TSL 謝瑞麟
HONG KONG

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 2014/2015

FINANCIAL HIGHLIGHTS

	2015 HK$'000	2014 HK$'000	Change
Turnover	**3,871,029**	4,057,271	-4.6%
Profit from operations	**122,473**	152,396	-19.6%
Profit attributable to owners of the Company	**39,758**	74,529	-46.7%
Basic earnings per share	**18.9 cents**	35.4 cents	-46.7%
Proposed final dividend	**3.7 cents**	7 cents	-47.1%
Total dividends for the year	**4.9 cents**	9.2 cents	-46.7%
Total equity attributable to owners of the Company	**1,094,759**	1,070,670	+2.2%
Equity attributable to owners of the Company per share	**HK$5.20**	HK$5.09	+2.2%

BUSINESS HIGHLIGHTS

- Consolidated sales turnover for the 2014/2015 financial year (the "Year") decreased by 4.6% to HK$3,871 million.
- Profit attributable to owners of the Company for the Year decreased by 46.7% to HK$39.8 million. Earnings per share was 18.9 HK cents.
- Thirty-one new franchised stores were opened and new e-business platforms were launched during the Year to complement the Group's existing sales network in Mainland China.
- The Group has also embarked on a cost saving mission through more stringent cost control and the better alignment of its businesses and processes. Our inventory level has been proactively managed to cater for the changes in the market conditions for more effective deployment of our working capital.

* *For identification purpose only*

FINAL RESULTS

The board of directors (the "Board") of Tse Sui Luen Jewellery (International) Limited (the "Company") announces that the consolidated profit attributable to owners of the Company for the year ended 28 February 2015 was HK$39,758,000 (2014: HK$74,529,000). The basic earnings per share was 18.9 HK cents (2014: 35.4 HK cents). The consolidated results of the Company and its subsidiaries (the "Group") for the year ended 28 February 2015 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 28 FEBRUARY 2015

	Notes	2015 HK$'000	2014 HK$'000
Turnover	4	**3,871,029**	4,057,271
Cost of sales		**(2,072,151)**	(2,283,097)
Gross profit		**1,798,878**	1,774,174
Other income and gains, net	6	**10,615**	9,972
Selling and distribution expenses		**(1,511,810)**	(1,457,519)
Administrative expenses		**(175,210)**	(174,231)
PROFIT FROM OPERATIONS		**122,473**	152,396
Finance costs	7	**(59,543)**	(51,047)
PROFIT BEFORE TAX	8	**62,930**	101,349
Income tax expense	9	**(23,331)**	(27,023)
PROFIT FOR THE YEAR		**39,599**	74,326
ATTRIBUTABLE TO :			
Owners of the Company		**39,758**	74,529
Non-controlling interests		**(159)**	(203)
		39,599	74,326
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	11	**18.9 cents**	35.4 cents

Details of the dividends proposed for the year are disclosed in note 10.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28 FEBRUARY 2015

	2015 HK$'000	2014 HK$'000
PROFIT FOR THE YEAR	**39,599**	74,326
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss not to be reclassified to profit or loss in subsequent years:		
Remeasurement loss on defined benefit plan	**(3,978)**	(2,283)
Income tax effect	**656**	377
Net other comprehensive loss not to be reclassified to profit or loss in subsequent years	**(3,322)**	(1,906)
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent years:		
Exchange differences on translation of foreign operations	**(3,043)**	19,353
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(6,365)**	17,447
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**33,234**	91,773
ATTRIBUTABLE TO:		
Owners of the Company	**33,423**	91,972
Non-controlling interests	**(189)**	(199)
	33,234	91,773

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 28 FEBRUARY 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**144,947**	137,927
Intangible assets		**99**	99
Other asset		**500**	500
Prepayments and deposits		**43,326**	46,238
Deferred tax assets		**37,430**	34,908
		226,302	219,672
CURRENT ASSETS			
Inventories		**1,766,797**	1,903,509
Trade receivables	12	**217,256**	180,425
Prepayments, deposits and other receivables		**107,227**	97,737
Tax recoverable		**7,754**	6,447
Time deposits		**158,247**	1,595
Cash and cash equivalents		**130,062**	140,738
		2,387,343	2,330,451
CURRENT LIABILITIES			
Trade payables	13	**(258,460)**	(355,088)
Other payables and accruals		**(269,969)**	(203,348)
Gold loans	14	**(21,073)**	-
Interest-bearing bank and other borrowings		**(581,435)**	(564,231)
Convertible bonds	15	**(12,500)**	(12,500)
Finance lease payables		**(2,464)**	(1,782)
Tax payable		**(21,896)**	(15,485)
		(1,167,797)	(1,152,434)
NET CURRENT ASSETS		**1,219,546**	1,178,017
TOTAL ASSETS LESS CURRENT LIABILITES		**1,445,848**	1,397,689

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AT 28 FEBRUARY 2015

	Note	**2015** **HK$'000**	2014 HK$'000
NON-CURRENT LIABILITIES			
Other payables and accruals		**(6,199)**	(5,207)
Convertible bonds	15	**(305,268)**	(278,389)
Finance lease payables		**(1,709)**	(586)
Employee benefit obligations		**(21,571)**	(17,087)
Deferred tax liabilities		**(16,793)**	(26,050)
		(351,540)	(327,319)
NET ASSETS		**1,094,308**	1,070,370
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**(52,584)**	(52,584)
Reserves		**(1,042,175)**	(1,018,086)
		(1,094,759)	(1,070,670)
Non-controlling interests		**451**	300
TOTAL EQUITY		**(1,094,308)**	(1,070,370)

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") and accounting principles generally accepted in Hong Kong. These financial statements have been prepared under the historical cost convention, except for 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 revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

The adoption of the above revised HKFRSs and new interpretation 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. Significant accounting estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives and depreciation of property, plant and equipment
The Group determines the estimated useful lives and related depreciation charges of its property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, and will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

Impairment of non-financial assets
The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. Significant accounting estimates (continued)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon estimate and the level of future taxable profits. The carrying value of deferred tax assets relating to recognised tax losses at 28 February 2015 was HK$14,278,000 (2014: HK$12,184,000). The amount of unrecognised tax losses at 28 February 2015 was HK$12,137,000 (2014: HK$9,307,000).

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. The directors reassess the estimations at the end of each reporting period.

Impairment of trade receivables

The Group determines the impairment of trade receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of the customers and other debtors and the current market condition. The directors reassess the recoverability at the end of each reporting period.

Customer loyalty programmes

The Group measures the cost of the loyalty award credits by reference to the fair value of goods and gifts redeemed in the prior years and the probability of redemption is estimated by the directors based on past experience. Actual results may differ from the estimation.

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in circumstances and tax legislation.

3. Significant accounting estimates (continued)

Equity-settled share options expenses

The fair value of the share options granted to certain directors, employees and service providers determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share option reserve. In assessing the fair value of the share options, the Binomial Model was used. The Binomial Model is one of the generally accepted methodologies used to calculate the fair value of the share options. The Binomial Model requires the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

4. Turnover

The principal activities of the Group are the manufacture, sale and marketing of jewellery products and service income. 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:

	2015	2014
	HK$'000	HK$'000
Sales of jewellery products	**3,853,009**	4,057,271
Service income	**18,020**	-
	3,871,029	4,057,271

5. Operating segment information

Following the Group's new development in wholesale business and e-business, during the year ended 28 February 2015, the management changed both the structure of the components used to make decisions about operating matters, and the main profit measure used for resource allocation and performance management for these components. The segment information for earlier periods has been restated to conform with these changes. As part of this realignment, the previous business unit grouping based on geographic locations has been changed to grouping based on business natures, reflecting the diversification of different businesses.

For management purposes, the Group is organised into business units based on business natures 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 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, 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.

5. Operating segment information (continued)

Year ended 28 February 2015	Retail Business HK$'000	Wholesale Business HK$'000	Other Businesses HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	**3,627,801**	**217,903**	**7,305**	**3,853,009**
Other revenue	**18,020**	**-**	**-**	**18,020**
	3,645,821	**217,903**	**7,305**	**3,871,029**
Segment results	**118,119**	**12,618**	**(8,264)**	**122,473**
Reconciliation:				
Finance costs				**(59,543)**
Income tax expense				**(23,331)**
Profit for the year				**39,599**
Segment assets:	**2,460,855**	**89,487**	**18,119**	**2,568,461**
Reconciliation:				
Deferred tax assets				**37,430**
Tax recoverable				**7,754**
Total assets				**2,613,645**
Segment liabilities:	**(465,841)**	**(65,355)**	**(3,432)**	**(534,628)**
Reconciliation:				
Gold loans				**(21,073)**
Interest-bearing bank and other borrowings				**(581,435)**
Convertible bonds				**(317,768)**
Tax payable				**(21,896)**
Deferred tax liabilities				**(16,793)**
Finance lease payable				**(4,173)**
Employee benefit obligations				**(21,571)**
Total liabilities				**(1,519,337)**
Other segment information:				
Depreciation	**52,964**	**3**	**399**	**53,366**
Capital expenditure*	**60,803**	**4**	**-**	**60,807**

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

5. Operating segment information (continued)

Year ended 28 February 2014	Retail Business HK$'000	Wholesale Business HK$'000	Other Businesses HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	4,010,805	43,310	3,156	4,057,271
Intersegment sales	-	-	230	230
	4,010,805	43,310	3,386	4,057,501
Reconciliation:				
Elimination of intersegment sales				(230)
				4,057,271
Segment results	160,768	(3,246)	(5,126)	152,396
Reconciliation:				
Finance costs				(51,047)
Income tax expense				(27,023)
Profit for the year				74,326
Segment assets:	2,493,245	9,319	6,204	2,508,768
Reconciliation:				
Deferred tax assets				34,908
Tax recoverable				6,447
Total assets				2,550,123
Segment liabilities:	(543,073)	(19,075)	(1,495)	(563,643)
Reconciliation:				
Interest-bearing bank and other borrowings				(564,231)
Convertible bonds				(290,889)
Tax payable				(15,485)
Deferred tax liabilities				(26,050)
Finance lease payable				(2,368)
Employee benefit obligations				(17,087)
Total liabilities				(1,479,753)
Other segment information:				
Depreciation	47,810	-	582	48,392
Capital expenditure*	56,128	-	-	56,128

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

5. Operating segment information (continued)

(a) Geographical information

Revenue from external customers

	2015	2014
	HK$'000	HK$'000
Hong Kong and Macau	**2,241,641**	2,622,025
Mainland China	**1,582,999**	1,391,248
Other countries	**46,389**	43,998
	3,871,029	4,057,271

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

Non-current assets

	2015	2014
	HK$'000	HK$'000
Hong Kong and Macau	**104,136**	101,006
Mainland China	**39,602**	34,865
Other countries	**5,101**	2,907
	148,839	138,778

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

(b) Information about major customers

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

6. Other income and gains, net

	2015	2014
	HK$'000	HK$'000
Interest income	**3,195**	298
Foreign exchange differences, net	**(1,648)**	3,170
Government grant*	**1,342**	1,025
Fair value loss on gold loans designated at fair value through profit or loss	**(590)**	-
Others	**8,316**	5,479
	10,615	9,972

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

7. Finance costs

	2015	2014
	HK$'000	HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**18,879**	14,758
Interest on convertible bonds	**39,379**	36,058
Interest on finance leases	**103**	231
Interest on gold loans	**1,182**	-
	59,543	51,047

8. Profit before tax

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

	2015	2014
	HK$'000	HK$'000
Cost of goods sold*	**2,083,574**	2,279,218
(Reversal of provision)/provision for impairment of inventories	**(11,423)**	3,879
Depreciation	**53,366**	48,392
Minimum lease payments in respect of operating leases for land and buildings**	**229,493**	204,717
Auditors' remuneration	**2,959**	2,803
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	**609,135**	555,082
Equity-settled share option expense	**7,410**	8,673
Pension scheme contributions***	**9,711**	9,170
Employee benefit obligations	**810**	416
	627,066	573,341
Equity-settled share option expense to service providers	**504**	582
Fair value loss on gold loans designated at fair value through profit or loss****	**590**	-
Loss on disposal of items of property, plant and equipment	**192**	73
Foreign exchange differences, net	**1,648**	(3,170)

* Cost of goods sold includes HK$112,080,000 (2014: HK$92,272,000) 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 2015, there were no forfeited contributions available to the Group to reduce its contributions to pension scheme in future years (2014: Nil).

**** This amount is included in "Other income and gains, net" in the consolidated statement of profit or loss. The purpose of the above gold loans 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.

9. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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.

	2015	2014
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**83**	626
Overprovision in prior years	**(757)**	(611)
Current – other than Hong Kong		
Charge for the year	**35,180**	33,085
Underprovision in prior years	**-**	45
Deferred	**(11,175)**	(6,122)
	23,331	27,023

10. Dividends

	2015	2014
	HK$'000	HK$'000
Interim dividend of HK$0.012 (2014: HK$0.022) per ordinary share paid	**2,524**	4,627
Proposed final dividend of HK$0.037 (2014: HK$0.07) per ordinary share	**7,782**	14,724
	10,306	19,351

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.

11. 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$39,758,000 (2014: HK$74,529,000), and the weighted average number of ordinary shares of 210,336,221 (2014: 210,336,221) in issue during the year.

No adjustment has been made to basic earnings per shares amounts presented for the years ended 28 February 2015 and 2014 in respect of a dilution as the impact of the share options and convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

12. Trade receivables

	2015 **HK$'000**	2014 HK$'000
Trade receivables	**217,256**	180,425

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:

	2015 **HK$'000**	2014 HK$'000
Within 1 month	**202,965**	159,234
1 to 2 months	**6,715**	14,152
2 to 3 months	**423**	1,230
Over 3 months	**7,153**	5,809
Total trade receivables	**217,256**	180,425

12. Trade receivables (continued)

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

	2015	2014
	HK$'000	HK$'000
Neither past due nor impaired	**189,163**	171,315
Less than 6 months past due	**26,611**	9,060
Over 6 months past due	**1,482**	50
	217,256	180,425

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.

13. Trade payables

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

	2015	2014
	HK$'000	HK$'000
Within 1 month	**78,266**	98,315
1 to 2 months	**40,499**	49,114
2 to 3 months	**42,091**	47,106
Over 3 months	**97,604**	160,553
Total trade payables	**258,460**	355,088

The trade payables are non-interest-bearing.

14. Gold loans

	2015	2014
	HK$'000	HK$'000
Secured gold loans	**21,073**	-
Contracted interest rate	**4.1% - 4.6%**	N/A
Original maturity	**6 months – 1 year**	N/A

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

As at 28 February 2015, the above gold loans were secured by several pledged time deposits totalling HK$27,184,000 as disclosed in note 16(c) below (2014: Nil).

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.

15. Convertible bonds

On 20 April 2012, the Company issued to CDH King Limited ("CDH") five-year term convertible bonds with a principal amount of HK$250,000,000 under which CDH has the right to convert the bonds into ordinary shares of the Company (the "Shares") at an initial conversion price at HK$6.40 per Share (the "Convertible Bonds") at any time during the conversion period, subject to anti-dilutive adjustments. The Convertible Bonds are unsecured and subordinated to all present and future non-equity-linked indebtednesses of the Company. Any equity-linked debt securities issued or to be issued are subordinated to the Convertible Bonds unless the prior approval of CDH is obtained. The net proceeds are intended to be used by the Company for general corporate development and general working capital requirements.

The Convertible Bonds bear interest at the rate of 5% per annum which are due every year, and mature on the date falling on the fifth anniversary of the issue date.

The Company shall redeem the outstanding principal of the Convertible Bonds at the redemption amount representing an internal rate of return of 12% per annum on the fifth anniversary of the issue date of the Convertible Bonds.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

As at 28 February 2015, a total of 39,062,500 ordinary shares (2014: 39,062,500 ordinary shares) would have been allotted and issued if all the Convertible Bonds were converted in full. There was no conversion during the year (2014: Nil).

16. Pledge of assets

(a) On 6 November 2013, the Group entered into a banking facility arrangement with a bank pursuant to which certain fixed properties (i.e. land and buildings with aggregate carrying value as at 28 February 2015 of HK$49,735,000 (2014: HK$51,378,000)) in Hong Kong were mortgaged to its bank 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) On 19 December 2013, the Group entered into a banking facility arrangement with another bank pursuant to which certain other fixed properties (i.e. land and buildings with aggregate carrying value as at 28 February 2015 of HK$5,757,000 (2014: HK$5,928,000)) in Hong Kong were mortgaged to that bank 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.

(c) As at 28 February 2015, time deposits denominated in Renminbi ("RMB") equivalent to HK$27,184,000 (2014: Nil) have been pledged to secure several gold loan contracts. The pledged time deposits will be released upon completion of the gold loan contracts.

(d) As at 28 February 2015, time deposits of 2 subsidiaries in the PRC denominated in RMB totalling equivalent to HK$126,633,000 (2014: Nil) have been pledged to secure standby letters of credit issued by banks to the banks of another subsidiary in Hong Kong for a cross boarder treasury arrangement. These pledged time deposits will be released upon the release of the standby letters of credit issued.

(e) As at 28 February 2014, time deposit denominated in RMB equivalent to HK$1,595,000 was pledged to secure a short-term bank loan to a subsidiary in the PRC. This pledged time deposit was released during the reporting period following settlement of the relevant bank borrowings.

FINAL DIVIDEND

The Directors have recommended a final dividend of 3.7 HK cents per ordinary share (2014: 7.0 HK cents per ordinary share), amounting to a total final dividend of approximately HK$7,782,000 (2014: HK$14,724,000) for the year ended 28 February 2015. Together with the interim dividend of 1.2 HK cents per ordinary share (2014: 2.2 HK cents per ordinary share) paid on Thursday, 27 November 2014, will amount to a total dividend of 4.9 HK cents per ordinary share for the year (2014: 9.2 HK cents per ordinary share).

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company (the "2015 AGM") to be held on Friday, 24 July 2015, will be payable on Wednesday, 9 September 2015 to shareholders whose names appear on the Register of Members of the Company on Friday, 31 July 2015.

CLOSURE OF REGISTER OF MEMBERS

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

(a) from Tuesday, 21 July 2015 to Friday, 24 July 2015 (both days inclusive), for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2015 AGM. In order to be entitled to attend and vote at the 2015 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 Monday, 20 July 2015; and

(b) from Thursday, 30 July 2015 to Friday, 31 July 2015 (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 not later than 4:30 p.m. (Hong Kong Time) on Wednesday, 29 July 2015.

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

REVIEW AND OUTLOOK

Letter to the Shareholders

The financial year under review (the "Year") has proved to be a challenging year for the Group and the retail industry in Hong Kong generally as we were required to respond to a number of unforeseen events during the Year that resulted in the local economy and consumer confidence being negatively impacted during that time. As you would be aware from the Group's interim report, sales in the first half of the Year were down by 14.6% (HK$311 million) on the previous year due to the absence of the "Gold Rush" effect experienced in the previous year. Unfortunately, the Group was unable to catch up on this shortfall in the second half as planned due to a subsequent weakening in sales activities brought about firstly by the disruptions caused by the political disputes in last October and latter, by a downturn in the overall number of Mainland tourists visiting Hong Kong particularly from the southern region due to various reasons. When combined, these unforeseen events detrimentally impacted the performance of our Hong Kong based businesses and prevented the Group from achieving the sales growth that it had targeted for the Year with the result that both its consolidated sales turnover and net profit are down on the previous year.

Having said that, fortunately, due to the previous investment made by the Group into its sales network, the refinement of its product assortments, its brand revitalization and the strengthening of the capability of its management team over the last few years, it was well positioned to adapt and respond to this changed economic environment in Hong Kong.

In respect to our Hong Kong & Macau retail business, since the beginning of the Year, we have been cautiously reviewing and adjusting our store locations, operating costs (including rentals which are starting to adjust to the reality of the current market) and our product mix so as to better address the local market and the changing Free Independent Travellers' needs. Despite the unstable business environment, we still remain positive about our intended strategic network expansion in selected markets which is designed to build the presence of TSL shops in those markets to support more robust growth in the medium to long term. In our Travel Trade business, we are exploring new markets and other opportunities both inside and outside of the Mainland tourist market to diversify that business further. We have also been improving the efficiency of our sales operations and changing the product offering so as to appeal to a broader customer base and to increase the sales hit rate.

Our Mainland retail business was largely unaffected by the happenings in Hong Kong and, after having adjusted its business model following the decline in the gifting market in the Mainland in the previous year, this business continued to strengthen throughout the Year as it began to better address the premium mass market. Also, the investment made by the Group in strengthening the management team's capability started to pay off, leading to double-digit same store sales growth in certain cities in the fourth quarter of the Year.

The Group has also embarked on a cost saving mission through more stringent cost control and the better alignment of its businesses and processes as it looks to cut costs from its businesses going forward through a combination of straight cost savings and better exploitation of the synergies that exist between its current businesses. This initiative is expected to yield savings in the current financial year.

As well as focusing on our existing businesses, the Group has recognized the need for it to further diversify its revenue sources and has, as a result:

1. Following a successful pilot run of three stores, gone on to open a total of 31 new franchised stores in Mainland China during the Year as a means to expedite the expansion of its sales network throughout the Mainland. A more rapid expansion of its sales network through the use of franchising is expected over the coming financial years.

2. Launched its e-Biz platform on TMall and JD.com. After a successful trial run, this business will be rapidly expanded in the current financial year and beyond.

3. Looked at ways to exploit its CORE JEWELS brand by bringing its cutting edge designs to the Hong Kong market.

As part of its continuing brand revitalization efforts, TSL pioneered a new business platform to enable it to tap into the gifting market in celebration of the "anniversary" of couples. An integrated brand campaign named "Thank you for Loving Me" was launched in the last quarter of the Year. Despite very intense competition and a cluttered advertising environment during the peak sales season period, the campaign achieved a relatively high advertising recall and an overall high liking among all Hong Kong jewellery brands in Hong Kong and Shanghai. It has significantly lifted TSL's brand image and sales turnover in the top 12 key cities in Mainland China where the Campaign was run. Moreover, as a fun initiative for promoting the theme internally, we took the lead with our own staff by launching an additional benefit in the form of awarding an extra day of "Anniversary Leave", by which staff members were excited and motivated.

As a company that has exquisite design, craftsmanship and passion deeply rooted within its jewellery products and culture, TSL is committed to preserving this heritage and to fostering the sustainable development of the jewellery industry overall. Riding on the successful collaboration with the School of Modern Languages and Cultures at the University of Hong Kong in 2013, the TSL Foundation had again co-organized a "Family Heritage and Creativity Forum Series", inviting distinguished speakers to share their real life experience in preserving and passing on the business to the next generation.

At the corporate level, the organization structure of the Group continued to evolve throughout the Year, which further enabled the implementation of the Group's mid- to long-term corporate development strategies. The realization of an effective and efficient business management system and culture has had a very positive impact on the Group which we expect will continue to be reflected in its financial results into the foreseeable future. Due to the strong commitment and determination of all senior executives to take TSL to the next level, I am confident that the various business initiatives supported by the new organization structure and management system shall bring a great deal of excitement and ongoing benefits to the TSL Group and its stakeholders in the years to come.

On a final note, I would like to express my sincere gratitude and appreciation to all shareholders, board members, our conscientious staff members, loyal customers, business partners and other stakeholders for their continuing support and commitment to the Group. TSL is a company committed to its vision, mission and core values. As a visionary and passionate leader, I am determined to bring TSL to new heights.

Yau On Yee, Annie
Chairman
Hong Kong, 29 May 2015

Management's Discussion and Analysis

Results of the Group

For the financial year ended 28 February 2015 ("the Year"), the consolidated sales turnover of the Group declined by 4.6% to HK$3,871 million from HK$4,057 million last year. The slight decline in sales for the Year was mainly due to the large year-on-year drop in sales of 24-karat gold products by the Group in Hong Kong due to the non-recurrence of the "gold rush" which occurred last year and which had the effect of substantially boosting the Group's sales in that year. In addition, the political related disruptions in Hong Kong, strong US dollar as well as the austerity measures undertaken by the Mainland government all combined to lead to a reduction in consumer confidence, weaker purchasing power and a reduced number of Mainland tourists visiting Hong Kong.

As a result of the reduced sales of 24-karat gold products made by the Group during the Year and its careful monitoring of gross margins, the Group's overall consolidated gross margin improved from 43.7% to 46.5% during the Year. While the boom in the jewellery market in preceding years had the effect of driving up rental and staff costs during that period these costs did not reduce to any great extent during the Year in response to the market downturn that we experienced. As a result, the profitability of our Hong Kong and Macau business, including the Travel Trade business, was dragged down during the Year. The profit attributable to owners of the Company was HK$39.8 million, a decrease of 46.7% over last year. Earnings per share for the Year was 18.9 HK cents.

During the Year, the sales turnover of Hong Kong and Macau dropped by 14.5%. In view of this downturn in business, the Group moved to strengthen its sales network by leveraging on its enhanced brand image brought about by the branding campaign conducted by the Group during the Year. Four new stores were opened in Hong Kong (two in Mong Kok, one in Causeway Bay and one in Castle Peak Road in Yuen Long) and two less performing stores were closed to maximize the return on investment. Another new store at Olympian City II in West Kowloon was opened in May 2015. We will keep reviewing and expanding our store portfolio cautiously to better serve our customers.

Our retail business in Mainland China was stable during the Year achieving a growth in sales quantity of 4.4%. This business accounted for 35% of the Groups turnover. Although the demand for higher-priced items continued to be weak, the decline in the average price of product sold was 4%, showing a leveling off of this trend compared with the 7.8% drop experienced last year. More focus has been given to the development of products for the end-user market as we expect that the growth of end-user market will gradually outpace and replace the decline of the higher-end gifting market. The total number of self-owned outlets was 170 at the end of the Year.

The development of our franchise store business in Mainland China was encouraging. The number of franchised stores increased from 3 to 34 during the Year which, when coupled with our 170 owned stores, meant the Group had 204 TSL stores in total in Mainland China covering 80 cities. To maintain the consistency and the high quality standards of the Group, although such franchised stores are owned by the franchisees, the store operation remain under the management of the Group enabling the franchisee to leverage on the Group's retail and brand management experience. The Group believes that, going forward, franchising will be a major driving force of the growth of the Group's turnover, brand development and profitability in Mainland China.

The Group launched its e-business platform in T-Mall in June 2014. Further platforms, such as JD.com and HKTV Mall were also launched in August 2014 and February 2015, respectively. More new channels will be explored as they become available in order to complement our existing e-business platforms and the Group's brand strategy.

Our Malaysian business was restructured and streamlined during the Year. We relocated our shop in Penang during the Year which has broadened our customer base and strengthened our local team capability by attracting new members to join. The Malaysia retail business has now been stabilized and is positioned to flourish going forward.

The on-going uncertainty in the world and Mainland China economies and the political reform debate taking place in Hong Kong have resulted in significant uncertainty for the business environment going forward. We have been taking careful cost control measures to combat this challenging environment. For example, the Group closed down its production line in Beijing during the year and will further consolidate its production facilities in Southern China in 2015/16 to achieve better efficiency and economies of scale. Growth of other operating overheads including staff costs will also be closely monitored. Our inventory level has been proactively managed to cater for the changes in the market conditions for more effective deployment of our working capital.

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 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.

Finance, Liquidity, Capital Structure and Gearing

Capital expenditure, comprising mainly store renovation and expansion, furniture & fixtures and machinery, incurred during the year amounted to approximately HK$61 million (2014: HK$56 million), which was mainly financed by borrowings and funds generated from internal resources.

As at 28 February 2015, the Group's interest-bearing liabilities increased to HK$924 million from HK$857 million as at 28 February 2014. Net borrowings (total interest-bearing liabilities less cash and cash equivalent and time deposits) decreased from HK$715 million to HK$636 million. Gross borrowings increased mainly due to some cross boarder treasury arrangements made during the Year.

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 67% to 58% 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 are calculated on either the inter-bank interest rate or the prime rate or the benchmark interest rate while interest on convertible bonds is fixed.

As at 28 February 2015, the Group had time deposits and cash and bank balances and undrawn banking facilities of approximately HK$288 million and HK$158 million respectively which, in the opinion of the directors, should be sufficient to meet the Group's present working capital requirements.

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

(a) On 6 November 2013, the Group entered into a banking facility arrangement with a bank pursuant to which certain fixed properties (i.e. land and buildings with aggregate carrying value as at 28 February 2015 of HK$49,735,000 (2014: HK$51,378,000)) in Hong Kong were mortgaged to its bank 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) On 19 December 2013, the Group entered into a banking facility arrangement with another bank pursuant to which certain other fixed properties (i.e. land and buildings with aggregate carrying value as at 28 February 2015 of HK$5,757,000 (2014: HK$5,928,000)) in Hong Kong were mortgaged to that bank 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.

(c) As at 28 February 2015, time deposits denominated in RMB equivalent to HK$27,184,000 (2014: Nil) have been pledged to secure several gold loan contracts. The pledged time deposits will be released upon completion of the gold loan contracts.

(d) As at 28 February 2015, time deposits of 2 subsidiaries in the PRC denominated in RMB totalling the equivalent to HK$126,633,000 (2014: Nil) have been pledged to secure standby letters of credit issued by banks to the banks of another subsidiary in Hong Kong for a cross boarder treasury arrangement. These pledged time deposits will be released upon the release of the standby letters of credit issued.

(e) As at 28 February 2014, a time deposit denominated in RMB equivalent to HK$1,595,000 was pledged to secure a short-term bank loan to a subsidiary in the PRC. This pledged time deposit was released during the reporting period following settlement of the relevant bank borrowings.

Contingent Liability

The Group did not have any material contingent liabilities not provided for in the financial statements as at 28 February 2015 (2014: Nil).

Human Resources

As at 28 February 2015, the total number of employees of the Group was approximately 3,550 (2014: 3,500). The increase was mainly in sales operations and administration as a result of the expansion of the franchise business and to build up teams for further business development.

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.

The Group has an employee share option scheme which was expired on 25 November 2013. Options were granted to provide incentive to certain directors, employees and service providers as disclosed in the announcement of the Company on 1 March 2013.

Environmental, Social and Governance

The Company's environmental, social and governance discussion is stated under the "Corporate Social Responsibility Report" of the Company's 2014/2015 Annual Report.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the Group's consolidated financial statements for the year ended 28 February 2015.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 28 February 2015 have been agreed by the Group's auditors, Ernst & Young ("EY"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY 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 EY on this preliminary announcement.

ANNUAL GENERAL MEETING

The 2015 AGM will be held on Friday, 24 July 2015. A notice of the 2015 AGM will be published and despatched to shareholders in due course.

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 ended 28 February 2015, the Company has applied the principles and complied with all of the code provisions and 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 ended 28 February 2015, 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 of the Company comprises of four Independent Non-executive Directors of the Company, namely, Mr. Chui Chi Yun, Robert, Mr. Heng Ching Kuen, Franklin, Mr. Chan Yue Kwong, Michael and Mr. Chow Chee Wai, Christopher. Its terms of reference are in compliance with the provisions set out in the CG Code.

The Audit Committee of the Company has reviewed the Company's consolidated financial statements and annual report for the year ended 28 February 2015, including the accounting principles and practices adopted by the Group, and discussed with management regarding auditing, internal control and financial reporting matters.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made with all Directors and the Directors have confirmed compliance with the required standard set out in the Model Code during the year ended 28 February 2015.

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 ended 28 February 2015.

Tse Sui Luen Jewellery (International) Limited
29 May 2015

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2014/2015 ANNUAL REPORT

The annual results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.tslj.com. The 2014/2015 Annual Report will be despatched to the shareholders and published on the above websites.

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

Hong Kong, 29 May 2015

At the date of this announcement, the Board comprises:

Executive Directors:
Ms. YAU On Yee, Annie (Chairman & Chief Executive Officer)
Mr. LAI Tsz Mo, Lawrence

Non-executive Directors:
Mr. Erwin Steve HUANG (Deputy Chairman)
Mr. WANG Guosheng

Independent Non-executive Directors:
Mr. CHUI Chi Yun, Robert
Mr. HENG Ching Kuen, Franklin
Mr. CHAN Yue Kwong, Michael
Mr. CHOW Chee Wai, Christopher