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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 2016/2017

FINANCIAL HIGHLIGHTS	2017	2016	Change
	HK\$'000	HK\$'000	
Turnover	3,410,923	3,538,862	-3.6%
Profit from operations	116,170	108,890	6.7%
Profit attributable to owners of the Company	23,177	23,623	-1.9%
Basic earnings per share	11.0 HK cents	11.2 HK cents	-1.9%
Proposed final dividend	3.75 HK cents	2.6 HK cents	44.2%
Total dividends for the year	5.25 HK cents	4.1 HK cents	28.0%
Total equity attributable to owners of the Company	974,425	1,030,803	-5.5%
Equity attributable to owners of the Company per share	HK\$4.63	HK\$4.90	-5.5%

BUSINESS HIGHLIGHTS

- The consolidated turnover for the financial year 2016/17 (the “Year”) decreased by 3.6% as compared with that for last year.
- Profit attributable to owners of Tse Sui Luen Jewellery (International) Limited (the “Company”) for the Year is HK\$23.2 million, decreased by 1.9%.

** For identification purpose only*

FINAL RESULTS

The board of directors (the “Board”) of the Company announces that the consolidated profit attributable to owners of the Company for the Year is HK\$23,177,000 (2016: HK\$23,623,000). The basic earnings per share is 11.0 HK cents (2016: 11.2 HK cents). The consolidated results of the Company and its subsidiaries (the “Group”) for the Year are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 28 FEBRUARY 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Turnover	3	3,410,923	3,538,862
Cost of sales		(1,884,203)	(1,927,303)
Gross profit		1,526,720	1,611,559
Other income and (losses)/gains, net	5	(399)	2,134
Selling and distribution expenses		(1,243,051)	(1,341,720)
Administrative expenses		(167,100)	(163,083)
PROFIT FROM OPERATIONS		116,170	108,890
Finance costs	6	(64,288)	(62,584)
PROFIT BEFORE TAX	7	51,882	46,306
Income tax expense	8	(28,678)	(22,493)
PROFIT FOR THE YEAR		23,204	23,813
ATTRIBUTABLE TO :			
Owners of the Company		23,177	23,623
Non-controlling interests		27	190
		23,204	23,813
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	10	11.0 HK cents	11.2 HK cents

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28 FEBRUARY 2017**

	2017	2016
	HK\$'000	HK\$'000
PROFIT FOR THE YEAR	23,204	23,813
OTHER COMPREHENSIVE LOSS		
Other comprehensive income not to be reclassified to profit or loss in subsequent years:		
Remeasurement gain on defined benefit plan	5,656	4,601
Income tax effect	(933)	(759)
Net other comprehensive income not to be reclassified to profit or loss in subsequent years	4,723	3,842
Other comprehensive loss to be reclassified to profit or loss in subsequent years:		
Exchange differences on translation of foreign operations	(68,742)	(80,433)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(64,019)	(76,591)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(40,815)	(52,778)
ATTRIBUTABLE TO:		
Owners of the Company	(40,797)	(53,019)
Non-controlling interests	(18)	241
	(40,815)	(52,778)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 28 FEBRUARY 2017**

	Notes	2017 HK\$'000	2016 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		141,178	139,441
Intangible assets		99	99
Other asset		500	500
Prepayments and deposits		52,655	43,379
Time deposits		-	71,429
Deferred tax assets		55,214	50,692
		<u>249,646</u>	<u>305,540</u>
CURRENT ASSETS			
Inventories		1,478,679	1,607,509
Trade receivables	11	235,709	254,642
Prepayments, deposits and other receivables		163,098	115,517
Tax recoverable		11,978	7,649
Time deposits		166,801	181,891
Cash and cash equivalents		323,657	202,549
		<u>2,379,922</u>	<u>2,369,757</u>
CURRENT LIABILITIES			
Trade payables	12	(316,392)	(271,633)
Other payables and accruals		(259,317)	(244,471)
Derivative financial instruments		-	(3,648)
Gold loans	13	(43,523)	(98,849)
Interest-bearing bank and other borrowings		(269,602)	(610,925)
Convertible bonds	14	-	(12,500)
Finance lease payables		-	(1,632)
Tax payable		(22,448)	(23,967)
		<u>(911,282)</u>	<u>(1,267,625)</u>
NET CURRENT ASSETS		<u>1,468,640</u>	<u>1,102,132</u>
TOTAL ASSETS LESS CURRENT LIABILITES		<u>1,718,286</u>	<u>1,407,672</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AT 28 FEBRUARY 2017

	Note	2017 HK\$'000	2016 HK\$'000
NON-CURRENT LIABILITIES			
Other payables and accruals		(6,595)	(6,656)
Interest-bearing bank and other borrowings		(709,775)	-
Convertible bonds	14	-	(336,041)
Finance lease payables		-	(88)
Employee benefit obligations		(11,240)	(17,863)
Deferred tax liabilities		(16,394)	(16,346)
		<u>(744,004)</u>	<u>(376,994)</u>
NET ASSETS		974,282	1,030,678
EQUITY			
Equity attributable to owners of the Company			
Issued capital		(52,584)	(52,584)
Reserves		(921,841)	(978,219)
		<u>(974,425)</u>	<u>(1,030,803)</u>
Non-controlling interests		143	125
TOTAL EQUITY		(974,282)	(1,030,678)

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 (“HKICPA”), 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 derivative financial instruments and gold loans 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
HKFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

3. Turnover

The principal activities of the Group are the manufacture, sale 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:

	2017	2016
	HK\$'000	HK\$'000
Sales of jewellery products	3,375,779	3,505,657
Service income	35,144	33,205
	<u>3,410,923</u>	<u>3,538,862</u>

4. Operating segment information

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

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

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

Wholesale Business includes wholesale of jewellery products to customers.

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 before tax except that gain on early redemption of convertible bonds, 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 gold loans, derivative financial instruments, interest-bearing bank and other borrowings, convertible bonds, tax payable, deferred tax liabilities, finance lease payables and employee benefit obligations as these liabilities are managed on a group basis.

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

4. Operating segment information (continued)

	Retail Business HK\$'000	Wholesale Business HK\$'000	Other Business HK\$'000	Total HK\$'000
Year ended 28 February 2017				
Segment revenue:				
Sales to external customers	2,769,672	441,261	164,846	3,375,779
Other revenue	35,144	-	-	35,144
	<u>2,804,816</u>	<u>441,261</u>	<u>164,846</u>	<u>3,410,923</u>
Segment results	50,556	70,312	(7,698)	113,170
<i>Reconciliation:</i>				
Gain on early redemption of convertible bonds				3,000
Finance costs				(64,288)
Income tax expense				<u>(28,678)</u>
Profit for the year				<u>23,204</u>
Segment assets:	2,333,481	154,903	73,992	2,562,376
<i>Reconciliation:</i>				
Deferred tax assets				55,214
Tax recoverable				<u>11,978</u>
Total assets				<u>2,629,568</u>
Segment liabilities:	(490,498)	(88,263)	(3,543)	(582,304)
<i>Reconciliation:</i>				
Gold loans				(43,523)
Interest-bearing bank and other borrowings				(979,377)
Tax payable				(22,448)
Deferred tax liabilities				(16,394)
Employee benefit obligations				<u>(11,240)</u>
Total liabilities				<u>(1,655,286)</u>
Other segment information:				
Depreciation	58,084	898	660	59,642
Capital expenditure*	61,597	8	1,612	63,217

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

4. Operating segment information (continued)

	Retail Business	Wholesale Business	Other Business	Total
Year ended 29 February 2016	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:				
Sales to external customers	3,113,835	362,027	29,795	3,505,657
Other revenue	33,205	-	-	33,205
	<u>3,147,040</u>	<u>362,027</u>	<u>29,795</u>	<u>3,538,862</u>
Segment results	101,176	21,324	(13,610)	108,890
<i>Reconciliation:</i>				
Finance costs				(62,584)
Income tax expense				<u>(22,493)</u>
Profit for the year				<u>23,813</u>
Segment assets:	2,440,945	108,634	67,377	2,616,956
<i>Reconciliation:</i>				
Deferred tax assets				50,692
Tax recoverable				<u>7,649</u>
Total assets				<u>2,675,297</u>
Segment liabilities:	(444,629)	(75,749)	(2,382)	(522,760)
<i>Reconciliation:</i>				
Derivative financial instruments				(3,648)
Gold loans				(98,849)
Interest-bearing bank and other borrowings				(610,925)
Convertible bonds				(348,541)
Tax payable				(23,967)
Deferred tax liabilities				(16,346)
Finance lease payables				(1,720)
Employee benefit obligations				<u>(17,863)</u>
Total liabilities				<u>(1,644,619)</u>
Other segment information:				
Depreciation	62,158	13	134	62,305
Capital expenditure*	58,649	27	-	58,676

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

4. Operating segment information (continued)

(a) Geographical information

Revenue from external customers

	2017 HK\$'000	2016 HK\$'000
Hong Kong and Macau	1,301,373	1,695,532
Mainland China	2,067,364	1,795,801
Other countries	42,186	47,529
	<u>3,410,923</u>	<u>3,538,862</u>

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

Non-current assets

	2017 HK\$'000	2016 HK\$'000
Hong Kong and Macau	99,378	107,138
Mainland China	44,088	36,128
Other countries	3,984	2,837
	<u>147,450</u>	<u>146,103</u>

The non-current asset information above is based on the location of the assets and excludes rental deposits, time deposits and deferred tax assets.

(b) Information about major customers

The turnover from the Group's largest customer amounted to less than 10% of the Group's total turnover for the current and prior years.

5. Other income and (losses)/gains, net

	2017 HK\$'000	2016 HK\$'000
Interest income	5,732	8,423
Foreign exchange differences, net	(4,437)	4,502
Government grant*	1,279	1,759
Fair value loss on gold loans designated as at fair value through profit or loss	(10,372)	(9,627)
Fair value loss on derivative financial instruments	(806)	(3,580)
Gain on early redemption of convertible bonds	3,000	-
Gain/(loss) on sales of scrap gold	938	(180)
Repair income	681	717
Others	3,586	120
	<u>(399)</u>	<u>2,134</u>

* This represents subsidies from municipal governments in Mainland China. There are no unfulfilled conditions or contingencies relating to these subsidies.

6. Finance costs

An analysis of finance costs is as follows:

	2017 HK\$'000	2016 HK\$'000
Interest on bank loans, overdrafts and other loans	23,821	16,419
Interest on convertible bonds	36,057	43,273
Interest on finance leases	32	141
Interest on gold loans	3,183	2,751
Amortisation of debt issuance transaction costs	1,195	-
	<u>64,288</u>	<u>62,584</u>

7. Profit before tax

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

	2017	2016
	HK\$'000	HK\$'000
Cost of goods sold*	1,887,832	1,926,938
(Reversal of provision)/provision for impairment of inventories, net	(3,629)	365
Depreciation	59,642	62,305
Minimum lease payments in respect of operating leases**	196,254	207,467
Auditor's remuneration	2,750	2,560
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	589,780	580,206
Reversal of equity-settled share option expense	(1,450)	-
Pension scheme contributions***	8,119	9,556
Employee benefit obligations	545	1,273
	596,994	591,035
Fair value loss on gold loans designated as at fair value through profit or loss****	10,372	9,627
Fair value loss on derivative financial instruments****	806	3,580
Loss on disposal of items of property, plant and equipment	903	139

* Cost of goods sold includes HK\$94,547,000 (2016: HK\$94,918,000) relating to employee benefit expense, depreciation, and operating lease payments, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

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

*** At 28 February 2017, there were no forfeited contributions available to the Group to reduce its contributions to pension scheme in future years (2016: Nil).

**** These amounts are included in "Other income and (losses)/gains, net" in the consolidated statement of profit or loss. The purpose of the above gold loans and derivative financial instruments entered into by the Group is to manage the Group's gold price exposure. Such loans and contracts did not meet the criteria for hedge accounting.

8. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the Year. 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.

	2017 HK\$'000	2016 HK\$'000
Current – Hong Kong		
Charge for the year	3,798	310
(Overprovision)/underprovision in prior years	(1,372)	1,353
Current – other than Hong Kong		
Charge for the year	31,844	34,042
Underprovision in prior years	386	308
Deferred	(5,978)	(13,520)
	<u>28,678</u>	<u>22,493</u>

9. Dividends

	2017 HK\$'000	2016 HK\$'000
Interim dividend of HK\$0.015 (2016: HK\$0.015) per ordinary share paid	3,155	3,155
Proposed final dividend of HK\$0.0375 (2016: HK\$0.026) per ordinary share	7,888	5,469
	<u>11,043</u>	<u>8,624</u>

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

The Board recommended that the final dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the final dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares. The arrangement is subject to: (1) the approval of proposed final dividend at the forthcoming Annual General Meeting; and (2) The Stock Exchange's granting the listing of and permission to deal in the scrip shares to be issued in respect of the final dividend.

10. Earnings per share attributable to owners of the Company

The calculation of basic earnings per share amount is based on the profit for the Year attributable to owners of the Company of HK\$23,177,000 (2016: HK\$23,623,000), and the weighted average number of ordinary shares of 210,336,221 (2016: 210,336,221) in issue during the Year.

No adjustment has been made to basic earnings per share amounts presented for the years ended 28 February 2017 and 29 February 2016 in respect of a dilution as the impact of the share options (2016: share options and convertible bonds) outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

11. Trade receivables

	2017 HK\$'000	2016 HK\$'000
Trade receivables	<u>235,709</u>	<u>254,642</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 to 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 aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2017 HK\$'000	2016 HK\$'000
Within 1 month	214,932	234,656
1 to 2 months	10,596	9,177
2 to 3 months	3,964	2,784
Over 3 months	<u>6,217</u>	<u>8,025</u>
Total trade receivables	<u>235,709</u>	<u>254,642</u>

11. Trade receivables (continued)

The aged analysis of the trade receivables net of provisions at the end of the reporting period, is as follows:

	2017 HK\$'000	2016 HK\$'000
Neither past due nor impaired	188,938	197,073
Less than 6 months past due	44,707	55,268
Over 6 months past due	2,064	2,301
	<u>235,709</u>	<u>254,642</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

12. Trade payables

An aged analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 HK\$'000	2016 HK\$'000
Within 1 month	62,946	77,969
1 to 2 months	39,620	73,069
2 to 3 months	47,931	37,419
Over 3 months	165,895	83,176
	<u>316,392</u>	<u>271,633</u>

The trade payables are non-interest-bearing.

13. Gold loans

	2017 HK\$'000	2016 HK\$'000
Secured gold loans	29,015	74,214
Unsecured gold loans	14,508	24,635
	43,523	98,849
Contracted interest rate	3.0% - 3.6%	3.0% - 5.2%
Original maturity	Within 1 year	Within 1 year

The amounts represented borrowings from banks and the amounts payable are pegged with gold prices.

As at 28 February 2017, the gold loans of HK\$29,015,000 (2016: HK\$74,214,000) were secured by several pledged time deposits totalling HK\$27,022,000 (2016: HK\$54,238,000) as disclosed in note 15(c) below.

Gold loans were borrowed to reduce the impact of fluctuation of gold prices on gold inventories. However, the criteria for hedge accounting were not fully met. Gold loans were designated as financial liabilities at fair value through profit or loss as they are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management and investment strategy, and information about the gold loans is provided on that basis to the Group's top management.

14. Convertible bonds

	2017	2016
	HK\$'000	HK\$'000
Convertible bonds	-	348,541
Interest payable classified as current liabilities	-	(12,500)
	<hr/>	<hr/>
Non-current portion	-	336,041
	<hr/>	<hr/>

On 29 November 2016 (the “Early Redemption Date”), the Company redeemed all of the Convertible Bonds with principal amount of HK\$250,000,000 together with all interest accrued and outstanding up to the Early Redemption Date, at a redemption premium, for a cash consideration of HK\$374,604,000. The Group allocated the consideration paid for the redemption to the liability and the equity components of the Convertible Bonds as at the Early Redemption Date, which resulted in a gain on early redemption of convertible bonds of HK\$3,000,000 recognised in “Other income and (losses)/gains, net” in the consolidated statement of profit or loss, and a release of the related equity component of convertible bonds of HK\$3,093,000 to retained profits.

15. Pledge of assets

- (a) The Group entered into banking facility arrangements with a bank (2016: two) pursuant to which certain land and buildings in Hong Kong with an aggregate carrying value as at 28 February 2017 of HK\$51,864,000 (2016: HK\$53,678,000) were mortgaged by way of a first legal charge, as security for, *inter alia*, all obligations and liabilities, actual or contingent, from time to time owing by the Group to that bank.
- (b) The Group entered into a subscription agreement with two institutional investors for senior secured notes issued by a subsidiary in Hong Kong, pursuant to which certain inventories (i.e. up to an aggregate book value of HK\$200,000,000 of raw materials, work-in-progress and finished goods) of such subsidiary in Hong Kong were pledged by way of a first floating charge, as security for, *inter alia*, all obligations and liabilities, actual or contingent, from time to time owing by the Group to the two institutional investors.
- (c) As at 28 February 2017, time deposits of the Group denominated in RMB and totalling equivalent to HK\$27,022,000 (2016: HK\$54,238,000) have been pledged to secure certain gold loan contracts outstanding at the end of the reporting period.
- (d) As at 28 February 2017, time deposits of the Group denominated in RMB and totalling equivalent to HK\$117,307,000 (2016: HK\$179,558,000) have been pledged to secure standby letters of credit relating to a cross border treasury arrangement.

FINAL DIVIDEND

The Board recommends a final dividend of 3.75 HK cents (2016: 2.6 HK cents) per ordinary share of the Company, amounting to a total final dividend of approximately HK\$7,888,000 (2016: HK\$5,469,000) for the year ended 28 February 2017. Together with the interim dividend of 1.5 HK cents (2016: 1.5 HK cents) per ordinary share of the Company paid on Wednesday, 23 November 2016, total dividend will amount to 5.25 HK cents (2016: 4.1 HK cents) per ordinary share of the Company for the Year.

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company (the “2017 AGM”) to be held on Wednesday, 19 July 2017, will be payable on or about Friday, 1 September 2017 to shareholders whose names appear on the Register of Members of the Company on Thursday, 27 July 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed during the following periods:

- (a) from Friday, 14 July 2017 to Wednesday, 19 July 2017 (both days inclusive), for the purpose of ascertaining shareholders’ entitlement to attend and vote at the 2017 AGM. In order to be entitled to attend and vote at the 2017 AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Branch Share Registrar, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 4:30 p.m. (Hong Kong Time) on Thursday, 13 July 2017; and
- (b) from Wednesday, 26 July 2017 to Thursday, 27 July 2017 (both days inclusive), for the purpose of ascertaining shareholders’ entitlement to the proposed final dividend. In order to be qualified for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Branch Share Registrar, Tricor Secretaries Limited at the address as set out in sub-paragraph (a) above no later than 4:30 p.m. (Hong Kong Time) on Tuesday, 25 July 2017.

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

REVIEW AND OUTLOOK

Management's Discussion and Analysis

Results of the Group

For the financial year ended 28 February 2017 (the "Year"), the consolidated sales turnover of the Group declined by 3.6% to HK\$3,411 million from HK\$3,539 million last year. The profit attributable to owners of the Company slightly decreased by 1.9% to HK\$23.2 million from HK\$23.6 million last year. This resulting little drop is solely attributable to a one-off gain arising from the Company's early redemption of the convertible bonds. Earnings per share for the Year was 11.0 HK cents.

A continuing reduction in tourists visiting Hong Kong from Mainland China together with the ongoing instability of both the global and local economic and political environment conspired to create an unfavourable consumption sentiment for the Group's retail outlets during the Year. As a result, the Group experienced a year-on-year drop in retail sales activity in Hong Kong which in turn resulted in the overall decline in sales and profit attributable to owners of the Company for the Year. In addition, certain factors, such as the devaluation of the Renminbi and the slowing economic performance in Mainland China under the impact of the new government in the United States, were all inimical to tourist arrivals, consumer confidence and consumer purchasing power. Despite the challenging atmosphere, we are encouraged by the growth of our business in Mainland China, particularly our franchise business and e-business, which helped to partially offset the decline in sales activity in Hong Kong.

Notwithstanding the above adverse business conditions, we were able to limit the drop in our overall consolidated gross margin to just 0.7% from 45.5% to 44.8% during the Year due to our corporate policy on consistent monitoring of gross margins. Having gone through the last two years of market adjustment, rentals in Hong Kong and Macau have shown signs of decline though they have not entirely responded to the reality of the prevailing economic and retail conditions in those markets. We continue to review our tenancies as they expire and are striving to achieve a more reasonable market rental rate and a mix of shop locations by our store-to-store approach so as to make our retail businesses more sustainable going forward.

Being an innovative leader in the jewellery retail market, we conceived and launched the International Design Collection during the Year working with a leading American art jewellery designer Christine Keller to introduce the making of personalized fine jewellery by our customers in DIY workshops offered in several of our stores as the first chapter of collaboration with various jewellery designers around the world. The Group will keep on identifying various gifted talents in the industry with the aim of bringing more crossover collections and refreshing ideas in order to meet changing customers' needs.

Business Review

Retailing Business

Hong Kong and Macau

A drop in the number of tourists visiting Hong Kong and Macau from Mainland China during the Year and the continuation of the austerity measures undertaken by the Mainland government in the last few years both led to an overall decrease in tourist and customers spending in Hong Kong. During the Year, the sales turnover of Hong Kong and Macau decreased by 24.6% overall and same store sales growth was minus 23.0%. On the positive side, due to this challenging market situation we have observed and experienced a fall in rental levels in both 2016 and 2017 which, strategically, we have seized upon to open two new stores (one in Whampoa Garden and the other in Times Square, Causeway Bay) during the Year. We will keep reviewing, adjusting and expanding our store portfolio in a cautiously opportunistic manner so as to better serve our customers. The total number of self-operated outlets in Hong Kong and Macau were 28 and 3 stores respectively at the end of the Year.

In addition to our store-to-store strategy, we will strengthen our product assortment to enhance the brand's affinity among consumers and differentiate ourselves from peers. The Group will continue to reinforce its market positioning by bringing more unique retail experience to the local markets in Hong Kong and Macau.

Mainland China

Similar to last financial year, our retail business in Mainland China continued to be the Group's growth engine achieving a pleasing performance during the Year with an overall growth of 4.7% and same store sales growth of 2.2%. This business accounted for 43.6% of the Group's turnover. Our focus on the development and expansion of the end-user market and our quality design and craftsmanship has proved correct and is reflected in the results for the Year. The Group will regularly review its store network and increase the store opening pace to better reach and serve our customers, particularly in the second and third tier cities, where we identify a potential demand of our jewellery products. The total number of self-operated outlets was 198 at the end of the Year.

The growth of our franchised store business in Mainland China has been encouraging. During the Year, a net total of 49 new stores were opened under the Group's franchising model representing an increase of franchised stores from 83 to 132 which, when coupled with our 198 self-operated stores, meant the Group had 330 stores in total in Mainland China extending our footprint to 112 cities. With our focus on further penetrating into the Mainland China market, new stores were opened in the second and third tier cities across various provinces, among others, Anhui, Hainan, Heilongjiang, Henan, Hubei, Hunan, Liaoning, Shangdong and Shanxi Provinces to reinforce our market presence. Expertise, professional training and ongoing scrutiny by the Group's management will ensure that our franchisees maintain a consistent and high quality standard in their stores.

Malaysia

Our retail business in Malaysia recorded a drop in sales of 10% during the Year, which was mainly due to an average devaluation of the Malaysian Ringgit of 5.2% during that time. As the Group remains positive about the jewellery retail business in this region we opened one more retail outlet during the Year making a total of 4 stores by the end of the Year. We continue to explore the possibility of expanding further in appropriate locations but only if and when suitable opportunities present themselves.

Wholesale Business

As previously mentioned, a net 49 new franchise stores were opened via the Group's franchising network during the Year bringing the total number of franchised stores to 132 as at 28 February 2017. The Group will continue to explore more opportunities to work with local business partners to facilitate a more robust growth of the Group's franchised store sales network. With this satisfactory pace of expansion, the Group is looking forward to increasing its franchise sales network in response to the market conditions in Mainland China.

Other Business

The Group further extended its e-business platform and its performance was encouraging, reflected in a growth of 281% during the Year. The Group's three major e-business platforms achieved a very positive result on Singles' Day (that is, 11 November 2016) as sales surged by over 600% as compared with that in 2015. In addition to the existing platforms, namely, VIP.com, T-Mall and JD.com, the Group has further extended into Amazon.cn, Taobao and Jumei.com during the Year, and will continue to explore more suitable channels to complement its existing combination and the Group's brand.

Outlook

Notwithstanding the better economic performance in Mainland China as compared with that in Hong Kong, we will stay prudent in formulating our business strategies there particularly in light of the unrevealing impact deriving from the indecisive policies by the new government of the United States. To enable ourselves to combat such challenging environments, we have continued with implementing more cost control measures. Growth of other operating overheads including staff costs will also be critically reviewed and monitored. Our policy in respect of inventory will follow the said rationale that inventory portfolio will only be carefully expanded with replenishment being well controlled to reduce the inventory turnover days.

In addition to stringent monitoring of the costs and expenses, the Group will take the initiative to introduce creative elements in our retail outlets to attract a larger stream of customers. The latest is the launch of International Design Collection in which we have and will continue to set up some free-of-charge workshops for the customers where they can enjoy designing and producing their own unique jewellery products. Not only will this concept bring a refreshing change to our conventional jewellery products, its associated marketing campaign will also attract attention in the market.

Should opportunities arise, the Group will work with other talents in the future to create more novel ideas in respect to its jewellery products.

The Group believes that the growing middle class in Mainland China still provides a solid base for market expansion going forward and that the unfavourable market environment currently being experienced in Hong Kong is cyclical and transient. Despite careful cost control being applied by the Group at the moment, it will continue to invest in and enhance its brand, inventory, store network and human resources to ensure that it can continue to deliver higher returns to our customers and shareholders in the future.

Driven by its fast expansion during the Year, the Group believes that the franchising model in Mainland China will be the growth engine of the Group's turnover, brand development and profitability. The Group will keep identifying appropriate franchisees for expanding our retail network commensurate with the Group's business needs, targeting to reach a portfolio with a ratio of 7:3 for franchised stores to self-operated stores.

Financial Structure

Capital expenditure, comprising mainly store renovation and expansion, furniture & fixtures and machinery, incurred during the Year amounted to approximately HK\$63 million (2016: HK\$59 million), which was mainly financed by borrowings and funds generated from internal resources.

As at 28 February 2017, the Group's interest-bearing liabilities decreased to HK\$1,023 million from HK\$1,060 million as at 29 February 2016. Net borrowings (total interest-bearing liabilities less cash and cash equivalents and time deposits) decreased from HK\$604 million to HK\$532 million.

Internally generated funding and borrowings have mainly been applied during the Year to finance the enhancement of the Group's inventory, the opening of new stores and capital expenditure.

The net gearing ratio (the ratio of total interest-bearing liabilities (less cash, cash equivalents and time deposits) to total equity) decreased from 59% to 55% during the Year and is at a healthy level. All borrowings of the Group are denominated in Hong Kong dollars or RMB. Interest on bank borrowings is calculated on either the inter-bank interest rate or the prime rate or the benchmark interest rate.

As at 28 February 2017, the Group had time deposits, cash and bank balances, and undrawn borrowing facilities of approximately HK\$490 million and HK\$112 million respectively which, in the opinion of the directors of the Company, should be sufficient to meet the Group's present working capital requirements.

Early Redemption of Convertible Bonds

On 29 November 2016, the Company and CDH King Limited (the "Subscriber") entered into a settlement agreement (the "Settlement Agreement"), pursuant to which the Company redeemed all of the Company's convertible bonds (the "Convertible Bonds") early on 29 November 2016 (the "Early

Redemption Date”) in the aggregate principal amount of HK\$250,000,000 together with all interest accrued and outstanding up to the Early Redemption Date at a redemption premium (the “Redemption Amount”). Details of the said early redemption can be found in note 14 to this announcement.

In accordance with the terms of the Settlement Agreement, all obligations of the Company under the Convertible Bonds were deemed to have been fulfilled, satisfied and discharged in full upon payment of the Redemption Amount. After completion of the said early redemption, there is no outstanding Convertible Bond in issue.

Exchange Rates

During the year, the transactions of the Group were mainly denominated in local currencies and United States dollars. The impact of any fluctuation of the exchange rate of these currencies to the Group is minimal.

Charge on Group Assets and Contingent Liabilities

Save as disclosed in note 15 of this announcement, the Group did not have any material contingent liabilities which have not been provided for in the financial statements as at 28 February 2017 (2016: Nil).

Human Resources

As at 28 February 2017, the total number of employees of the Group was approximately 3,280 (2016: 3,420). The change was mainly due to normal staff turnover, minor headcount adjustment of sales team in Hong Kong and delayed recruitment in light of the uncertain business environment. There were no major changes in human resource policies.

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 discussions 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 consolidated financial statements for the Year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's 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 of the Listing Rules, except for the deviation of code provisions of the CG Code as expressly below.

Code provision A.2.1

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

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

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

ANNUAL GENERAL MEETING

The 2017 AGM will be held on Wednesday, 19 July 2017. A notice of the 2017 AGM will be published and despatched to shareholders in due course.

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

Hong Kong, 23 May 2017

At the date of this announcement, the Board comprises:

Executive Directors:

Ms. YAU On Yee, Annie

Ms. NG Yi Kum, Estella

Non-executive Director:

Mr. Erwin Steve HUANG

Independent Non-executive Directors:

Mr. CHUI Chi Yun, Robert

Mr. CHAN Yue Kwong, Michael

Mr. CHOW Chee Wai, Christopher