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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

FINANCIAL HIGHLIGHTS

	Six months ended 30 September	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Turnover	**1,346,534**	1,248,184
(Loss)/profit from operations	**(8,078)**	40,885
(Loss)/profit attributable to owners of the Company	**(58,189)**	1,919
Basic (loss)/earnings per share	**(23.4 HK cents)**	0.8 HK cents
Total equity attributable to owners of the Company	**778,247**	894,058†
Equity attributable to owners of the Company per share	**HK$3.12**	HK$3.59†

†*figure as at 31 March 2023 (audited)*

BUSINESS HIGHLIGHTS

- The consolidated turnover for the six months ended 30 September 2023 increased by 7.9% period-on-period to HK$1,346.5 million.

- Loss attributable to owners of the Company for the six months ended 30 September 2023 was HK$58.2 million, compared to a profit of HK$1.9 million for the same period last year.

* *For identification purpose only*

RESULTS

The board of directors (the "Board") of Tse Sui Luen Jewellery (International) Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2023 (the "Period"). The interim results for the Period have been reviewed by the Company's audit committee (the "Audit Committee").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Notes	Six months ended 30 September **2023** **HK$'000** **(unaudited)**	2022 HK$'000 (unaudited)
Turnover	4	**1,346,534**	1,248,184
Cost of sales		**(876,538)**	(802,364)
Gross profit		**469,996**	445,820
Other income and gains, net		**14,518**	31,592
Selling and distribution expenses		**(402,968)**	(360,305)
Administrative expenses		**(89,624)**	(76,222)
(LOSS)/PROFIT FROM OPERATIONS		**(8,078)**	40,885
Finance costs		**(45,609)**	(28,325)
(LOSS)/PROFIT BEFORE TAX	5	**(53,687)**	12,560
Income tax expense	6	**(4,607)**	(10,768)
(LOSS)/PROFIT FOR THE PERIOD		**(58,294)**	1,792
ATTRIBUTABLE TO :			
Owners of the Company		**(58,189)**	1,919
Non-controlling interests		**(105)**	(127)
		(58,294)	1,792
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	8	**(23.4 HK cents)**	0.8 HK cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Six months ended 30 September	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
(LOSS)/PROFIT FOR THE PERIOD	**(58,294)**	1,792
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(57,638)**	(148,398)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(57,638)**	(148,398)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(115,932)**	(146,606)
ATTRIBUTABLE TO :		
Owners of the Company	**(115,811)**	(146,383)
Non-controlling interests	**(121)**	(223)
	(115,932)	(146,606)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2023

	Notes	**At 30 September 2023 HK$'000 (unaudited)**	At 31 March 2023 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**175,148**	151,725
Investment properties		**69,300**	69,300
Right-of-use assets		**192,762**	208,721
Intangible assets		**99**	99
Other asset		**500**	500
Prepayments and deposits		**51,813**	32,672
Deferred tax assets		**34,419**	34,081
		524,041	497,098
CURRENT ASSETS			
Inventories		**1,529,877**	1,469,770
Trade receivables	9	**91,838**	78,575
Prepayments, other receivables and other assets		**52,283**	72,133
Tax recoverable		**16,022**	12,144
Pledged time deposits		**324,207**	366,216
Cash and cash equivalents		**219,826**	348,282
		2,234,053	2,347,120
CURRENT LIABILITIES			
Trade payables	10	**(412,354)**	(328,537)
Other payables and accruals		**(221,491)**	(257,679)
Interest-bearing bank and other borrowings		**(613,963)**	(571,822)
Lease liabilities		**(88,745)**	(93,927)
Tax payable		**(5,981)**	(7,623)
		(1,342,534)	(1,259,588)
NET CURRENT ASSETS		**891,519**	1,087,532
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,415,560**	1,584,630

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AT 30 SEPTEMBER 2023

	Note	**At 30 September 2023 HK$'000 (unaudited)**	At 31 March 2023 HK$'000 (audited)
NON-CURRENT LIABILITIES			
Other payables and accruals		**(1,941)**	(1,957)
Interest-bearing bank and other borrowings		**(550,095)**	(601,755)
Employee benefit obligations		**(3,841)**	(3,894)
Lease liabilities		**(58,290)**	(59,732)
Deferred tax liabilities		**(23,861)**	(23,828)
		(638,028)	(691,166)
NET ASSETS		**777,532**	893,464
EQUITY			
Equity attributable to owners of the Company			
Issued capital	11	**(62,296)**	(62,296)
Reserves		**(715,951)**	(831,762)
		(778,247)	(894,058)
Non-controlling interests		**715**	594
TOTAL EQUITY		**(777,532)**	(893,464)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the Group's financial statements for the year ended 31 March 2023. These interim consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, HKASs and Interpretations).

These interim consolidated financial statements have been prepared under historical cost convention.

These interim consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the Group's financial statements for the year ended 31 March 2023, except for the adoption of the following revised HKFRSs which become effective for accounting periods beginning on or after 1 April 2023 as disclosed in note 2 below.

2. Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2023, except for the adoption of the following new and revised HKFRSs for the first time for the current period's financial information.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

2. Changes in accounting policies and disclosures (continued)

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

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 April 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 April 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 April 2022.

    Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 April 2022.

2. Changes in accounting policies and disclosures (continued)

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 April 2023, but are not required to disclose such information for any interim periods ending on or before 31 March 2024. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3a. 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 include others.

3a. Operating segment information (continued)

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, non-lease-related finance costs and income tax expense are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	Retail Business	**Wholesale Business**	**E-Business**	**Other Businesses**	**Total**
Six months ended	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
30 September 2023	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
Segment revenue:					
Sales to external customers	**895,434**	**242,705**	**165,560**	**2,555**	**1,306,254**
Other revenue	**40,280**	**-**	**-**	**-**	**40,280**
	935,714	**242,705**	**165,560**	**2,555**	**1,346,534**
Segment results:	**(25,660)**	**40,498**	**4,333**	**(3,556)**	**15,615**
Reconciliation:					
Unallocated expenses					**(27,896)**
Finance costs (other than interest on lease liabilities)					**(41,406)**
Loss before tax					**(53,687)**
Income tax expense					**(4,607)**
Loss for the Period					**(58,294)**

3a. Operating segment information (continued)

Six months ended 30 September 2022	Retail Business HK$'000 (unaudited)	Wholesale Business HK$'000 (unaudited)	E-Business HK$'000 (unaudited)	Other Businesses HK$'000 (unaudited)	Total HK$'000 (unaudited)
Segment revenue:					
Sales to external customers	721,251	275,050	207,120	5,901	1,209,322
Other revenue	38,862	-	-	-	38,862
	760,113	275,050	207,120	5,901	1,248,184
Segment results:	(13,206)	58,415	9,957	(2,127)	53,039
Reconciliation:					
Unallocated expenses					(16,659)
Finance costs (other than interest on lease liabilities)					(23,820)
Profit before tax					12,560
Income tax expense					(10,768)
Profit for the period					1,792

3b. Geographical information

Revenue from external customers

	Six months ended 30 September	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Hong Kong and Macau	**407,508**	290,027
Mainland China	**870,559**	899,640
Other countries	**68,467**	58,517
	1,346,534	1,248,184

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

4. Turnover

The principal activities of the Group are the manufacturing, sales and marketing of jewellery products and the provision of service. Turnover represents the sales value of jewellery products sold to customers, net of value added tax and discount, and service income. An analysis of turnover is as follows:

	Six months ended 30 September	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers		
Sales of jewellery products	**1,306,254**	1,209,322
Service income	**40,280**	38,862
	1,346,534	1,248,184

5. (Loss)/profit before tax

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

	Six months ended 30 September	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Cost of goods sold*	**897,276**	803,715
Reversal for impairment of inventories	**(20,738)**	(1,351)
Depreciation of property, plant and equipment	**21,278**	19,718
Depreciation of right-of-use assets	**51,757**	57,876
Lease payments not included in the measurement of lease liabilities**	**4,171**	619
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	**257,596**	219,523
Pension scheme contributions***	**3,198**	2,970
	260,794	222,493

5. **(Loss)/profit before tax (continued)**

	Six months ended 30 September	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Impairment of right-of-use assets	**20,100**	9,985
(Gain)/loss on disposal of items of property, plant and equipment and early termination of lease	**(4,752)**	80
Government grants and rent concessions related to COVID-19	**-**	(21,048)
Foreign exchange differences, net	**3,042**	441

* Comprising cost of sales in the interim consolidated statement of profit or loss and includes HK$51,035,000 (30 September 2022: HK$44,991,000) relating to employee benefit expense, depreciation on property, plant and equipment and right-of-use assets, which are also included in the respective type of expenses disclosed separately above.

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

*** At 30 September 2023, there were no forfeited contributions available to the Group to reduce its contributions to pension scheme in future years (30 September 2022: Nil).

6. **Income tax**

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 Period. Taxes on profits assessable other than Hong Kong have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 September	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current – Hong Kong	**31**	2,949
Current – Other than Hong Kong	**6,077**	8,162
Deferred	**(1,501)**	(343)
	4,607	10,768

7. **Dividend**

The Board resolved not to declare any interim dividend for the six months ended 30 September 2023 (2022: Nil).

8. (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 Period attributable to owners of the Company of HK$58,189,000 (2022: profit attributable to owners of the Company: HK$1,919,000), and the weighted average number of ordinary shares of 249,182,030 (30 September 2022: 249,182,030) in issue during the Period.

The Group had no potentially dilutive ordinary shares in issue during the period ended 30 September 2023 and 2022.

9. Trade receivables

	At 30 September 2023 HK$'000 (unaudited)	At 31 March 2023 HK$'000 (audited)
Trade receivables	**103,730**	90,458
Impairment	**(11,892)**	(11,883)
	91,838	78,575

The Group's retail sales are normally made on cash basis. Credit card receivables from financial institutions in respect of retail sales are aged within one month. Apart from retail customers, the Group allows an average credit period from 30 to 90 days for other customers. Trade receivables are non-interest-bearing in general.

An ageing analysis of the trade receivables as at the end of the Period, based on the invoice date and net of loss allowance, is as follows:

	At 30 September 2023 HK$'000 (unaudited)	At 31 March 2023 HK$'000 (audited)
Within 1 month	**82,914**	75,140
1 to 2 months	**8,452**	3,046
2 to 3 months	**137**	-
Over 3 months	**335**	389
Total trade receivables	**91,838**	78,575

10. Trade payables

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

	At 30 September 2023 HK$'000 (unaudited)	At 31 March 2023 HK$'000 (audited)
Within 1 month	**286,436**	156,514
1 to 2 months	**35,066**	44,438
2 to 3 months	**28,315**	23,051
Over 3 months	**62,537**	104,534
Total trade payables	**412,354**	328,537

The trade payables are non-interest-bearing.

11. Share capital

	At 30 September 2023 HK$'000 (unaudited)	At 31 March 2023 HK$'000 (audited)
Authorised:		
1,500,000,000 ordinary shares of HK$0.25 each	**375,000**	375,000
Issued and fully paid:		
249,182,030 (31 March 2023: 249,182,030) ordinary shares of HK$0.25 each	**62,296**	62,296

12. Pledge of assets

(a) 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 ("Facilities") has been granted. The Group's land and buildings and investment properties in Hong Kong with a carrying value of HK$36,716,000 (31 March 2023: HK$37,405,000) and HK$69,300,000 (31 March 2023: HK$69,300,000), respectively, were mortgaged under 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.

(b) 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$25,427,000 (31 March 2023: HK$25,902,000) 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.

(c) 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$27,356,000 (31 March 2023: HK$28,910,000) and HK$85,685,000 (31 March 2023: HK$53,886,000), respectively, were mortgaged as securities for all owing by the Group to that bank.

(d) As at 30 September 2023, time deposits of the Group denominated in Renminbi and totalling equivalent to approximately HK$324,207,000 (31 March 2023: HK$366,216,000) have been pledged to secure standby letters of credit relating to a cross border treasury arrangement.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 September 2023 (30 September 2022: Nil).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overall Financial Results

The turnover of the Group for the Period increased by 7.9% to HK$1,346.5 million from HK$1,248.2 million for the six-month period ended 30 September 2022. The loss attributable to owners of the Company for the Period was HK$58.2 million, as compared to the profit attributable to owners of the Company of HK$1.9 million for the six-month period ended 30 September 2022. The loss per share attributable to owners of the Company for the Period was 23.4 HK cents (earnings per share attributable to owners of the Company for the six-month period ended 30 September 2022: 0.8 HK cents).

In 2023, the post-pandemic global economy has been on a path paved with challenges as various downside risks loom large, including mounting debt vulnerabilities, persistent inflation and geopolitical tensions. The Group is not immune from this global situation and has been required to face the adverse consequences of the rising interest rates and the depreciation of the Renminbi. With gold being a reliable store of value, the demand for gold jewellery has strongly outperformed those of natural diamonds and other kinds of gem set jewellery in times of macroeconomic uncertainty. The Group responded to the change in consumer buying behavior by placing more emphasis on its 24 karat gold jewellery business across all operating regions during the Period. As a result, sales of 24 karat gold jewellery increased although it yielded lower profit margins. Fueled by the steady recovery of tourism and shopping traffic, the turnover of the Group in Hong Kong and Macau and Malaysia has gradually improved during the Period, but the performance in Mainland China has fallen short of expectations.

Notwithstanding current challenges, the Group remains devoted to providing customers with the most exquisite jewellery products and high-quality customer service as these are the core brand values of TSL｜謝瑞麟, DUO by TSL and TSL TOSI. The recent launch of various innovative product collections epitomizes the Group's passion, perseverance and craftsmanship in jewellery-making. For instance, the ART OF GOLDEN EMBROIDERY Collection pays homage to the heritage and the pioneers of hand-carved gold embroidery, harmoniously blending the opulence of gold with the delicacy of embroidery; the MILLEFIORI Collection exemplifies fashion-forward gifts for loved ones, adorned with colored gemstones and gleaming gold that exudes understated elegance. Going forward, the Group will stay cautious and adaptive while keeping a watchful eye on market developments to overcome the headwinds and achieve sustainable long-term growth.

Review and Outlook

Retailing Business

Hong Kong and Macau

Following the lifting of travel restrictions in early 2023, the number of visitors to Hong Kong and Macau has steadily rebounded, despite being slowed to a certain extent by the gloomy global economic outlook. In addition to the distribution of another round of consumption vouchers to residents since April 2023, the Hong Kong Government has successively introduced the large-scale “Hello Hong Kong”, “Happy Hong Kong” and “Night Vibes Hong Kong” campaigns to attract more tourists and business travelers as well as to encourage local consumption, with the ultimate goal of revitalizing the retail and catering industries and stimulating the overall economy. In the meantime, the Macau Government, through the Macau Government Tourism Office, has implemented diverse promotional campaigns to continuously deepen the integration across the sectors of “tourism+”, rejuvenate the tourism and leisure industry and spur economic revival in Macau. These government initiatives helped the Group to achieve a notable increase in the turnover of its Hong Kong and Macau retail business with same-store sales growth during the Period.

Two new TSL | 謝瑞麟 stores were opened to much fanfare in Hong Kong in July 2023, one located at Harbour City (a leading shopping center) in Tsim Sha Tsui while the other at The Wai (a brand new shopping mall) in Sha Tin. Both stores’ designs embraced a Nordic minimalist style, incorporating the luminous and intertwined motifs of the moon and stars to beautifully showcase the captivating jewellery, winning the admiration of tourists and local residents. In the same month, the Group strategically closed a TSL | 謝瑞麟 store at Sha Tin MTR Station after a thorough review. The Group will continue to review and optimize its store network in Hong Kong and Macau, ensuring that it takes advantage of any new opportunities that may come its way in this post-pandemic era.

Mainland China

Affected by international economic concerns and China’s property sector challenges, consumers are more conservative in their spending to save for a rainy day. The Chinese Government has rolled out measures to bolster consumer confidence and speed up economic recovery, which has led to some improvement in retail sales. Riding on the uptrend of pure gold demand, the Group has focused more on pure gold business to partially compensate for the loss of sales caused by the sharp decline in diamond demand. During the Period, the Group recorded a slight increase in the turnover of its self-operated stores in Mainland China with same-store sales growth.

The Group opened its first DUO by TSL store in Shenzhen in April 2023, mainly targeting couples with a variety of unique couple jewellery sets accompanied by customized one-to-one service. Concurrently, a range of fashionable gold jewellery was launched under the ORIGO Collection and the GEN Collection at TSL TOSI and TSL | 謝瑞麟, which was well received in Mainland China, especially among younger consumers. The Group remains committed to upholding quality in design and craftsmanship as well as optimizing the sales mix and retail network while staying abreast with industry developments and market changes.

Malaysia

During the Period, the turnover of the Group's retail business in Malaysia experienced encouraging growth. Despite the challenging global environment, domestic demand has sustained along with the improving labor market conditions in Malaysia, especially for pure gold products. In August 2023, the Group held an exclusive live concert for privileged Malaysian customers to experience the beauty of its product collections and to enjoy a unique customer journey thus strengthening its brand presence. Persevering in the pursuit of further boosting sales and brand recognition, the Group will expand its store network at suitable locations in Malaysia whenever suitable opportunities arise.

Wholesale Business

As previously alluded to, Chinese consumers have become more mindful of their spending which, in turn, has affected the performance of the Group's wholesale business and impeded the expansion of the Group's franchise network in Mainland China during the Period. Looking ahead, as the business environment in Mainland China improves, the Group will bring in more business partners sharing the same vision to foster the healthy development of its wholesale business.

E-Business

The Group recorded a moderate decrease in e-business turnover during the Period. Nevertheless, the Group has been exploring different online sales channels, and e-business is expected to remain a significant contributor to the Group's total sales given the growing share of e-commerce in overall retail sales.

The Group upgrades its official e-Shops from time to time, striving to deliver a personalized online customer experience. Meanwhile, TSL online flagship stores have gained popularity among those who look for stylish and affordable jewellery, and the Group has successfully reached a wider customer base through close collaboration with several well-known e-commerce platforms in Mainland China and Hong Kong. The Group has further strengthened its brand awareness and credibility by featuring celebrities in social media advertising and marketing campaigns. The Group will continue to refine its e-business model to enhance its e-commerce conversion rate, ensuring improved customer engagement and satisfaction.

Financial Structure

Capital expenditure, comprising mainly store renovation, furniture and fixtures and machinery, incurred during the Period amounted to HK$52.2 million (for the six-month period ended 30 September 2022: HK$56.5 million), which was mainly financed by borrowings and funds generated from internal resources.

As at 30 September 2023, the Group's total interest-bearing liabilities decreased from HK$1,173.6 million (as at 31 March 2023) to HK$1,164.1 million, including current interest-bearing bank and other borrowings of HK$614.0 million and non-current interest-bearing bank and other borrowings of HK$550.1 million. Net borrowings (total interest-bearing liabilities less cash and cash equivalents and pledged time deposits) increased from HK$459.1 million (as at 31 March 2023) to HK$620.0 million.

Internally generated funds and borrowings have mainly been applied during the Period to finance the enhancement of the Group's inventory and capital expenditure incurred.

As at 30 September 2023, the net gearing ratio (the ratio of total interest-bearing liabilities less cash and cash equivalents and pledged time deposits to total equity) increased to 79.7% (as at 31 March 2023: 51.4%). 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 30 September 2023, the Group had pledged time deposits, cash and bank balances of HK$544.0 million, which were mostly denominated in Hong Kong dollars, Renminbi and United States dollars, and in the opinion of the Directors, are sufficient to satisfy the Group's present working capital requirements.

Exchange Rates

During the Period, 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 Period is disclosed in note 12 to this interim results announcement. The Group did not have any material contingent liabilities which have not been provided for in the financial statements as at 30 September 2023 (as at 31 March 2023: Nil).

Human Resources

As at 30 September 2023, the total number of employees of the Group was approximately 2,240 (as at 30 September 2022: 2,360). The change was with due regard to the Group's business strategies and the market conditions. There were no major changes in human resources policies.

The Company offers competitive remuneration packages including salary, allowances and discretionary bonus. Employees are rewarded on a performance basis with reference to market rates. Other employee benefits include medical cover and subsidies for job-related continuing education. Retail frontline staff are provided with formal on-the-job training by internal senior staff and external professional trainers. There are discussion forums and in-house seminars for experience sharing.

Notwithstanding the foregoing, human resources policies, capital structure, financial policies, exposure to foreign exchange rates, capital expenditure planning, contingent liabilities and charges on the Group's assets did not differ materially during the Period from the information presented in the last annual report.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code of the Listing Rules

The Company is committed to the establishment of good governance practices and procedures. During the Period, the Company has applied the principles and complied with all of the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to 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 Period, the roles of the Chairman and the Chief Executive Officer of the Company were performed by Ms. Yau On Yee, Annie. The Board considered that the current management structure had operated efficiently. According to the Company's practice, all major strategic decisions are taken by the Board, or relevant committee of the Board, as duly constituted.

Audit Committee

The Audit Committee has reviewed the Company's unaudited consolidated financial statements and interim report for the Period, including the accounting principles and practices adopted by the Group, and discussed with management regarding auditing, risk management, internal control and financial reporting matters.

At the request of the Audit Committee, Messrs. Ernst & Young, the auditor of the Company (the "Auditor"), has performed certain agreed-upon procedures on the Group's interim condensed consolidated financial statements for the Period in accordance with Hong Kong Standard on Related Services 4400 (Revised) "Agreed-Upon Procedures Engagements".

The agreed-upon procedures were performed solely to assist the Audit Committee to review the interim results of the Group for the Period. As the agreed-upon procedures did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA, the Auditor does not express any assurance on the interim results of the Group. The Audit Committee has reviewed with the management of the Company the consistency of accounting policies adopted by the Group in preparing this interim financial information and the relevant disclosures made in accordance with the requirements of HKAS 34 and Appendix 16 to the Listing Rules.

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

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

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

Hong Kong, 22 November 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. CHAN Yue Kwong, Michael
Mr. CHOW Chee Wai, Christopher
Mr. Alex CHAN