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T S L | 謝瑞麟

TSE SUI LUEN JEWELLERY (INTERNATIONAL) LIMITED

謝瑞麟珠寶(國際)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 417)

ANNOUNCEMENT OF ANNUAL RESULTS FOR 2020/2021

FINANCIAL HIGHLIGHTS	2021	2020	Change
	HK\$'000	HK\$'000	
Turnover	2,648,600	2,913,827	-9.1%
Profit from operations	49,411	3,320	+1,388.3%
Loss attributable to owners of the Company	(43,980)	(89,670)	-51.0%
Basic loss per share	(17.6) HK cents	(36.0) HK cents	-51.1%
Total equity attributable to owners of the Company	942,207	900,214	+4.7%
Equity attributable to owners of the Company per share	HK\$3.78	HK\$3.61	+4.7%

BUSINESS HIGHLIGHTS

- The consolidated turnover for the year ended 31 March 2021 decreased by 9.1% to HK\$2,648.6 million as compared with that for the same period last year.
- Profit from operations increased by 1,388.3% year-on-year to HK\$49.4 million.
- Same-store sales growth of 13.3% was recorded in Mainland China whereas negative same-store sales of 39.0% was recorded in Hong Kong and Macau.
- Loss attributable to owners of the Company for the year ended 31 March 2021 was HK\$44.0 million, reduced by 51.0% as compared to the previous financial year.

* For identification purpose only

FINAL RESULTS

The board of directors (the “Board”) of Tse Sui Luen Jewellery (International) Limited (the “Company”) announces that the consolidated loss attributable to owners of the Company for the year ended 31 March 2021 (the “Year”) is HK\$43,980,000 (2020: HK\$89,670,000). The basic loss per share for the Year is 17.6 HK cents (2020: 36.0 HK cents). The audited consolidated results of the Company and its subsidiaries (the “Group”) for the Year, with the comparative figures for the year ended 31 March 2020 (“2019/20”), are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Turnover	3	2,648,600	2,913,827
Cost of sales		(1,688,883)	(1,765,431)
Gross profit		959,717	1,148,396
Other income and gains, net	5	80,961	37,518
Selling and distribution expenses		(885,943)	(1,036,780)
Administrative expenses		(105,324)	(145,814)
PROFIT FROM OPERATIONS		49,411	3,320
Finance costs	6	(50,422)	(63,348)
LOSS BEFORE TAX	7	(1,011)	(60,028)
Income tax expense	8	(43,078)	(29,726)
LOSS FOR THE YEAR		(44,089)	(89,754)
ATTRIBUTABLE TO :			
Owners of the Company		(43,980)	(89,670)
Non-controlling interests		(109)	(84)
		(44,089)	(89,754)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	10	(17.6) HK cents	(36.0) HK cents

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

	2021	2020
	HK\$'000	HK\$'000
LOSS FOR THE YEAR	<u>(44,089)</u>	<u>(89,754)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement gain/(loss) on defined benefit plan	700	(788)
Income tax effect	<u>(115)</u>	<u>130</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	585	(658)
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	86,431	(74,644)
Reclassification adjustment for a foreign operation upon deregistration	<u>(1,058)</u>	<u>-</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	85,373	(74,644)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>85,958</u>	<u>(75,302)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>41,869</u>	<u>(165,056)</u>
ATTRIBUTABLE TO :		
Owners of the Company	41,993	(164,968)
Non-controlling interests	<u>(124)</u>	<u>(88)</u>
	<u>41,869</u>	<u>(165,056)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2021**

	Notes	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		82,469	132,157
Right-of-use assets		166,842	280,303
Intangible assets		99	99
Other asset		500	500
Prepayments and deposits		26,835	41,506
Deferred tax assets		33,985	40,526
		<u>310,730</u>	<u>495,091</u>
CURRENT ASSETS			
Inventories		1,224,196	1,453,755
Trade receivables	11	116,091	77,783
Prepayments, other receivables and other assets		172,758	98,745
Tax recoverable		10,167	14,788
Time deposits		317,656	232,003
Cash and cash equivalents		379,422	336,750
		<u>2,220,290</u>	<u>2,213,824</u>
CURRENT LIABILITIES			
Trade payables	12	(155,355)	(245,718)
Other payables and accruals		(281,979)	(284,966)
Interest-bearing bank and other borrowings		(560,177)	(446,150)
Lease liabilities		(97,613)	(155,162)
Tax payable		(8,840)	(3,355)
		<u>(1,103,964)</u>	<u>(1,135,351)</u>
NET CURRENT ASSETS		<u>1,116,326</u>	<u>1,078,473</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,427,056</u>	<u>1,573,564</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AT 31 MARCH 2021

	Note	2021 HK\$'000	2020 HK\$'000
NON-CURRENT LIABILITIES			
Other payables and accruals		(1,449)	(4,278)
Interest-bearing bank and other borrowings		(428,909)	(567,611)
Employee benefit obligations		(661)	(1,639)
Lease liabilities		(34,562)	(84,070)
Deferred tax liabilities		(19,519)	(15,879)
		<u>(485,100)</u>	<u>(673,477)</u>
NET ASSETS		941,956	900,087
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	(62,296)	(62,296)
Reserves		(879,911)	(837,918)
		<u>(942,207)</u>	<u>(900,214)</u>
Non-controlling interests		251	127
TOTAL EQUITY		(941,956)	(900,087)

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, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. Changes in accounting policies and disclosures

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and following revised HKFRSs for the first time for the current Year’s financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “Conceptual Framework”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

2. Changes in accounting policies and disclosures (continued)

- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occur on or after 1 April 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. Turnover

An analysis of turnover is as follows:

	2021 HK\$'000	2020 HK\$'000
<i>Revenue from contracts with customers</i>		
Sales of jewellery products	2,591,306	2,863,912
Service income	57,294	49,915
	<u>2,648,600</u>	<u>2,913,827</u>

4. Operating segment information

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

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

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

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

Other Businesses includes E-business and others.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource 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/(loss) before tax except that unallocated expenses, non-lease-related finance costs and income tax expense are excluded from such measurement.

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

Segment liabilities exclude interest-bearing bank and other 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	Other Business HK\$'000	Total HK\$'000
Year ended 31 March 2021				
Segment revenue:				
Sales to external customers	1,694,979	656,736	239,591	2,591,306
Other revenue	57,294	-	-	57,294
	<u>1,752,273</u>	<u>656,736</u>	<u>239,591</u>	<u>2,648,600</u>
Segment results:	(3,270)	132,000	(46,194)	82,536
<i>Reconciliation:</i>				
Unallocated expenses				(43,089)
Finance costs (other than interest on lease liabilities)				(40,458)
Income tax expense				<u>(43,078)</u>
Loss for the Year				<u>(44,089)</u>
Segment assets:	2,377,869	25,329	83,670	2,486,868
<i>Reconciliation:</i>				
Deferred tax assets				33,985
Tax recoverable				<u>10,167</u>
Total assets				<u>2,531,020</u>
Segment liabilities:	(446,340)	(117,211)	(7,407)	(570,958)
<i>Reconciliation:</i>				
Interest-bearing bank and other borrowings				(989,086)
Tax payable				(8,840)
Deferred tax liabilities				(19,519)
Employee benefit obligations				<u>(661)</u>
Total liabilities				<u>(1,589,064)</u>
Other segment information:				
Depreciation of property, plant and equipment	46,265	888	5,271	52,424
Depreciation of right-of-use assets	144,525	-	13,798	158,323
Impairment of property, plant and equipment	20,405	-	-	20,405
Impairment of right-of-use assets	34,098	-	-	34,098
Capital expenditure*	18,604	-	3,613	22,217

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

4. Operating segment information (continued)

	Retail Business HK\$'000	Wholesale Business HK\$'000	Other Business HK\$'000	Total HK\$'000
Year ended 31 March 2020				
Segment revenue:				
Sales to external customers	2,079,576	592,454	191,882	2,863,912
Other revenue	49,915	-	-	49,915
	<u>2,129,491</u>	<u>592,454</u>	<u>191,882</u>	<u>2,913,827</u>
Segment results:	(75,736)	105,704	13,825	43,793
<i>Reconciliation:</i>				
Unallocated expenses				(55,098)
Finance costs (other than interest on lease liabilities)				(48,723)
Income tax expense				<u>(29,726)</u>
Loss for the Year				<u>(89,754)</u>
Segment assets:	2,476,383	103,548	73,670	2,653,601
<i>Reconciliation:</i>				
Deferred tax assets				40,526
Tax recoverable				<u>14,788</u>
Total assets				<u>2,708,915</u>
Segment liabilities:	(662,995)	(104,109)	(7,090)	(774,194)
<i>Reconciliation:</i>				
Interest-bearing bank and other borrowings				(1,013,761)
Tax payable				(3,355)
Deferred tax liabilities				(15,879)
Employee benefit obligations				<u>(1,639)</u>
Total liabilities				<u>(1,808,828)</u>
Other segment information:				
Depreciation of property, plant and equipment	54,036	1,204	5,373	60,613
Depreciation of right-of-use assets	185,261	-	12,910	198,171
Impairment of property, plant and equipment	3,447	-	-	3,447
Impairment of right-of-use assets	13,011	-	-	13,011
Capital expenditure*	65,570	-	33,024	98,594

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

4. Operating segment information (continued)

(a) Geographical information

Revenue from external customers

	2021 HK\$'000	2020 HK\$'000
Hong Kong and Macau	423,559	847,988
Mainland China	2,163,055	1,992,246
Other countries	61,986	73,593
	<u>2,648,600</u>	<u>2,913,827</u>

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

Non-current assets

	2021 HK\$'000	2020 HK\$'000
Hong Kong and Macau	146,016	285,206
Mainland China	103,607	120,770
Other countries	10,699	12,715
	<u>260,322</u>	<u>418,691</u>

The non-current asset information above is based on the 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 current year and prior year.

5. Other income and gains, net

	2021 HK\$'000	2020 HK\$'000
Interest income	9,687	3,849
Foreign exchange differences, net	(7,549)	(6,893)
Government grants* and rent concessions related to COVID-19	69,644	24,043
Gain on sales of scrap gold	2,171	8,499
Repair service income	901	821
Others	6,107	7,199
	80,961	37,518

* This represents subsidies from municipal governments in Mainland China, Employment Support Scheme and Retail Sector Subsidy Scheme from the Government of the Hong Kong Special Administrative Region. There are no unfulfilled conditions or contingencies relating to these subsidies.

6. Finance costs

An analysis of finance costs is as follows:

	2021 HK\$'000	2020 HK\$'000
Interest on bank loans, overdrafts and other loans	34,860	43,332
Interest on lease liabilities	9,964	14,625
Other charges	5,598	5,391
	50,422	63,348

7. Loss before tax

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

	2021	2020
	HK\$'000	HK\$'000
Cost of goods sold*	1,663,911	1,777,930
Provision/(reversal of provision) for impairment of inventories, net	24,972	(12,499)
Depreciation of property, plant and equipment	52,424	60,613
Depreciation of right-of-use assets	158,323	198,171
Lease payments not included in the measurement of lease liabilities**	4,912	3,321
Gain on lease modification	392	671
Auditor's remuneration	2,290	2,940
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	427,976	539,351
Pension scheme contributions***	5,675	7,585
Employee benefit obligations	106	127
	433,757	547,063
Impairment of property, plant and equipment	20,405	3,447
Impairment of right-of-use assets	34,098	13,011
(Reversal of)/impairment of trade receivables, net	(352)	1,116
Loss on disposal of items of property, plant and equipment	715	364

* Cost of goods sold includes HK\$84,228,000 (2020: HK\$95,451,000) 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.

*** At 31 March 2021, there were no forfeited contributions available to the Group to reduce its contributions to pension schemes in future years (2020: Nil).

8. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the 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.

	2021 HK\$'000	2020 HK\$'000
Current – Hong Kong		
Charge for the Year	2,832	4,728
Overprovision in prior years	(1,947)	(582)
Current – other than Hong Kong		
Charge for the Year	31,614	15,938
Underprovision in prior years	7	59
Deferred	10,572	9,583
	<u>43,078</u>	<u>29,726</u>

9. Dividends

The Board did not recommend the payment of any dividend for the Year (2020: Nil).

10. Loss per share attributable to owners of the Company

The calculation of basic loss per share amount is based on the loss for the Year attributable to owners of the Company of HK\$43,980,000 (2020: HK\$89,670,000), and the weighted average number of ordinary shares of 249,182,030 in issue during the Year (2020: 248,837,561).

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2021 and 2020.

11. Trade receivables

	2021	2020
	HK\$'000	HK\$'000
Trade receivables	129,887	91,105
Impairment	(13,796)	(13,322)
	116,091	77,783

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:

	2021	2020
	HK\$'000	HK\$'000
Within 1 month	113,962	59,397
1 to 2 months	1,495	9,680
2 to 3 months	269	6,879
Over 3 months	365	1,827
Total trade receivables	116,091	77,783

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:

	2021 HK\$'000	2020 HK\$'000
Within 1 month	78,539	64,392
1 to 2 months	35,257	714
2 to 3 months	22,367	44,501
Over 3 months	19,192	136,111
	<u>155,355</u>	<u>245,718</u>
Total trade payables	<u>155,355</u>	<u>245,718</u>

The trade payables are non-interest-bearing and are normally settled on 30 to 120-day terms.

13. Share capital

	2021 HK\$'000	2020 HK\$'000
Authorised: 1,500,000,000 ordinary shares of HK\$0.25 each	<u>375,000</u>	<u>375,000</u>
Issued and fully paid: 249,182,030 ordinary shares of HK\$0.25 each	<u>62,296</u>	<u>62,296</u>

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

	Number of shares in issue	Share capital HK\$'000
At 1 April 2019	248,551,651	62,138
Scrip issue (note)	<u>630,379</u>	<u>158</u>
At 31 March 2020, 1 April 2020 and 31 March 2021	<u>249,182,030</u>	<u>62,296</u>

Note: The scrip issue included the scrip dividend for 2018/19 final dividend, resulting in the issue of 630,379 shares for a consideration of HK\$1,007,000, representing an increase in share capital and share premium of HK\$158,000 and HK\$849,000, respectively.

14. Pledge of assets

- (a) The Group entered into banking facility arrangements with banks pursuant to which the Group's land and buildings in Hong Kong with an aggregate carrying value as at 31 March 2021 of HK\$72,768,000 (2020: HK\$75,278,000) 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 those banks.
- (b) As at 31 March 2021, time deposits of the Group denominated in Renminbi equivalent to approximately HK\$317,656,000 (2020: HK\$232,003,000) have been pledged to secure for standby letters of credit relating to a cross border treasury arrangement.

DIVIDEND

No interim dividend was declared during the Year, and the Board do not recommend the payment of final dividend for the Year (2019/20: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 2 September 2021 to Tuesday, 7 September 2021 (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, 7 September 2021 (the "2021 AGM"). During the above closure period, no transfer of shares will be registered. In order to be entitled to attend and vote at the 2021 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, 1 September 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of the Group

The turnover of the Group for the Year was HK\$2,648.6 million, representing a decrease of 9.1% as compared to HK\$2,913.8 million for 2019/20. The loss attributable to owners of the Company for the Year reduced by 51.0% from HK\$89.7 million to HK\$44.0 million. The loss per share for the Year was 17.6 HK cents.

During the Year, the ever-evolving COVID-19 pandemic continued to challenge governments, business and society generally as each scrambled to try to find acceptable solutions and to balance between these in order to address the numerous health and financial impacts of the same. International travel came to a standstill with many countries closing their borders and/or imposing severe entry restrictions and quarantine rules and enacting a large range of social distancing measures all of which have severely dampened consumer sentiment.

The COVID-19 pandemic has been a catastrophe for the retail industry, particularly for jewelry and luxury retailers. The Group, as a jeweler, was not spared and encountered unprecedented challenges to its business in all operating regions. We have seen the economies of some regions emerge more quickly from the pandemic than others as different regions took different approaches to combat/control the pandemic with varying degrees of success. Fortunately, Mainland China was one of the first to start to emerge from the pandemic since mid-2020 when it reopened its factories, stores and restaurants resulting in a rebound in its economy. Under the stimulus of the easing of border restrictions that brought visitors back to Macau, our business in Macau was on a track of recovery since September 2020. Such a rebound offers us glimpses of hope that the Group's businesses in Mainland China and Macau have gradually recovered to pre-pandemic level, whereas the recurring COVID-19 has put the sales in other operating regions under pressure, particularly Hong Kong.

To overcome such difficult times, especially in Hong Kong, the Group has continued to implement various cost saving measures, such as relentless negotiation with landlords for rental relief and more favorable lease renewal, shortening of shop opening hours and temporary shop closures to minimize operating expenses and the lowering of inventory to a healthy level. The Group also streamlined its organizational structure and restructured its retail network in a timely and forward-looking manner to mitigate the impacts of COVID-19 on its businesses at the initial stage of the outbreak. The resulting full year effect of the above measures together with the government subsidies helped relieve our stress from the pandemic. Despite a comparatively more positive outlook for the upcoming financial year, the COVID-19 pandemic is unlikely to subside in the near future, as it will take time for the vaccines to be deployed globally and for the business activities and social life to return to normal. The Group will continue its pursuit of improved cost effectiveness and maintenance of a sound financial position ready for the steady recovery and post-COVID-19 development.

Business Review

Retailing Business

Hong Kong and Macau

Both Hong Kong's and Macau's retail sectors rely heavily on tourist footfall and spending. The absence of tourists due to COVID-19, coupled with the year-long containment measures and the postponement or cancellation of weddings, have led to weak consumer sentiment and domestic demand for fine jewelry, which in turn caused the Group's sales in Hong Kong and Macau to plummet. The demand for gold jewelry was also affected by gold price fluctuations, which surged in the first half of 2020 but then slowly fell with a solid support. Discount-based promotions have improved the Group's sales slump since September 2020 with a slight increase of 4.5% in the average amount per invoice. During the Year, the turnover of our Hong Kong and Macau retail businesses decreased by 50.2% with negative same-store sales of 39.0%.

As the retail market in Hong Kong remains lackluster while rents stay exorbitantly high, the Group has strategically closed 4 underperforming stores in Causeway Bay, Mong Kok, Tsim Sha Tsui and Wong Tai Sin, resulting in a total number of 25 stores in Hong Kong as at 31 March 2021. The Group has critically reviewed the profitability and growth potential of each store upon tenancy renewals and adjusted its store portfolio to achieve a balanced mix of store locations. Adhering to a prudent approach and stringent cost management, we will keep striving to minimize the rental expenses and consider store closure if its rental cost could not reach our target level. The pace of economic and retail recovery in Hong Kong heavily depends on the timeline for the significant relaxation of social distancing measures and the resumption of cross-border travel. There is a slim chance for border reopening within the coming months as that hinges on the vaccination rate and transmission risk, but the Group will certainly weather the storm with the right business strategies.

In stark contrast, Macau opened up its border to Mainland China visitors once it had reined in the pandemic since last September. The key jump in visitors does have a positive impact on luxury shopping that drives the Group's recovery trajectory in Macau. The Group's number of stores in Macau remained as 3 at the end of the Year.

Mainland China

On the bright side, the COVID-19 outbreak has been brought under control in Mainland China and China's economy is recovering with good progress. The Group's sales performance in Mainland China has returned to almost pre-pandemic level since summer 2020 and has gradually regained growth momentum. A year-on-year increase of 3.9% in the turnover of the Group's self-operated stores with same-store sales growth of 13.3% in Mainland China were recorded, such encouraging sales rebound partly offset the Group's loss during the Year. The Group will grasp the opportunity arising from the increasing spending power of the younger generation to rejuvenate our business presence among first- and second-tier cities in China.

The Group's total number of stores in Mainland China increased from 445 to 450 as at the end of the Year, including 173 self-operated stores and 277 franchised stores. We will reinforce our retail network and business operations with cautious expansion through franchising aiming to optimize our overall footprint in Mainland China, while at the same time keep a watchful eye on any market changes.

China has been taking the lead on the aggregate e-commerce sales and e-commerce's share of total retail sales in recent years. Consumer behavior altered by COVID-19 is likely to be permanent, accelerating e-commerce prevalence and digital transformation. In addition to leveraging digital channels, particularly social media marketing for customer engagement, the Group has also enhanced collaboration with various popular e-commerce platforms and online malls run by banks in Mainland China to capitalize on the online shopping boom. Going forward, the Group will continue to strengthen its online presence and further boost the online-offline synergies.

Malaysia

Different Movement Control Order levels have been imposed in phases by the Malaysian Government based on the evolving situation in each state from time to time to contain the COVID-19 outbreak since the beginning. The nationwide lockdown has interrupted business operations and the Group's retail outlets, deemed as non-essential stores, were forced to close at times. Amid the tough operating environment, the Group managed to narrow the decline in the turnover of its retail business in Malaysia to 15.3% for the Year when compared with 2019/20. Looking forward, the Group will strive to steadily improve the product assortment and sales performance of its 6 stores in Malaysia.

Wholesale Business

Along with the gradual economic recovery in China, the Group's franchise business has also picked up from the initial downturn. During the Year, the turnover of our wholesale business in Mainland China rose by 11.6% and 69 new franchised stores were opened, resulting in a net increase of our total number of franchised stores from 253 to 277. The Group will continue to maintain the close relationships with franchisees and the cautious expansion of its franchise network in Mainland China in order to strengthen the Group's market presence and to grow its wholesale business there.

Other Businesses

The COVID-19 pandemic has proved to be a catalyst for redefining the retail landscape and accelerating the shift by consumers to e-commerce and hence marking the start of a new normal for retail. Building on the change in consumption pattern, we successfully launched our Hong Kong eShop and the Group's e-business has experienced a remarkable increase in turnover of 31.7% during the Year. Not only will the Hong Kong eShop enrich the Group's online presence, it will also complement the Group's China eShop and cooperation with various e-commerce platforms in Hong Kong and Mainland China. Riding on the strong momentum of e-commerce, we will put more focus on e-commerce development through eShop upgrade and collaboration with more renowned e-commerce platforms to further expand our digital presence and achieve online-offline integration.

Outlook

The rollout of COVID-19 vaccination programs around the world seems to be the “light at the end of the tunnel” that the retail industry has been desperately waiting for to enable it to start the journey down the path of a sustainable recovery. Governments are implementing policies to encourage local consumption, such as the electronic consumption vouchers to be issued by the Hong Kong Government to all residents for boosting the battered retail industry. However, the path to a sustainable recovery is long as mass vaccination takes time and travel restrictions will remain in place to a certain extent in the near future. The economic stability, consumer sentiment and tourism recoveries are still facing strong headwinds from the COVID-19 variants. The Group will continue to exercise vigilant cost control, maintain healthy inventory, optimize retail network and refine business strategies in a judicious and forethoughtful manner to get through the challenging situation.

Adhering to the brand positioning of “Trendsetting Craftsmanship”, the Group has always attached the highest priority to providing customers with exquisite jewelry and superior customer service. We endeavor to create customer-centric experience for every shopper, from store or website design for visual merchandising, to quality products and after-sales services that cater for customers’ needs and foster brand loyalty. Leveraging on its well established brand image, the Group is embarking on a rejuvenation journey that elevate our brand to a new level, which will pave our way to market penetration for a larger clientele across different generations.

The COVID-19 pandemic is bringing us to the omnichannel world, where brick-and-mortar stores and e-commerce platforms co-exist and complement each other with the optimal balance between human touch and technology as well as the convergence of real and virtual markets. We will devote more efforts and resources to offer customers a seamless shopping experience across all channels so that our customers can shop whenever and wherever they like, in order to drive sales and strengthen customer retention and consequently thrive in the post-pandemic era.

Financial Structure

Capital expenditure, comprising mainly store renovation, furniture & fixtures and machinery, incurred during the Year amounted to approximately HK\$22.2 million (2019/20: HK\$98.6 million), which was mainly financed by borrowings and funds generated from internal resources.

As at 31 March 2021, the Group’s total interest-bearing debts decreased from approximately HK\$1,013.8 million (as at 31 March 2020) to approximately HK\$989.1 million, which included current interest-bearing bank and other borrowings of HK\$560.2 million and also non-current interest-bearing bank and other borrowings of HK\$428.9 million. Net borrowings (total interest-bearing debts less cash and cash equivalents and time deposits) decreased from HK\$445.0 million (as at 31 March 2020) to HK\$292.0 million.

Internally generated funding and borrowings have mainly been applied during the Year to finance the enhancement of the Group’s inventory and capital expenditure incurred.

The net gearing ratio (the ratio of total interest-bearing debts (less cash and cash equivalents and time deposits) to total equity) significantly decreased from 49% to 31% during the Year. All borrowings of the Group are denominated in Hong Kong dollars (2019/20: 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 2021, the Group had time deposits, cash and bank balances, and undrawn banking facilities of approximately HK\$697.1 million and HK\$117.0 million respectively, which were mostly denominated in Hong Kong dollars, Renminbi and United States dollars, and in the opinion of the directors of the Company, are sufficient to meet the Group's present working capital requirements.

Exchange Rates

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 believes 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.

Charge on Group Assets and Contingent Liabilities

Charge on the Group's assets during the Year is disclosed in note 14 to this announcement. The Group did not have any material contingent liabilities which have not been provided for in the financial statements as at 31 March 2021 (as at 31 March 2020: Nil).

Human Resources

As at 31 March 2021, the total number of employees of the Group was approximately 2,390 (as at 31 March 2020: 2,870). The decrease was mainly attributable to the streamlining of the Group's manpower structure and store network with due regard to our 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.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Company has reviewed the Group's consolidated financial statements for the Year.

REVIEW OF PRELIMINARY ANNOUNCEMENT

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

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code of the Listing Rules

The Company is committed to the establishment of good governance practices and procedures. During the Year, the Company has applied the principles and complied with all of the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 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 A.2.1 of the CG Code as expressly stated below.

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

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

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

ANNUAL GENERAL MEETING

The 2021 AGM will be held on Tuesday, 7 September 2021. A notice of the 2021 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, 23 June 2021

At the date of this announcement, the Board comprises:

Executive Directors:

Ms. YAU On Yee, Annie

Ms. NG Yi Kum, Estella

Independent Non-executive Directors:

Mr. CHUI Chi Yun, Robert

Mr. CHAN Yue Kwong, Michael

Mr. CHOW Chee Wai, Christopher