no major changes in human resources 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. 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 forums and in-house seminars for experience sharing.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the Year (2023: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 29 August 2024 to Tuesday, 3 September 2024 (both days inclusive), for the purpose of ascertaining shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Tuesday, 3 September 2024 (the "2024 AGM"). During the above closure period, no transfer of shares will be registered. In order to be entitled to attend and vote at the 2024 AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. (Hong Kong Time) on Wednesday, 28 August 2024.

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 ended 31 March 2024 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 and consequently no opinion or assurance conclusion has been expressed by the Company's auditors on the preliminary announcement.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code of the Listing Rules

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 C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation of code provision C.2.1 of the CG Code as expressly stated below.

Code provision C.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.

ANNUAL GENERAL MEETING

The 2024 AGM will be held on Tuesday, 3 September 2024. A notice of the 2024 AGM will be published and despatched to shareholders in due course.

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

Hong Kong, 28 June 2024

At the date of this announcement, the Board comprises:

Executive Director:
Ms. YAU On Yee, Annie

Independent Non-executive Directors:
Mr. CHAN Yue Kwong, Michael
Mr. CHOW Chee Wai, Christopher
Mr. Alex CHAN