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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

FINANCIAL HIGHLIGHTS

	Six months ended 30 September	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Turnover	864,392	1,346,534
Loss from operations	(1,257)	(8,078)
Loss attributable to owners of the Company	(43,790)	(58,189)
Basic loss per share	(17.6 HK cents)	(23.4 HK cents)
Total equity attributable to owners of the Company	533,255	553,725 [†]
Equity attributable to owners of the Company per share	HK\$2.14	HK\$2.22 [†]

[†]figure as at 31 March 2024 (audited)

* 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 2024 (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 2024

		Six months ended 30 September	
	Notes	2024	2023
		HK\$’000	HK\$’000
		(unaudited)	(unaudited)
Turnover	3	864,392	1,346,534
Cost of sales		(567,456)	(876,538)
Gross profit		296,936	469,996
Other income and gains, net		12,418	14,518
Selling and distribution expenses		(246,423)	(402,968)
Administrative expenses		(64,188)	(89,624)
LOSS FROM OPERATIONS		(1,257)	(8,078)
Finance costs		(38,680)	(45,609)
LOSS BEFORE TAX	5	(39,937)	(53,687)
Income tax expense	6	(3,847)	(4,607)
LOSS FOR THE PERIOD		(43,784)	(58,294)
ATTRIBUTABLE TO:			
Owners of the Company		(43,790)	(58,189)
Non-controlling interests		6	(105)
		(43,784)	(58,294)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted (HK cents)	8	(17.6)	(23.4)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024**

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
LOSS FOR THE PERIOD	<u>(43,784)</u>	<u>(58,294)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>23,355</u>	<u>(57,638)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>23,355</u>	<u>(57,638)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(20,429)</u>	<u>(115,932)</u>
ATTRIBUTABLE TO :		
Owners of the Company	(20,470)	(115,811)
Non-controlling interests	<u>41</u>	<u>(121)</u>
	<u>(20,429)</u>	<u>(115,932)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2024**

		As at 30 September 2024	As at 31 March 2024
	Notes	HK\$'000 (unaudited)	HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		140,068	138,418
Investment properties		149,910	151,910
Right-of-use assets		141,872	135,030
Intangible assets		99	99
Other asset		500	500
Prepayments and deposits		21,511	28,145
Deferred tax assets		31,614	34,518
		<u>485,574</u>	<u>488,620</u>
CURRENT ASSETS			
Inventories		1,210,472	1,253,246
Trade receivables	9	72,522	77,447
Prepayments, other receivables and other assets		53,671	62,325
Tax recoverable		7,668	5,524
Pledged time deposits		288,666	294,143
Cash and cash equivalents		110,146	179,967
		<u>1,743,145</u>	<u>1,872,652</u>
CURRENT LIABILITIES			
Trade payables	10	(364,360)	(337,981)
Other payables and accruals		(175,793)	(231,532)
Gold loan		(17,635)	(16,185)
Interest-bearing bank borrowings		(569,389)	(568,527)
Lease liabilities		(74,762)	(73,515)
Tax payable		(5,176)	(5,866)
		<u>(1,207,115)</u>	<u>(1,233,606)</u>
NET CURRENT ASSETS		<u>536,030</u>	<u>639,046</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,021,604</u>	<u>1,127,666</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 30 SEPTEMBER 2024

	As at 30 September 2024 HK\$'000 (unaudited)	As at 31 March 2024 HK\$'000 (audited)
NON-CURRENT LIABILITIES		
Other payables and accruals	(1,975)	(1,938)
Interest-bearing bank borrowings	(413,396)	(491,682)
Employee benefit obligations	(2,380)	(3,407)
Lease liabilities	(39,999)	(43,412)
Deferred tax liabilities	(31,321)	(34,265)
	<u>(489,071)</u>	<u>(574,704)</u>
NET ASSETS	<u>532,533</u>	<u>552,962</u>
EQUITY		
Share capital	62,296	62,296
Reserves	470,959	491,429
	<u>533,255</u>	<u>553,725</u>
Equity attributable to owners of the Company	533,255	553,725
Non-controlling interests	(722)	(763)
	<u>532,533</u>	<u>552,962</u>
TOTAL EQUITY	<u>532,533</u>	<u>552,962</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

These condensed consolidated interim 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 “Stock Exchange”, respectively) 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 issuance of the Group’s financial statements for the year ended 31 March 2024. These condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared under historical cost convention, except for investment properties and gold loan which have been measured at fair value.

These condensed consolidated interim 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 2024, except for the adoption of the following revised HKFRSs which become effective for accounting periods beginning on or after 1 April 2024 as disclosed in note 2 below.

The Group incurred a loss of HK\$43.8 million during the period ended 30 September 2024, and as of 30 September 2024 the Group had cash and bank balances (including pledged time deposits) of HK\$399 million while total interest-bearing bank borrowings amounted to HK\$983 million of which HK\$569 million was classified as current liabilities. The jewellery industry has continued to experience a downward trend mainly contributed by significant decline in consumer demand for natural diamond jewellery especially in the Mainland China market. Further, the Group also breached certain financial covenants for some of its bank borrowings and banking facilities for which bank waivers were obtained before the end of the financial reporting period. The related bank borrowings continued to classify as non-current liabilities in view of the waivers were obtained prior to period end.

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

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

1. Basis of preparation (continued)

- (b) The Group actively manages the inventory to an optimal level by monitoring market demands, thereby minimizing carrying excess stock while preventing shortages;
- (c) The Group has implemented various cost control strategies, such as streamlining organization functions by relocating staff resources and substantially reducing staff headcount; and
- (d) The Group will continue to closely monitor its compliance with financial covenants for banking facilities and bank borrowings and will actively negotiate with banks to obtain waivers as needed in order to avoid banks from requesting immediate repayment of any outstanding bank borrowings drawn under the banking facilities, such that the facilities and bank borrowings will continue to be available to the Group. The Group will also proactively engage in discussions with banks to negotiate renewal of banking facilities with more favourable financial covenants.

The directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 30 September 2024. In the opinion of the directors of the Company, taking into account the anticipated cash flows to be generated from the Group's operations as well as the above plans and measures, the Group will have sufficient working capital to meet its financial obligations and commitments as and when they fall due for a period of not less than twelve months from 30 September 2024. Accordingly, the directors of the Company consider that it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

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

2. Changes in accounting policies and disclosures

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

Amendments to HKFRS 16 Amendments to HKAS 1	<i>Lease Liability in a Sale and Leaseback Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

2. Changes in accounting policies and disclosures (continued)

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 April 2023 and 2024 and concluded that the classification of its liabilities as current or noncurrent remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

3. 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	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<i>Revenue from contracts with customers</i>		
Sales of jewellery products	817,905	1,306,254
Service income	46,487	40,280
	<u>864,392</u>	<u>1,346,534</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 include 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, fair value gain/(losses) on investment properties and non-lease-related finance costs are excluded from such measurement.

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

Segment liabilities exclude gold loan, interest-bearing bank borrowings, tax payable, deferred tax liabilities and employee benefit obligations as these liabilities are managed on a group basis.

Inter-segment 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	Wholesale Business	E-Business	Other Businesses	Total
Six months ended	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
30 September 2024	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Segment revenue					
Sales to external customers	560,783	116,621	135,994	4,507	817,905
Service income from external customers	46,487	-	-	-	46,487
	607,270	116,621	135,994	4,507	864,392
Segment results	(26,233)	36,519	2,242	(2,327)	10,201
<i>Reconciliation:</i>					
Unallocated expenses					(14,876)
Finance costs (other than interest on lease liabilities)					(35,262)
Loss before tax					(39,937)
Income tax expense					(3,847)
Loss for the Period					(43,784)

	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
Service income from external customers	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
<i>Reconciliation:</i>					
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)

4. Operating segment information (continued)

Geographical information

The revenue from external customers based on the geographical location of the customers is as follows:

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong and Macau	236,790	407,508
Mainland China	548,193	870,559
Other countries	79,409	68,467
	<u>864,392</u>	<u>1,346,534</u>

5. Loss before tax

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

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cost of goods sold*	580,903	897,276
Reversal for impairment of inventories	(13,447)	(20,738)
Depreciation of:		
Property, plant and equipment	15,170	21,278
Right-of-use assets	26,283	51,757
Lease payments not included in the measurement of lease liabilities**	7,317	4,171
Employee benefit expense (including directors' remuneration):		
Wages salaries and other benefits	171,479	257,596
Pension scheme contributions***	2,832	3,198
Impairment of:		
Property, plant and equipment	3,017	-
Right-of-use assets	4,583	20,100
Loss on disposal of items of property, plant and equipment	2,041	1,675

5. Loss before tax (continued)

* Cost of goods sold includes HK\$33,088,000 (30 September 2023: HK\$51,035,000) relating to employee benefit expense, depreciation on property, plant and equipment and depreciation on 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.

*** As at 30 September 2024, there were no forfeited contributions available to the Group to reduce its contributions to pension scheme in future years (30 September 2023: Nil).

6. Income tax expense

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Period. In the prior period, Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during that period. 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.

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current – Hong Kong	-	31
Current – Outside Hong Kong	3,847	6,077
Deferred	-	(1,501)
	<u>3,847</u>	<u>4,607</u>

7. Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 September 2024 (2023: Nil).

8. Loss per share attributable to owners of the Company

The calculation of basic loss per share is based on the loss for the Period attributable to owners of the Company of HK\$43,790,000 (2023: HK\$58,189,000) and the weighted average number of 249,182,030 (2023: 249,182,030) ordinary shares in issue during the Period.

The Company had no potentially dilutive ordinary shares in issue during the period ended 30 September 2024 and 2023.

9. Trade receivables

	As at 30 September 2024 HK\$'000 (unaudited)	As at 31 March 2024 HK\$'000 (audited)
Trade receivables	84,472	89,278
Impairment	<u>(11,950)</u>	<u>(11,831)</u>
	<u>72,522</u>	<u>77,447</u>

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:

	As at 30 September 2024 HK\$'000 (unaudited)	As at 31 March 2024 HK\$'000 (audited)
Within 1 month	57,160	73,807
1 to 2 months	2,538	1,249
2 to 3 months	10,491	-
Over 3 months	<u>2,333</u>	<u>2,391</u>
	<u>72,522</u>	<u>77,447</u>

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:

	As at 30 September 2024 HK\$'000 (unaudited)	As at 31 March 2024 HK\$'000 (audited)
Within 1 month	172,107	140,167
1 to 2 months	11,114	21,427
2 to 3 months	11,266	17,745
Over 3 months	169,873	158,642
	<u>364,360</u>	<u>337,981</u>

11. Pledge of assets

As at 30 September 2024, certain Group's property, plant and equipment, investment properties, right-of-use assets and pledged time deposits in aggregate of approximately HK\$606,962,000 (31 March 2024: HK\$615,284,000) were mortgaged or pledged to secure banking facilities granted to its subsidiaries.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results Overview

The turnover of the Group for the Period decreased by approximately 35.8% to HK\$864.4 million from HK\$1,346.5 million against the same period ended 30 September 2023. The worldwide geopolitical tension and the persistently stagnant global economy arising from moderate to high inflation rate and financing costs continued to dampen the pace of economic recovery throughout the Period. The Group observed a significant deterioration of the overall retail market sentiment which led to an extremely weak demand of luxury products in the Greater China area starting from the first quarter of the Period. Coupled with the record-breaking gold price which caused consumers to delay their buying or buy less of 24-karat gold products, the sales performance of the Group was greatly affected during the Period.

Despite the interruption in sales of 24-karat gold products brought by the rising gold price, the Group continued to increase its 24-karat gold inventory during the Period in order to achieve a robust inventory mix that supports the market demand. As a result, the gross profit margin dropped slightly from 34.9% in 2023 to 34.4% for the Period, mainly due to the increased sales mix of 24-karat gold products which carry a comparatively lower profit margin than that of gem-set jewellery.

Having faced the challenges, the Group continues to stay afloat by implementing various cost control measures including but not limited to maintain a very lean and efficient organization structure through the centralization of staff resources, substantial reduction of staff costs and relocation of various headquarter functions from Hong Kong to Mainland China. The selling and distribution expenses and administration expenses were substantially reduced by approximately 38.3% or HK\$188.6 million during the Period, comparing to that of last year. Moreover, the Group strategically closed many loss-making and non-performing retail stores in Mainland China and Hong Kong, prudently expanded the franchise network in Mainland China and drastically reduced the gem-set jewellery inventory in order to improve the profitability and liquidity of the Group.

After taking up some non-cash impairment of fixed assets and right-of-use assets and fair value loss on revaluation of certain investment properties, amounting to approximately HK\$9.6 million in total, the Group recorded a loss attributable to owners of the Company of HK\$43.8 million for the Period, as compared to a loss of HK\$58.2 million for the same period last year.

Business Review

Retailing Business

Hong Kong and Macao

The local retail market of Hong Kong remained stagnant or even deteriorated during the Period due to the continuous trend of northbound travel to the Mainland or outbound travel to other countries of local residents. On inbound visitors' spending, since shopping is no longer the main purpose of visiting Hong Kong, the purchasing power of visitors has been found weak. The drastic changes in the retail landscape had led the Group to make a conscious decision of closing several underperforming retail stores in Hong Kong during the Period for cost saving and efficiency improvement. On the contrary, for the remaining active stores including those in Macao, the Group is determined to invest in enhancing the product mix with new designs and refreshed visual merchandising to better serve customers and maximize business opportunities. For example, TSL stores at New Town Plaza in Sha Tin, Harbour City in Tsim Sha Tsui and The Venetian Macao have been given a facelift with the most updated brand image and product assortment. Such product enhancements shall continue with the rest of the stores and are expected to complete by the end of the financial year.

The Hong Kong and Macao Special Administrative Region governments launched a variety of cultural and entertainment events to attract residents and inbound visitors especially those from Mainland China during the Period. Moreover, the recent implementation of the increased duty-free allowance of RMB 12,000 for luggage articles brought into Mainland China by Mainland residents is expected to encourage consumptions in the regions. All these positive factors together with any new traffic from other Greater Bay Area and Mainland cities in the future should be able to offset some of the negative effects brought by the challenges over time. The Group expects that the sales performance and overall profitability of its retail stores in Hong Kong and Macao will improve progressively in coming years.

Mainland China

The depressed retail market in Mainland China continued to be a key challenge to the Group during the Period. The economic environment remained difficult resulting from the continuing consolidation of property sector in Mainland China, while the positive effects to be brought by various measures recently rolled out by the Central People's Government in support of the economic recovery are yet to realize. Hence the consumer spending sentiment showed continuous downturn during the Period, and the Group suffered from a significant decline in the sales turnover for both self-operated and franchised stores comparing to the same period last year. The continuing decline in the market demand for natural diamond jewellery and the restrained consumer demand for 24-karat gold products as a result of the record-breaking gold price surge were the 2 major contributing factors.

Given the weak retail demand in this important market, the Group has been reacting proactively and adapting to the new market dynamics since early this financial year by streamlining its self-operated store network and organization structure for higher efficiency. Moreover, 24-karat gold inventory management and replenishment process have been re-engineered for mitigating risks brought by the gold price fluctuations. On the gem-set jewellery inventory, the demand has been increasing due to the continuous deployment to franchised stores which are in an expansion mode. All these actions are vital to the business turnaround.

The Group currently operates 390 stores in Mainland China, of which approximately 85% are franchised stores. The Group will continue to leverage the market opportunities by expanding its franchised store network progressively, closing non-performing self-operated stores, centralizing its back office supporting functions and maintaining a more balanced inventory mix of 24-karat gold and gem-set jewellery products. By adopting a prudent approach in expanding its franchise network with optimal capital investment and return, the Group is confident that the profitability of retail business in Mainland China will continue to improve in coming years.

Malaysia

The Group's retail business in Malaysia remained strong during the Period with a desirable growth in sales turnover and profitability against the same period last year. The positive result was mainly due to the stable economic recovery of the country, our strong brand equity in this growing market, the continuing effort to enhance the product mix, and the increasing domestic demand for 24-karat gold products during the Period.

The Group continued its commitment to the market with grand re-opening of 2 newly renovated flagship stores separately located at Elite Pavilion in Kuala Lumpur and Gurney Plaza in Penang in April and October 2024 respectively. Persevering in the pursuit of further sales growth and brand recognition, the Group will continue to realize the market potential by expanding its store network gradually at optimal locations in Malaysia in the near future.

Wholesale Business

The Group experienced a slowdown in wholesale business during the Period, resulting from a significant decline in demand for natural diamonds leading to a decrease in sales turnover. The pace of franchise network expansion was greatly affected by the poor retail market sentiment in Mainland China.

Amid the sluggish recovery in the retail sector and overall economic environment, the Group is committed and keen to transform the whole organization strategically from retail-focus to a more balanced retail-and-wholesale model that supports the rapid franchise network expansion in the coming years. The Group will continue to optimize the franchise business model by engaging potential franchisees who are financially strong and capable in cultivating sustainable and long-term franchising partnership. As a result, the wholesale business that relies on the franchise business development shall regain its momentum one day.

E-Business

Riding on the rapid growth of e-commerce in recent years, the Group has been focusing on the continual development of its e-business through diversifying its online sales channels and ongoing enhancements of the official e-Shops. Nevertheless, the Group's e-business recorded a drop in sales turnover during the Period due to the overall market downturn as well as a planned adjustment of inventory portfolio for improved efficiency. Moreover, the gross profit margin was inevitably affected by the increased sales mix of 24-karat gold products and clearance of aged gem-set jewellery products.

Despite the intense market competition, the Group had strengthened its cooperation with various popular e-commerce platforms in Mainland China during the Period. It helped to drive traffic to our TSL online stores in addition to seasonal promotions and marketing campaigns. Moreover, our e-business team has been transformed with a leaner structure which enabled quick responses to the dynamic online market. With continuous enhancements of optimal inventory level and adjustments of product portfolio, our e-business unit is well-positioned to boost online sales and also increase its profit contribution to the Group in the foreseeable future.

Outlook

The Group will continue to focus on expanding its franchise network in Mainland China with a robust mix of self-operated and franchised stores. The Group's sales performance and overall profitability are expected to improve in the coming years. We are determined to turn around the business and transform the whole organization for achieving a sustainable and profitable business model.

Moreover, the Group remains committed to upholding excellence in product design and craftsmanship as well as optimizing the inventory mix and profitable retail store network while staying abreast with industry development and dynamic market changes. More importantly, the Group will continue its prudent approach in financial and treasury management by maintaining healthy operating cashflow and optimal capital investment with considerable financial returns.

Financial Structure

As at 30 September 2024, the Group's total outstanding interest-bearing bank borrowings and gold loan amounted to HK\$1,000.4 million (31 March 2024: HK\$1,076.4 million), which comprised mainly bank loans and trade finance facilities. All borrowings of the Group are denominated in Hong Kong dollars and Renminbi. Interest on bank borrowings is calculated on either the inter-bank interest rate or the prime rate or the benchmark interest rate.

As at 30 September 2024, the Group had pledged time deposits, cash and bank balances of HK\$398.8 million (31 March 2024: HK\$474.1 million), which were mostly denominated in Hong Kong dollars, Renminbi and United States dollars.

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

The Group was in a net debt position of approximately HK\$601.6 million as at 30 September 2024, as compared to approximately HK\$602.3 million as at 31 March 2024. As at 30 September 2024, the net gearing ratio was 113.0% (31 March 2024: 108.9%), which was calculated based on the amount of net debt position (sum of total interest-bearing bank borrowings and gold loan less cash and cash equivalents) as a percentage of total equity.

During the 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.

Charges on Group Assets and Contingent Liabilities

Charges on the Group's assets as at 30 September 2024 is disclosed in note 11 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 2024 (31 March 2024: Nil).

Human Resources

As at 30 September 2024, the total number of employees of the Group was approximately 1,325 (30 September 2023: 2,240). 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.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 September 2024 (30 September 2023: Nil).

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code of the Listing Rules

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 C1 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 should not be performed by the same individual. During the Period, the roles of the Chairman and the Chief Executive Officer of the Company were held 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. 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 D2 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, 14 November 2024

At the date of this announcement, the Board comprises:

Executive Director:

Ms. YAU On Yee, Annie

Independent Non-executive Directors:

Mr. CHAN Yue Kwong, Michael

Mr. CHOW Chee Wai, Christopher

Mr. Alex CHAN