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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 2022/2023

FINANCIAL HIGHLIGHTS	2023	2022
	HK\$'000	HK\$'000
Turnover	2,590,936	2,767,788
Profit from operations	22,198	97,860
(Loss)/profit attributable to owners of the Company	(71,435)	15,546
Basic (loss)/earnings per share	(28.7) HK cents	6.2 HK cents
Total equity attributable to owners of the Company	894,058	1,048,479
Equity attributable to owners of the Company per share	HK\$3.59	HK\$4.21

BUSINESS HIGHLIGHTS

- The consolidated turnover for the year ended 31 March 2023 decreased by 6.4% to HK\$2,590.9 million as compared with that for the same period last year.
- Loss attributable to owners of the Company for the year ended 31 March 2023 was HK\$71.4 million, compared to a profit of HK\$15.5 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 loss attributable to owners of the Company for the year ended 31 March 2023 (the “Year”) is HK\$71,435,000 (2022: consolidated profit attributable to owners of the Company of HK\$15,546,000). The basic loss per share for the Year is 28.7 HK cents (2022: basic earnings per share of 6.2 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 2022 (“2021/22”), are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Turnover	3	2,590,936	2,767,788
Cost of sales		(1,682,093)	(1,704,961)
Gross profit		908,843	1,062,827
Other income and gains, net	5	52,246	29,298
Selling and distribution expenses		(782,302)	(841,049)
Administrative expenses		(156,589)	(153,216)
PROFIT FROM OPERATIONS		22,198	97,860
Finance costs	6	(69,375)	(37,358)
(LOSS)/PROFIT BEFORE TAX	7	(47,177)	60,502
Income tax expense	8	(24,366)	(45,088)
(LOSS)/PROFIT FOR THE YEAR		(71,543)	15,414
ATTRIBUTABLE TO :			
Owners of the Company		(71,435)	15,546
Non-controlling interests		(108)	(132)
		(71,543)	15,414
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	10	(28.7) HK cents	6.2 HK cents

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023**

	2023 HK\$'000	2022 HK\$'000
(LOSS)/PROFIT FOR THE YEAR	<u>(71,543)</u>	<u>15,414</u>
OTHER COMPREHENSIVE (LOSS)/ INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	35,063	24,974
Remeasurement gain/(loss) on defined benefit plan	51	(958)
Income tax effect	<u>(8)</u>	<u>158</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>35,106</u>	<u>24,174</u>
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(113,160)</u>	<u>66,501</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<u>(113,160)</u>	<u>66,501</u>
OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR, NET OF TAX	<u>(78,054)</u>	<u>90,675</u>
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR	<u>(149,597)</u>	<u>106,089</u>
ATTRIBUTABLE TO :		
Owners of the Company	(149,437)	106,272
Non-controlling interests	<u>(160)</u>	<u>(183)</u>
	<u>(149,597)</u>	<u>106,089</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2023**

	Notes	2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		151,725	97,034
Investment properties		69,300	26,803
Right-of-use assets		208,721	183,888
Intangible assets		99	99
Other asset		500	500
Prepayments and deposits		32,672	24,685
Deferred tax assets		34,081	38,340
		<u>497,098</u>	<u>371,349</u>
CURRENT ASSETS			
Inventories		1,469,770	1,369,451
Trade receivables	11	78,575	92,655
Prepayments, other receivables and other assets		72,133	129,288
Tax recoverable		12,144	7,192
Pledged time deposits		366,216	382,725
Cash and cash equivalents		348,282	354,507
		<u>2,347,120</u>	<u>2,335,818</u>
CURRENT LIABILITIES			
Trade payables	12	(328,537)	(250,034)
Other payables and accruals		(257,679)	(293,213)
Interest-bearing bank and other borrowings		(571,822)	(920,409)
Lease liabilities		(93,927)	(87,984)
Tax payable		(7,623)	(19,481)
		<u>(1,259,588)</u>	<u>(1,571,121)</u>
NET CURRENT ASSETS		<u>1,087,532</u>	<u>764,697</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,584,630</u>	<u>1,136,046</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AT 31 MARCH 2023

	Note	2023 HK\$'000	2022 HK\$'000
NON-CURRENT LIABILITIES			
Other payables and accruals		(1,957)	(2,161)
Interest-bearing bank and other borrowings		(601,755)	-
Employee benefit obligations		(3,894)	(1,301)
Lease liabilities		(59,732)	(61,210)
Deferred tax liabilities		(23,828)	(23,329)
		<u>(691,166)</u>	<u>(88,001)</u>
NET ASSETS		<u>893,464</u>	<u>1,048,045</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	(62,296)	(62,296)
Reserves		(831,762)	(986,183)
		<u>(894,058)</u>	<u>(1,048,479)</u>
Non-controlling interests		<u>594</u>	<u>434</u>
TOTAL EQUITY		<u>(893,464)</u>	<u>(1,048,045)</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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “Conceptual Framework”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 April 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

2. Changes in accounting policies and disclosures (continued)

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 April 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 April 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:

HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 April 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

3. Turnover

An analysis of turnover is as follows:

	2023 HK\$'000	2022 HK\$'000
<i>Revenue from contracts with customers</i>		
Sales of jewellery products	2,511,366	2,684,598
Service income	79,570	83,190
	<u>2,590,936</u>	<u>2,767,788</u>

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 (loss)/profit, which is a measure of adjusted (loss)/profit before tax. The adjusted (loss)/profit before tax is measured consistently with the Group's (loss)/profit before tax except that unallocated expenses, fair value gains on investment properties, 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	E-Business HK\$'000	Other Business HK\$'000	Total HK\$'000
Year ended 31 March 2023					
Segment revenue:					
Sales to external customers	1,595,114	484,578	422,628	9,046	2,511,366
Other revenue	79,570	-	-	-	79,570
	<u>1,674,684</u>	<u>484,578</u>	<u>422,628</u>	<u>9,046</u>	<u>2,590,936</u>
Segment results:	(48,611)	91,599	11,944	5,825	60,757
<i>Reconciliation:</i>					
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					<u>(71,543)</u>
Segment assets:	2,642,115	35,677	114,322	5,879	2,797,993
<i>Reconciliation:</i>					
Deferred tax assets					34,081
Tax recoverable					12,144
Total assets					<u>2,844,218</u>
Segment liabilities:	(647,161)	(79,709)	(13,875)	(1,087)	(741,832)
<i>Reconciliation:</i>					
Interest-bearing bank and other borrowings					(1,173,577)
Tax payable					(7,623)
Deferred tax liabilities					(23,828)
Employee benefit obligations					(3,894)
Total liabilities					<u>(1,950,754)</u>
Other segment information:					
Depreciation of property, plant and equipment	33,760	325	1,354	5,284	40,723
Depreciation of right-of-use assets	103,937	-	-	10,240	114,177
Impairment of property, plant and equipment	4,200	-	-	-	4,200
Impairment of right-of-use assets	14,800	-	-	-	14,800
Capital expenditure*	118,762	-	2,979	8,097	129,838

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

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
	<u>1,815,233</u>	<u>560,987</u>	<u>385,219</u>	<u>6,349</u>	<u>2,767,788</u>
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)					<u>(29,508)</u>
Profit before tax					60,502
Income tax expense					<u>(45,088)</u>
Profit for the year					<u>15,414</u>
Segment assets:					
	2,508,267	32,375	113,859	7,134	2,661,635
<i>Reconciliation:</i>					
Deferred tax assets					38,340
Tax recoverable					<u>7,192</u>
Total assets					<u>2,707,167</u>
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					<u>(1,301)</u>
Total liabilities					<u>(1,659,122)</u>
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)

(a) Geographical information

Revenue from external customers

	2023 HK\$'000	2022 HK\$'000
Hong Kong and Macau	654,762	486,228
Mainland China	1,809,064	2,206,800
Other countries	127,110	74,760
	<u>2,590,936</u>	<u>2,767,788</u>

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

Non-current assets

	2023 HK\$'000	2022 HK\$'000
Hong Kong and Macau	192,968	193,038
Mainland China	234,775	114,739
Other countries	11,219	8,150
	<u>438,962</u>	<u>315,927</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 years.

5. Other income and gains, net

	2023	2022
	HK\$'000	HK\$'000
Interest income	10,612	10,825
Foreign exchange differences, net	845	(4,525)
Government grants* and rent concessions related to COVID-19	24,288	16,208
Gain on sales of scrap gold	900	1,515
Fair value gains on investment properties	4,574	-
Repair service income	841	1,032
Rental income	3,149	1,272
Others	7,037	2,971
	52,246	29,298

* This represented subsidies from municipal governments in Mainland China and Employment Support Scheme from the Government of Hong Kong Special Administrative Region (2022: subsidies from municipal governments in Mainland China). There were no unfulfilled conditions or contingencies relating to these subsidies.

6. Finance costs

An analysis of finance costs is as follows:

	2023	2022
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans	51,446	23,842
Interest on lease liabilities	9,105	7,850
Other charges	8,824	5,666
	69,375	37,358

7. (Loss)/profit before tax

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

	2023	2022
	HK\$'000	HK\$'000
Cost of goods sold*	1,679,246	1,692,409
Provision for impairment of inventories, net	2,847	12,552
Depreciation of property, plant and equipment	40,723	37,519
Depreciation of right-of-use assets	114,177	118,636
Lease payments not included in the measurement of lease liabilities**	3,020	3,558
Gain on lease modification	-	(323)
Auditor's remuneration	2,633	2,510
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	473,072	468,602
Pension scheme contributions***	5,953	5,769
Employee benefit obligations	3,638	87
	482,663	474,458
Impairment of property, plant and equipment	4,200	4,431
Impairment of right-of-use assets	14,800	33,675
Impairment of other receivables	-	5,780
Reversal of impairment of trade receivables, net	(634)	(924)
Loss on disposal of items of property, plant and equipment	289	636

* Cost of goods sold includes HK\$86,397,000 (2022: HK\$87,860,000) 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 2023, there were no forfeited contributions available to the Group to reduce its contributions to pension schemes in future years (2022: Nil).

8. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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.

	2023 HK\$'000	2022 HK\$'000
Current – Hong Kong		
Charge for the year	5,644	9,905
Underprovision in prior years	1,150	4,376
Current – Elsewhere	11,784	31,714
Deferred	5,788	(907)
	<u>24,366</u>	<u>45,088</u>

9. Dividends

	2023 HK\$'000	2022 HK\$'000
Final dividend declared and paid – Nil (2022: HK\$0.02 per ordinary share)	<u>-</u>	<u>4,984</u>

The Board did not recommend the payment of any dividend for the Year.

10. (Loss)/earnings per share attributable to owners of the Company

The calculation of basic (loss)/earnings per share amount is based on the loss for the Year attributable to owners of the Company of HK\$71,435,000 (2022: profit attributable to owners of the Company of HK\$15,546,000), and the weighted average number of ordinary shares of 249,182,030 (2022: 249,182,030) in issue during the Year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2023 and 2022.

11. Trade receivables

	2023	2022
	HK\$'000	HK\$'000
Trade receivables	90,458	106,096
Impairment	(11,883)	(13,441)
	78,575	92,655

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:

	2023	2022
	HK\$'000	HK\$'000
Within 1 month	75,140	85,736
1 to 2 months	3,046	4,201
2 to 3 months	-	179
Over 3 months	389	2,539
Total trade receivables	78,575	92,655

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:

	2023	2022
	HK\$'000	HK\$'000
Within 1 month	156,514	85,828
1 to 2 months	44,438	29,755
2 to 3 months	23,051	24,154
Over 3 months	104,534	110,297
	<hr/>	<hr/>
Total trade payables	328,537	250,034
	<hr/>	<hr/>

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

13. Share capital

	2023	2022
	HK\$'000	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) In the prior year, the Group entered into a banking facility arrangement (“Previous Facility”) with banks pursuant to which the Group’s land and buildings and investment properties in Hong Kong with a carrying value at 31 March 2022 of HK\$41,644,000 and HK\$26,803,000, respectively, were mortgaged by way of a first legal charge, as securities for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to those banks. The Previous Facility was renewed on 6 May 2022 as described in note 14(b) below.
- (b) On 6 May 2022, the Group entered into a facilities agreement with Hang Seng Bank Limited, China CITIC Bank International Limited, United Overseas Bank Limited, Fubon Bank (Hong Kong) Limited, Bank Sinopac, Hong Kong Branch and China Construction Bank (Asia) Corporation Limited acting as mandated lead arrangers and original lenders, pursuant to which certain loan facilities, comprising a term loan and a revolving loan, in the aggregate amount of HK\$820,000,000 (“New Facilities”) has been granted. The New Facilities was used to repay the Previous Facility, on 17 May 2022, the legal charge of the land and buildings and investment properties under Previous Facility was released. The Group’s land and buildings and investment properties in Hong Kong with a carrying value of HK\$37,405,000 and HK\$69,300,000, respectively, were mortgaged again under New Facilities by way of a first legal charge, as securities for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to those banks.
- (c) The Group entered into a banking facility arrangement with a bank pursuant to which the Group’s land and buildings in Hong Kong with a carrying value of HK\$25,902,000 (31 March 2022: HK\$26,853,000) were mortgaged by way of a first legal charge, as securities for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to that bank.
- (d) During the Year, the Group entered into a banking facility arrangement with a bank pursuant to which the Group’s land use right and construction in progress in Mainland China with a carrying value of HK\$28,910,000 (31 March 2022: Nil) and HK\$53,886,000 (31 March 2022: Nil), respectively, were mortgaged as securities for all owing by the Group to that bank.
- (e) As at 31 March 2023, pledged time deposits of the Group denominated in Renminbi and totaling equivalent to approximately HK\$366,216,000 (31 March 2022: HK\$382,725,000) have been pledged to secure 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 (2021/22 total dividend: HK\$4,984,000).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 22 September 2023 to Wednesday, 27 September 2023 (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 Wednesday, 27 September 2023 (the "2023 AGM"). During the above closure period, no transfer of shares will be registered. In order to be entitled to attend and vote at the 2023 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 Thursday, 21 September 2023.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of the Group

The turnover of the Group for the Year decreased by 6.4% to HK\$2,590.9 million from HK\$2,767.8 million for 2021/22. The loss attributable to owners of the Company for the Year was HK\$71.4 million, as compared to the profit attributable to owners of the Company of HK\$15.5 million for 2021/22. The loss per share attributable to owners of the Company for the Year was 28.7 HK cents.

During the Year, the world continued to grapple with the adverse effects of the COVID-19 crisis. In particular, Mainland China's economic growth slowed down due to the frequent lockdowns in major cities and the stringent quarantine requirements for inbound travelers, with the number of cases reaching a record high in the fourth quarter of 2022. As businesses in Mainland China are significant contributors to the Group's profitability, the Group's sales performance during the Year was inevitably affected, especially by the plummet in retail sales in Mainland China due to declining consumer confidence.

Although the Group observed signs of recovery in retail sales in early 2023 following the end of China's zero-COVID policy and the lifting of social distancing measures and mask-wearing requirement by the Hong Kong Government, it was insufficient to meaningfully offset the Group's accumulated losses caused by the sharp decline in retail sales in Mainland China in the previous three financial quarters and the comparatively lower gross profit margin due to changes in sales mix and business contributions during the Year. While the reopening of borders and increased tourist numbers should bode well for retail sales performance going forward, we believe that the resulting recovery will be gradual as it will take some time to restore consumer confidence and for overall market activities to return to pre-pandemic levels.

Distressed by the desolate retail environment, economic uncertainties and geopolitical risks, the demand of 24 karat gold jewellery has been on a rising trend in all operating regions of the Group. Consequently, the Group has put more focus on its 24 karat gold jewellery business with various luxury and specialized collections to capture the robust gold demand. The Group has also run marketing campaigns and product promotions to drive sales during festive seasons and certain public holidays. Meanwhile, the Group continued to maintain prudent management and keep close track of the market recovery.

Business Review

Retailing Business

Hong Kong and Macau

With the gradual lifting of anti-pandemic measures in Hong Kong and Macau during the Year, local consumption and tourist footfall saw some recovery. Benefitted from the influx of tourists following the resumption of cross border travel with Mainland China in February 2023, which helped to boost both economies, especially in Macau, the Group's Hong Kong and Macau retail business recorded an encouraging increase in turnover with same-store sales growth.

As at the end of the Year, the Group operated 24 stores in Hong Kong, one of which is the DUO by TSL store in Tsim Sha Tsui. With the brand motto “We Do”, DUO by TSL specializes in offering made-to-order jewellery for couples to commemorate their love. By continuously participating in large-scale wedding expos, we have achieved remarkable sales performance with overwhelmingly positive responses received from customers which, in turn, has increased DUO by TSL’s exposure in the wedding market and strengthened our brand image and position as a wedding expert. In addition, DUO by TSL has fostered its brand awareness on social media with its first major branding campaign titled “Theory of Love”.

Anticipating Macau’s return to normalcy and planning for the post-COVID future, the Group opened a new TSL | 謝瑞麟 store in Shoppes at Londoner in October 2022. As a result, the number of Macau stores operated by the Group increased to 4. Located inside the upscale mall, the new store was decorated in a fresh Nordic minimalistic style.

The sales network in Hong Kong and Macau shall continue to be adjusted for maximizing operational efficiency and return on investment.

Mainland China

The prolonged and tightened social distancing restrictions adversely impacted consumer psychology and purchasing behavior, particularly the already subdued retail business activities were further dampened by the sudden and frequent lockdowns in certain regions across Mainland China during 2022. Subsequent to the Chinese government’s lifting of most COVID restrictions in December 2022, the sales performance of the Group’s retail business in Mainland China showed improvement, but it was not adequate to cover the severe losses suffered in the previous months. Therefore, the Group recorded a notable year-on-year decrease in the turnover and negative same-store sales growth of our self-operated stores in Mainland China.

The total number of TSL stores in Mainland China was 471 as at the end of the Year, with the Group’s self-operated stores slightly reduced from 178 to 172, including 5 TSL TOSI stores located in first-tier cities, 2 of which are the new stores opened in Shanghai and Beijing during the Year. All TSL TOSI stores supply fine jewellery accessories embodying the brand’s motto “Embrace the True You”, which has attracted the younger generation with rising purchasing power. Meanwhile, the Group has focused on improving the business model’s profitability and return on investment.

Being confident that both the Chinese economy and consumer sentiment will pick up gradually in 2023, the Group has set up the first DUO by TSL counter in a department store in Chongqing in January 2023. The romantically decorated space showcases specially designed jewellery and professional wedding services for couples. Going forward, the Group will continue to strengthen its brand and deepen its market penetration by reinforcing the TSL | 謝瑞麟, DUO by TSL, and TSL TOSI retail network in Mainland China.

Malaysia

Consumer spending rebounded in Malaysia following the reopening of its borders in April 2022, resulting in a boost to the turnover of the Group's retail business in Malaysia with high double-digit growth being achieved during the Year. In order to bolster the Group's sales performance and brand recognition in Malaysia, a new TSL | 謝瑞麟 store together with DUO by TSL kiosk situated nearby were inaugurated in one of the largest shopping malls in the country. As at 31 March 2023, the total number of retail stores in Malaysia was 7. The Group will stay the course in enhancing its product assortment and steadily expand its business in Malaysia.

Wholesale Business

The revival of manufacturing, trading and consumption activities in Mainland China was interrupted by the COVID-19 flare-ups during the last quarter of 2022. The performance of the Group's wholesale business was negatively impacted by the outbreaks in certain major cities in the country. In addition, the pace of the Group's franchise network expansion in Mainland China was unavoidably delayed, resulting in a net increase of only 12 franchised stores from 287 to 299 during the Year. Witnessing the gradual recovery of Mainland China's retail industry and economy in the first quarter of 2023, the Group will proactively look for appropriate franchisees and expand its franchised store network strategically, so as to strengthen its market presence and penetration in Mainland China.

E-Business

Riding on the e-commerce boom in recent years, the Group has put more focus on the continual development of its e-business and established a comprehensive e-business model through the ongoing enhancement of its official e-Shops and cooperation with e-commerce platforms. During the Year, the Group successfully revamped TSL official e-Shops in Hong Kong and Mainland China with more refined interfaces; and opened TSL online flagship stores in both Douyin and Pinduoduo to speed up the expansion of its online channels. Accounting for an increasing proportion of the Group's profit, e-business maintained promising growth in turnover during the Year.

A series of online promotions and marketing campaigns were launched to drive traffic to TSL official e-Shops and TSL online flagship stores for boosting online sales. The Group has also strengthened its cooperation with various popular e-commerce platforms in Mainland China and HKTVmall in Hong Kong. The Group strongly believes that its e-business will continue to show encouraging results supported by the solid foundation laid.

Outlook

Following the governments' implementation of measures to stimulate local consumption and the recovery of international tourism after the reopening of borders, countries moving forward along the path to normalcy are performing better in terms of retail sales. Despite these positive signs, consumers still have some anxiety and are prone to hold back on non-essential spending, so we expect recovery to be at times patchy but not sudden. The Group will follow through to review and reinforce its online and offline retail network prudently, but at the same time grasp the opportunities arising from the new era.

As the Group navigates through the ups and downs, it is constantly learning and growing, refining its strategies with a steadfast commitment to optimizing the brand experience. The Group will keep enhancing its 24 karat gold jewellery assortment to grasp the uptrend in gold demand and, as always, provide an innovative and diversified product portfolio complimented by high quality and exclusive customer service at full steam. The Group will leverage various media to promote its brand image and increase its competitive advantage through the sustainable development of TSL | 謝瑞麟, DUO by TSL and TSL TOSI brands targeting different market segments.

Financial Structure

Capital expenditure, comprising mainly store renovation, furniture and fixtures and machinery as well as additions to building and prepaid land lease, incurred during the Year amounted to HK\$129.8 million (2021/22: HK\$56.1 million), which was mainly financed by borrowings and funds generated from internal resources.

As at 31 March 2023, the Group's total interest-bearing liabilities increased from HK\$920.4 million (as at 31 March 2022) to HK\$1,173.6 million, including current interest-bearing bank and other borrowings of HK\$571.8 million and non-current interest-bearing bank and other borrowings of HK\$601.8 million. Net borrowings (total interest-bearing liabilities less cash and cash equivalents and pledged time deposits) increased from HK\$183.2 million (as at 31 March 2022) to HK\$459.1 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 pledged time deposits to total equity) increased from 17.5% to 51.4% during the Year. 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 2023, the Group had pledged time deposits, cash and bank balances of HK\$714.5 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 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 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.

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 2023 (as at 31 March 2022: Nil).

Human Resources

As at 31 March 2023, the total number of employees of the Group was approximately 2,360 (as at 31 March 2022: 2,400). 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 auditors to the amounts set out in the Group's draft 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

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 2023 AGM will be held on Wednesday, 27 September 2023. A notice of the 2023 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 2023

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