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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 2021/2022

FINANCIAL HIGHLIGHTS	2022	2021
	HK\$'000	HK\$'000
Turnover	2,767,788	2,648,600
Profit from operations	97,860	49,411
Profit/(loss) attributable to owners of the Company	15,546	(43,980)
Basic earnings/(loss) per share	6.2 HK cents	(17.6) HK cents
Proposed final dividend	2.0 HK cents	-
Total equity attributable to owners of the Company	1,048,479	942,207
Equity attributable to owners of the Company per share	HK\$4.21	HK\$3.78

BUSINESS HIGHLIGHTS

- The consolidated turnover for the year ended 31 March 2022 increased by 4.5% to HK\$2,767.8 million as compared with that for the same period last year.
- Profit attributable to owners of the Company for the year ended 31 March 2022 was HK\$15.5 million, compared to a loss of HK\$44.0 million for 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 profit attributable to owners of the Company for the year ended 31 March 2022 (the “Year”) is HK\$15,546,000 (2021: consolidated loss attributable to owners of the Company of HK\$43,980,000). The basic earnings per share for the Year is 6.2 HK cents (2021: basic loss per share of 17.6 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 2021 (“2020/21”), are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Turnover	3	2,767,788	2,648,600
Cost of sales		(1,704,961)	(1,688,883)
Gross profit		1,062,827	959,717
Other income and gains, net	5	29,298	80,961
Selling and distribution expenses		(841,049)	(885,943)
Administrative expenses		(153,216)	(105,324)
PROFIT FROM OPERATIONS		97,860	49,411
Finance costs	6	(37,358)	(50,422)
PROFIT/(LOSS) BEFORE TAX	7	60,502	(1,011)
Income tax expense	8	(45,088)	(43,078)
PROFIT/(LOSS) FOR THE YEAR		15,414	(44,089)
ATTRIBUTABLE TO :			
Owners of the Company		15,546	(43,980)
Non-controlling interests		(132)	(109)
		15,414	(44,089)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	10	6.2 HK cents	(17.6) HK cents

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022**

	2022 HK\$'000	2021 HK\$'000
PROFIT/(LOSS) FOR THE YEAR	15,414	(44,089)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	24,974	-
Remeasurement (loss)/gain on defined benefit plan	(958)	700
Income tax effect	158	(115)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	24,174	585
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	66,501	86,431
Reclassification adjustment for a foreign operation upon deregistration	-	(1,058)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	66,501	85,373
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	90,675	85,958
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	106,089	41,869
ATTRIBUTABLE TO :		
Owners of the Company	106,272	41,993
Non-controlling interests	(183)	(124)
	106,089	41,869

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2022**

	Notes	2022 HK\$'000	2021 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		97,034	82,469
Investment properties		26,803	-
Right-of-use assets		183,888	166,842
Intangible assets		99	99
Other asset		500	500
Prepayments and deposits		24,685	26,835
Deferred tax assets		38,340	33,985
		<u>371,349</u>	<u>310,730</u>
CURRENT ASSETS			
Inventories		1,369,451	1,224,196
Trade receivables	11	92,655	116,091
Prepayments, other receivables and other assets		129,288	172,758
Tax recoverable		7,192	10,167
Time deposits		382,725	317,656
Cash and cash equivalents		354,507	379,422
		<u>2,335,818</u>	<u>2,220,290</u>
CURRENT LIABILITIES			
Trade payables	12	(250,034)	(155,355)
Other payables and accruals		(293,213)	(281,979)
Interest-bearing bank and other borrowings		(920,409)	(560,177)
Lease liabilities		(87,984)	(97,613)
Tax payable		(19,481)	(8,840)
		<u>(1,571,121)</u>	<u>(1,103,964)</u>
NET CURRENT ASSETS		<u>764,697</u>	<u>1,116,326</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,136,046</u>	<u>1,427,056</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AT 31 MARCH 2022

	Note	2022 HK\$'000	2021 HK\$'000
NON-CURRENT LIABILITIES			
Other payables and accruals		(2,161)	(1,449)
Interest-bearing bank and other borrowings		-	(428,909)
Employee benefit obligations		(1,301)	(661)
Lease liabilities		(61,210)	(34,562)
Deferred tax liabilities		(23,329)	(19,519)
		<u>(88,001)</u>	<u>(485,100)</u>
NET ASSETS		<u>1,048,045</u>	<u>941,956</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	(62,296)	(62,296)
Reserves		(986,183)	(879,911)
		<u>(1,048,479)</u>	<u>(942,207)</u>
Non-controlling interests		<u>434</u>	<u>251</u>
TOTAL EQUITY		<u>(1,048,045)</u>	<u>(941,956)</u>

NOTES:

1. Basis of preparation

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

2. Changes in accounting policies and disclosures

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

Amendments to HKFRS 9,
HKAS 39, HKFRS 7, HKFRS 4
and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

Amendment to HKFRS 16

*Covid-19-Related Rent Concessions beyond 30 June
2021*

2. Changes in accounting policies and disclosures (continued)

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments that affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”) as at 31 March 2022. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group’s HIBOR-based borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

2. Changes in accounting policies and disclosures (continued)

The nature and the impact of the revised HKFRSs are described below: (continued)

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has adopted the amendment on 1 April 2021 and applied the practical expedient during the year ended 31 March 2022 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic.

3. Turnover

An analysis of turnover is as follows:

	2022 HK\$'000	2021 HK\$'000
<i>Revenue from contracts with customers</i>		
Sales of jewellery products	2,684,598	2,591,306
Service income	83,190	57,294
	<u>2,767,788</u>	<u>2,648,600</u>

4. Operating segment information

For management purposes, the Group is organised into business units based on business nature and has four (2021: four (restated)) 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 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.

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 profit/(loss) before tax except that unallocated expenses, non-lease-related finance costs and income tax expense are excluded from such measurement.

Due to continuous growth of E-Business, management of the Group has reassessed the Group's segment reporting and decided that for financial reporting purpose, there is a new reportable operating segment and the Group has changed the resources allocation, performance assessment and decision making of the reportable operating segments.

4. Operating segment information (continued)

The impact of the above mentioned change in the Group's reportable operating segments for the year ended 31 March 2021 is considered retrospectively and the Group's operating segment information were restated as if E-Business had been reported as a separate segment in that year.

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	E-Business HK\$'000	Other Business HK\$'000	Total HK\$'000
Year ended 31 March 2022					
Segment revenue:					
Sales to external customers	1,732,043	560,987	385,219	6,349	2,684,598
Other revenue	83,190	-	-	-	83,190
	1,815,233	560,987	385,219	6,349	2,767,788
Segment results:					
	40,922	124,894	12,466	(3,539)	174,743
<i>Reconciliation:</i>					
Unallocated expenses					(84,733)
Finance costs (other than interest on lease liabilities)					(29,508)
Profit before tax					60,502
Income tax expense					(45,088)
Profit for the Year					15,414
Segment assets:					
	2,508,267	32,375	113,859	7,134	2,661,635
<i>Reconciliation:</i>					
Deferred tax assets					38,340
Tax recoverable					7,192
Total assets					2,707,167
Segment liabilities:					
	(571,814)	(108,275)	(13,516)	(997)	(694,602)
<i>Reconciliation:</i>					
Interest-bearing bank and other borrowings					(920,409)
Tax payable					(19,481)
Deferred tax liabilities					(23,329)
Employee benefit obligations					(1,301)
Total liabilities					(1,659,122)
Other segment information:					
Depreciation of property, plant and equipment	32,998	258	693	3,570	37,519
Depreciation of right-of-use assets	105,593	-	-	13,043	118,636
Impairment of property, plant and equipment	4,431	-	-	-	4,431
Impairment of right-of-use assets	33,675	-	-	-	33,675
Capital expenditure*	44,009	-	3,110	8,987	56,106

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

4. Operating segment information (continued)

Year ended 31 March 2021	Retail Business HK\$'000 (restated)	Wholesale Business HK\$'000 (restated)	E-Business HK\$'000 (restated)	Other Business HK\$'000 (restated)	Total HK\$'000 (restated)
Segment revenue:					
Sales to external customers	1,694,979	656,736	224,783	14,808	2,591,306
Other revenue	57,294	-	-	-	57,294
	<u>1,752,273</u>	<u>656,736</u>	<u>224,783</u>	<u>14,808</u>	<u>2,648,600</u>
Segment results:	(26,813)	125,588	6,576	(5,307)	100,044
<i>Reconciliation:</i>					
Unallocated expenses					(60,597)
Finance costs (other than interest on lease liabilities)					<u>(40,458)</u>
Loss before tax					(1,011)
Income tax expense					<u>(43,078)</u>
Loss for the year					<u>(44,089)</u>
Segment assets:	2,377,869	25,329	73,840	9,830	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)	(6,047)	(1,360)	(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	407	4,864	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	-	1,161	2,452	22,217

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

4. Operating segment information (continued)

(a) Geographical information

Revenue from external customers

	2022 HK\$'000	2021 HK\$'000
Hong Kong and Macau	486,228	423,559
Mainland China	2,206,800	2,163,055
Other countries	74,760	61,986
	<u>2,767,788</u>	<u>2,648,600</u>

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

Non-current assets

	2022 HK\$'000	2021 HK\$'000
Hong Kong and Macau	193,038	146,016
Mainland China	114,739	103,607
Other countries	8,150	10,699
	<u>315,927</u>	<u>260,322</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

	2022	2021
	HK\$'000	HK\$'000
Interest income	10,825	9,687
Foreign exchange differences, net	(4,525)	(7,549)
Government grants* and rent concessions related to COVID-19	16,208	69,644
Gain on sales of scrap gold	1,515	2,171
Repair service income	1,032	901
Rental income	1,272	-
Others	2,971	6,107
	29,298	80,961

* This represented subsidies from municipal governments in Mainland China (2021: 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 were no unfulfilled conditions or contingencies relating to these subsidies.

6. Finance costs

An analysis of finance costs is as follows:

	2022	2021
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans	23,842	34,860
Interest on lease liabilities	7,850	9,964
Other charges	5,666	5,598
	37,358	50,422

7. Profit/(loss) before tax

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

	2022	2021
	HK\$'000	HK\$'000
Cost of goods sold*	1,692,409	1,663,911
Provision for impairment of inventories, net	12,552	24,972
Depreciation of property, plant and equipment	37,519	52,424
Depreciation of right-of-use assets	118,636	158,323
Lease payments not included in the measurement of lease liabilities**	3,558	4,912
Gain on lease modification	(323)	(392)
Auditor's remuneration	2,510	2,290
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	468,602	427,976
Pension scheme contributions***	5,769	5,675
Employee benefit obligations	87	106
	474,458	433,757
Impairment of property, plant and equipment	4,431	20,405
Impairment of right-of-use assets	33,675	34,098
Impairment of other receivables	5,780	-
Reversal of impairment of trade receivables, net	(924)	(352)
Loss on disposal of items of property, plant and equipment	636	715

* Cost of goods sold includes HK\$87,860,000 (2021: HK\$84,228,000) 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 2022, there were no forfeited contributions available to the Group to reduce its contributions to pension schemes in future years (2021: Nil).

8. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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.

	2022 HK\$'000	2021 HK\$'000
Current – Hong Kong		
Charge for the Year	9,905	2,832
Underprovision/(overprovision) in prior years	4,376	(1,947)
Current – other than Hong Kong		
Charge for the Year	31,465	31,614
Underprovision in prior years	249	7
Deferred	(907)	10,572
	<u>45,088</u>	<u>43,078</u>

9. Dividends

	2022 HK\$'000	2021 HK\$'000
Proposed final dividend of HK\$0.02 (2021: Nil) per ordinary share	<u>4,984</u>	<u>-</u>

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

10. Earnings/(loss) per share attributable to owners of the Company

The calculation of basic earnings/(loss) per share amount is based on the profit for the Year attributable to owners of the Company of HK\$15,546,000 (2021: loss attributable to owners of the Company of HK\$43,980,000), and the weighted average number of ordinary shares of 249,182,030 (2021: 249,182,030) in issue during the Year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2022 and 2021.

11. Trade receivables

	2022	2021
	HK\$'000	HK\$'000
Trade receivables	106,096	129,887
Impairment	(13,441)	(13,796)
	92,655	116,091

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:

	2022	2021
	HK\$'000	HK\$'000
Within 1 month	85,736	113,962
1 to 2 months	4,201	1,495
2 to 3 months	179	269
Over 3 months	2,539	365
Total trade receivables	92,655	116,091

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:

	2022 HK\$'000	2021 HK\$'000
Within 1 month	85,828	78,539
1 to 2 months	29,755	35,257
2 to 3 months	24,154	22,367
Over 3 months	110,297	19,192
	<hr/>	<hr/>
Total trade payables	250,034	155,355

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

13. Share capital

	2022 HK\$'000	2021 HK\$'000
Authorised:		
1,500,000,000 ordinary shares of HK\$0.25 each	375,000	375,000
	<hr/>	<hr/>
Issued and fully paid:		
249,182,030 ordinary shares of HK\$0.25 each	62,296	62,296
	<hr/>	<hr/>

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 2022 of HK\$68,497,000 (2021: HK\$72,768,000) 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) The Group entered into banking facility arrangements with banks pursuant to which the Group's investment properties in Hong Kong with an aggregate carrying value as at 31 March 2022 of HK\$26,803,000 (2021: Nil) 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.
- (c) As at 31 March 2022, time deposits of the Group denominated in Renminbi equivalent to approximately HK\$382,725,000 (2021: HK\$317,656,000) have been pledged to secure for standby letters of credit relating to a cross border treasury arrangement.

15. Event after reporting period

On 6 May 2022, the Group has entered into a facilities agreement (the “Facilities Agreement”) with banks pursuant to which certain loan facilities, comprising a term loan and a revolving loan, in the aggregate amount of HK\$820,000,000 (the “Facilities”) has been granted to the Group for a term of 3.5 years from the date of the first utilisation of the Facilities. Further details of the Facilities Agreement are set out in the announcement of the Company dated 6 May 2022.

16. Comparative figures

During the Year, the Group has reassessed the Group’s segment reporting and there is a new reportable operating segment. Accordingly, certain comparative figures have been reclassified to conform with the current year’s information.

FINAL DIVIDEND

The Board have recommended a final dividend of 2.0 HK cents per ordinary share of the Company, amounting to a total final dividend of approximately HK\$4,984,000 for the Year (2020/21 final dividend: Nil). No interim dividend was declared during the Year (2020/21 interim dividend: Nil).

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on Tuesday, 6 September 2022 (the “2022 AGM”), is expected to be payable on Thursday, 6 October 2022 to shareholders whose names appear on the register of members of the Company on Tuesday, 20 September 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

- (a) from Thursday, 1 September 2022 to Tuesday, 6 September 2022 (both days inclusive), for the purpose of ascertaining shareholders’ entitlement to attend and vote at the 2022 AGM. In order to be entitled to attend and vote at the 2022 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, 31 August 2022; and
- (b) from Monday, 19 September 2022 to Tuesday, 20 September 2022 (both days inclusive), for the purpose of ascertaining shareholders’ entitlement to the proposed final dividend. In order to be qualified for the proposed final dividend, all completed transfer 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 at the address as set out in sub-paragraph (a) above no later than 4:30 p.m. (Hong Kong Time) on Friday, 16 September 2022.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of the Group

The turnover of the Group for the Year increased by 4.5% to HK\$2,767.8 million from HK\$2,648.6 million for 2020/21. The profit attributable to owners of the Company for the Year was HK\$15.5 million, as compared to the loss attributable to owners of HK\$44.0 million for 2020/21. The earnings per share attributable to owners of the Company for the Year was 6.2 HK cents.

The ever-mutating coronavirus has implacably challenged countries and sectors across the world to strike a balance between infection control and economic recovery. Mainland China's "dynamic zero" policy against COVID-19 with swift response measures has enabled timely containment of the epidemic, while allowing its economic and social development to proceed largely unimpeded. Driven by the reviving economy and rising consumer sentiment, the Group's business in Mainland China has gradually returned to pre-pandemic level during the first three quarters of the Year. However, Mainland China retail sales declined in the last quarter due to the local flare-ups in some domestic regions. Worse still, Hong Kong retail sales have sharply plunged since the outbreak of the fifth wave of pandemic.

Inbound travel from the international and Mainland China remains nearly at a standstill resulting from the stringent anti-epidemic measures, border restrictions and quarantine rules. Coupled with the fifth wave of the pandemic, the retail industry in Hong Kong, in particular the jewellery and luxury retails, has been devastated as the number of the infected cases skyrocketed in the city. In addition, the rollout of a series of more rigorous enforcement of containment measures and social distancing restrictions as well as the public's fear of contracting the virus at the height of the outbreak have severely dampened the consumer sentiment and impeded the progress of Hong Kong retail market recovery. The Group was confronting the unprecedented challenges to its Hong Kong business operations.

While facing all challenges brought by the pandemic, the Group has been moving progressively in brand building, customer experience management and technology advancements for adapting to the post-pandemic new normal and new generation trends. Moreover, new business models have been introduced for widening our business opportunities. For example, online and offline Made-To-Order service enabling customized products offering has been launched during the Year. The Group shall capitalize on the long-term investments in years to come.

Business Review

Retailing Business

Hong Kong and Macau

In view of an approached revival in the retail market during 2021, regardless of the negative impact posed by the fifth wave of the pro-longed pandemic situation to our retail business in Hong Kong since the start of 2022, the turnover of the Group's Hong Kong and Macau retail businesses increased during the Year. Same-store sales growth was recorded for the Group's stores in these regions.

The Group launched a new brand “DUO by TSL” in November 2021 with a brand tagline of “We Do”, illustrating that love is a lifetime commitment for couples, the target segment. Based on the advancing stages in a couple’s courtship and inspired by the unique love between couples, the brand has provided a series of jewellery pieces for lovers in a store designed in the Nordic minimalistic style. The first DUO by TSL concept store was then grandly opened a month later at Park Lane Shopper’s Boulevard in Tsim Sha Tsui, where we provide exquisite and elegant product designs such as engagement rings, wedding bands, bridal sets and wedding gold.

On the consolidation of store network in Hong Kong, the Group has reviewed the sale performance, profitability and potential development of each store upon tenancy renewals and strategically closed 2 underperforming stores in Mong Kok and Tsim Sha Tsui. We have relentlessly negotiated with landlords for rental relief and lease renewal with comparatively more advantageous terms. The total number of stores in Hong Kong was 24 as at 31 March 2022.

Hinging on the relaxed travel restrictions for the visitors from Mainland China to Macau, Macau’s economy had been recovering in the first three quarters of the Year but then was impacted by the rebound of infected cases in some regions of Mainland China. As at the end of the Year, the Group continued to operate 3 stores in Macau.

Mainland China

The economic recovery of Mainland China has been interrupted by the implementation of stringent social restrictions to fight the sporadic outbreaks in different regions since the beginning of 2022, which hindered the rebound of the retail industry, in spite of the recovered Mainland China economy during the first three quarters of the Year. The Group recorded a slight year-on-year decrease in the turnover of our self-operated stores. We had a gently negative same-store sales growth in our operations in Mainland China during the Year.

To achieve effective demographic segmentation, particularly towards the younger generations, the Group has launched another new brand “TSL TOSI” with a new product portfolio tapping into the youth market. The brand tagline of TSL TOSI is “Embrace the True You” advocating minimalism, presenting the notion that jewellery is not only worn on special occasions but also a part of customers’ daily wardrobe. Product collections of TSL TOSI exemplify “light luxury” that they are in ways of excellent quality, affordable and chic, which enables our customers to express their true self and display their unique spark. The first concept store of TSL TOSI was opened in Suzhou in September 2021, then subsequently another 2 in Guangzhou, making a total of 3 TSL TOSI stores opened in Mainland China as at the end of the Year.

The Group’s total number of stores in Mainland China increased from 450 to 465 during the Year, including self-operated stores and franchised stores. We will continue to strengthen our retail network and business operations with cautious expansion with the aim of optimizing our entire footprint in Mainland China, meanwhile continue to keep abreast of the market conditions.

Malaysia

The Group achieved a double-digit increase in turnover of our retail business in Malaysia year-on-year as the Group has grasped the business opportunities from customer's strong pent-up purchasing demand after the implementation of the National Recovery Plan (Phase 4) since November 2021, offsetting the adverse effect from the Malaysian Government's imposition of the national lockdowns and other anti-epidemic measures in which our retail stores were required to close at intervals during the first half of the Year. In order to refine our store network, we have relocated a store from a tourism-reliant area to a promising local shopping center for optimizing sales performance. We will reinforce our brand presence with the existing store network and steadily expand at appropriate locations when opportunities present themselves.

Wholesale Business

Despite of the city-wide lockdowns in certain geographic locations since the last quarter of the Year, the performance of the Group's wholesale business in Mainland China, as mainly benefitted from the economic recovery, comparatively improved during the first three quarters. We believe the wholesale business will flourish along with the robust growth in the number of franchised stores. The Group will continue to identify appropriate business partners for expanding our franchise network to deepen our market penetration.

E-Business

The Group's E-Business has a continuous and impressive high double digit growth in turnover during the Year with improved sales attributable to the enhanced product assortments and seasonal promotions. Despite the fact that major marketplaces in Mainland China remain as our key online business contributors, we never hold back from investing in our official eShops for long-term development. We have successfully revamped our Mainland China official eShop during the Year for improved omnichannel customer experience. On Hong Kong side, besides having TSL eShop opened in Tmall Hong Kong during the Year, a major revamp of the official eShop is on its way. Going forward, the Group will continue to upgrade its digital platforms and strengthen the collaboration with online marketplaces in order to capture more online sales and provide customers with exceptional experience.

Outlook

Looking ahead, the outlook for the global and local economies is still uncertain. The challenges arising from the continuing China-US trade conflict, political tensions across the nations fueled by the Russia-Ukraine war, drastic changes in the business environment and elevated inflation concerns in the midst of the emergence of new COVID-19 variants may inevitably affect the economic environment and the Group's business operations.

Despite the lingering global issues, the economy and retail market of Hong Kong is expected to rebound gradually owing to the increasing vaccination rate, a new round of electronic consumption voucher scheme, the reducing unemployment rate, and the easing of border restrictions. Even there are emerging uncertainties, we are cautiously optimistic about the apparent growth of the retail market in the near to mid-term provided that the spread of infection subdued and the consumer sentiment improved. The Group will keep on adopting prudent cost effective measures, maintaining healthy inventory level, optimizing both retail stores and e-channels network, and fine-tuning our business strategies in a farsighted and judicious manner during the challenging time.

Financial Structure

Capital expenditure, comprising mainly store renovation, furniture & fixtures and machinery, incurred during the Year amounted to HK\$56.1 million (2020/21: HK\$22.2 million), which was mainly financed by borrowings and funds generated from internal resources.

As at 31 March 2022, the Group's total interest-bearing liabilities decreased from HK\$989.1 million (as at 31 March 2021) to HK\$920.4 million (current interest-bearing bank and other borrowings). Net borrowings (total interest-bearing liabilities less cash and cash equivalents and time deposits) decreased from HK\$292.0 million (as at 31 March 2021) to HK\$183.2 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 liabilities (less cash and cash equivalents and time deposits) to total equity) significantly decreased from 31.0% to 17.5% during the Year. All borrowings of the Group are denominated in Hong Kong dollars. 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 2022, the Group had time deposits, cash and bank balances of HK\$737.2 million, 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 satisfy the Group's current 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 is of the view that such foreign exchange exposures 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 2022 (as at 31 March 2021: Nil).

Human Resources

As at 31 March 2022, the total number of employees of the Group was approximately 2,400 (as at 31 March 2021: 2,390). 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.

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 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 2022 AGM will be held on Tuesday, 6 September 2022. A notice of the 2022 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, 21 June 2022

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