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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 INTERIM RESULTS FOR 2015/2016

FINANCIAL HIGHLIGHTS	Six months ended		
	31 August		
	2015	2014	Change
HK\$'000 (unaudited)	HK\$'000 (unaudited)		
Turnover	1,752,574	1,818,345	-3.6%
Profit from operations	62,422	74,471	-16.2%
Profit attributable to owners of the Company	15,457	25,832	-40.2%
Basic earnings per share	7.3 cents	12.3 cents	-40.2%
Interim dividend	1.5 cents	1.2 cents	+25.0%
Total equity attributable to owners of the Company	1,055,955	1,094,759 [†]	-3.5%
Equity attributable to owners of the Company per share	HK\$5.02	HK\$5.20 [†]	-3.5%

[†] figure as at 28 February 2015(audited)

BUSINESS HIGHLIGHTS

- Consolidated sales turnover for the first half of the 2015/2016 financial year (“the First Half”) decreased by 3.6% from HK\$1,818 million to HK\$1,753 million.
- Profit attributable to owners of the Company for the First Half decreased by 40.2% from HK\$25.8 million to HK\$15.5 million. Earnings per share was 7.3 HK cents.
- The Group expanded its sales network in the Hong Kong local market. During the First Half, the Group opened two new stores in Hong Kong - one in Olympian City and the other in Plaza Hollywood, Diamond Hill to better serve our local customers.
- Twenty-two new franchised stores were opened during the First Half and the Group will continue to increase the Point of Sales in Mainland China.

RESULTS

The board of directors (the “Board”) of Tse Sui Luen Jewellery (International) Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 August 2015. The interim results for the six months ended 31 August 2015 have been reviewed by the Company’s audit committee (the “Audit Committee”).

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE SIX MONTHS ENDED 31 AUGUST 2015

		Six months ended 31 August	
	Notes	2015 HK\$’000 (unaudited)	2014 HK\$’000 (unaudited)
Turnover	4	1,752,574	1,818,345
Cost of sales		(955,303)	(976,011)
Gross profit		797,271	842,334
Other income and gains		5,379	11,753
Selling and distribution expenses		(666,864)	(709,200)
Administrative expenses		(73,364)	(70,416)
PROFIT FROM OPERATIONS		62,422	74,471
Finance costs		(30,607)	(30,636)
PROFIT BEFORE TAX	5	31,815	43,835
Income tax expense	6	(16,415)	(18,048)
PROFIT FOR THE PERIOD		15,400	25,787
ATTRIBUTABLE TO :			
Owners of the Company		15,457	25,832
Non-controlling interests		(57)	(45)
		15,400	25,787
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	8	7.3 cents	12.3 cents

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 AUGUST 2015**

	Six months ended 31 August	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	<u>15,400</u>	<u>25,787</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent years:		
Exchange differences on translation of foreign operations	<u>(47,712)</u>	<u>(67)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(47,712)</u>	<u>(67)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u>(32,312)</u>	<u>25,720</u>
ATTRIBUTABLE TO :		
Owners of the Company	<u>(32,279)</u>	<u>25,765</u>
Non-controlling interests	<u>(33)</u>	<u>(45)</u>
	<u>(32,312)</u>	<u>25,720</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 AUGUST 2015

	Notes	At 31 August 2015 HK\$'000 (unaudited)	At 28 February 2015 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		138,055	144,947
Intangible assets		99	99
Other asset		500	500
Prepayments and deposits		46,937	43,326
Deferred tax assets		40,021	37,430
		<u>225,612</u>	<u>226,302</u>
CURRENT ASSETS			
Inventories		1,549,949	1,766,797
Trade receivables	9	232,921	217,256
Prepayments, deposits and other receivables		123,939	107,227
Tax recoverable		8,489	7,754
Time deposits		207,855	158,247
Cash and cash equivalents		205,096	130,062
		<u>2,328,249</u>	<u>2,387,343</u>
CURRENT LIABILITIES			
Trade payables	10	(267,924)	(258,460)
Other payables and accruals		(273,758)	(269,969)
Gold loans	11	(77,215)	(21,073)
Interest-bearing bank and other borrowings		(476,618)	(581,435)
Convertible bonds		(12,500)	(12,500)
Dividend payable		(7,782)	-
Finance lease payables		(2,209)	(2,464)
Tax payable		(21,238)	(21,896)
		<u>(1,139,244)</u>	<u>(1,167,797)</u>
NET CURRENT ASSETS		<u>1,189,005</u>	<u>1,219,546</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,414,617</u>	<u>1,445,848</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AT 31 AUGUST 2015

	At 31 August 2015 HK\$'000 (unaudited)	At 28 February 2015 HK\$'000 (audited)
NON-CURRENT LIABILITIES		
Other payables and accruals	(5,759)	(6,199)
Convertible bonds	(314,203)	(305,268)
Finance lease payables	(622)	(1,709)
Employee benefit obligations	(21,571)	(21,571)
Deferred tax liabilities	(16,991)	(16,793)
	<u>(359,146)</u>	<u>(351,540)</u>
NET ASSETS	<u>1,055,471</u>	<u>1,094,308</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	(52,584)	(52,584)
Reserves	(1,003,371)	(1,042,175)
	<u>(1,055,955)</u>	<u>(1,094,759)</u>
Non-controlling interests	<u>484</u>	<u>451</u>
TOTAL EQUITY	<u>(1,055,471)</u>	<u>(1,094,308)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange" and the "Listing Rules", respectively) and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the Group's financial statements for the year ended 28 February 2015. These condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, HKASs and Interpretations).

These condensed consolidated financial statements have been prepared under historical cost convention, except for gold loans which have been measured at fair value.

These condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the Group's financial statements for the year ended 28 February 2015, except for the adoption of the following revised HKFRSs which become effective for accounting periods beginning on or after 1 March 2015 as disclosed in note 2 below.

2. Changes in accounting policies and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current period's condensed consolidated financial statements:

Amendments to HKAS 19 <i>Annual Improvements</i> <i>2010-2012 Cycle</i>	<i>Defined Benefit Plans: Employee Contributions</i> Amendments to a number of HKFRSs
<i>Annual Improvements</i> <i>2011-2013 Cycle</i>	Amendments to a number of HKFRSs

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

3a. Operating segment information

During the year ended 28 February 2015, following the Group's new development in wholesale business and e-business, 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 the 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 nature, reflecting the diversification of different businesses.

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 sale 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 sale 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.

3a. Operating segment information (continued)

Six months ended 31 August 2015	Retail Business HK\$'000 (unaudited)	Wholesale Business HK\$'000 (unaudited)	Other Businesses HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue:				
Sales to external customers	1,547,922	176,659	13,499	1,738,080
Other revenue	14,494	-	-	14,494
	<u>1,562,416</u>	<u>176,659</u>	<u>13,499</u>	<u>1,752,574</u>
Segment results	42,477	27,991	(8,046)	62,422
<i>Reconciliation:</i>				
Finance costs				(30,607)
Income tax expense				<u>(16,415)</u>
Profit for the period				<u>15,400</u>
Six months ended 31 August 2014	Retail Business HK\$'000 (unaudited)	Wholesale Business HK\$'000 (unaudited)	Other Businesses HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue:				
Sales to external customers	1,712,906	38,682	66,757	1,818,345
Segment results	72,336	4,507	(2,372)	74,471
<i>Reconciliation:</i>				
Finance costs				(30,636)
Income tax expense				<u>(18,048)</u>
Profit for the period				<u>25,787</u>

3b. Geographical information

Revenue from external customers

	Six months ended 31 August 2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Hong Kong and Macau	867,629	1,124,177
Mainland China	860,190	671,418
Other countries	24,755	22,750
	<u>1,752,574</u>	<u>1,818,345</u>

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

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:

	Six months ended 31 August	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales of jewellery products	1,738,080	1,818,345
Service income	14,494	-
	<u>1,752,574</u>	<u>1,818,345</u>

5. Profit before tax

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

	Six months ended 31 August	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cost of goods sold*	954,385	983,244
Provision for/(Reversal of provision for) impairment of inventories	918	(7,233)
Depreciation	28,013	23,994
Minimum lease payments in respect of operating lease for land and buildings**	108,268	112,603
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	277,225	285,089
Equity-settled share option expense	1,102	3,758
Pension scheme contributions***	4,573	4,815
	<u>282,900</u>	<u>293,662</u>
Equity-settled share option expense to service providers	155	252
Fair value gain on gold loans designated at fair value through profit or loss ****	(106)	(773)
Loss on disposal of items of property, plant and equipment	39	28
Foreign exchange differences, net	<u>1,189</u>	<u>(1,458)</u>

* Cost of goods sold includes HK\$46,965,000 (2014: HK\$52,978,000) 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.

5. Profit before tax (continued)

*** At 31 August 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" 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.

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

	Six months ended 31 August	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current – Hong Kong	1,774	2,943
Current – Other than Hong Kong	16,558	19,166
Deferred	(1,917)	(4,061)
	<u>16,415</u>	<u>18,048</u>

7. Dividend

	Six months ended 31 August	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interim dividend of HK\$0.015 (2014: HK\$0.012) per ordinary share declared	3,155	2,524
2013/14 approved final dividend of HK\$0.07 per ordinary share	-	14,724
2014/15 approved final dividend of HK\$0.037 per ordinary share	7,782	-
	<u>10,937</u>	<u>17,248</u>

The interim dividend was not recognised as a liability as at 31 August 2015 and 2014 because it was declared after the end of the reporting period.

8. Earnings per share attributable to owners of the company

The calculation of basic earnings per share amount is based on the profit for the period attributable to owners of the Company of HK\$15,457,000 (2014: HK\$25,832,000), and the weighted average number of ordinary shares of 210,336,221 (2014: 210,336,221) in issue during the period.

No adjustment has been made to basic earnings per share amounts presented for the periods ended 31 August 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.

9. Trade receivables

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:

	At 31 August 2015 HK\$'000 (unaudited)	At 28 February 2015 HK\$'000 (audited)
Within 1 month	211,686	202,965
1 to 2 months	10,116	6,715
2 to 3 months	2,497	423
Over 3 months	<u>8,622</u>	<u>7,153</u>
	<u>232,921</u>	<u>217,256</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. Trade receivables are non-interest-bearing in general.

10. Trade payables

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

	At 31 August 2015 HK\$'000 (unaudited)	At 28 February 2015 HK\$'000 (audited)
Within 1 month	106,499	78,266
1 to 2 months	53,509	40,499
2 to 3 months	37,020	42,091
Over 3 months	70,896	97,604
	<u>267,924</u>	<u>258,460</u>

The trade payables are non-interest-bearing.

11. Gold loans

	At 31 August 2015 HK\$'000 (unaudited)	At 28 February 2015 HK\$'000 (audited)
Secured gold loans	58,980	21,073
Unsecured gold loan	18,235	-
	<u>77,215</u>	<u>21,073</u>
Contracted interest rate	3.6% - 5.2%	4.1% - 4.6%
Original maturity	6 months - 1 year	6 months - 1 year

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

As at 31 August 2015, the above gold loans were secured by several pledged time deposits totaling HK\$65,122,000 as disclosed in note 12(c) below (at 28 February 2015: HK\$27,184,000).

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.

12. Pledge of assets

- (a) In 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 31 August 2015 of HK\$48,913,000 (at 28 February 2015: HK\$49,735,000)) 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) In December 2013, the Group entered into a banking facility arrangement with a bank pursuant to which certain other fixed properties (i.e. land and buildings with aggregate carrying value as at 31 August 2015 of HK\$5,671,000 (at 28 February 2015: HK\$5,757,000)) in Hong Kong were mortgaged to another 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 31 August 2015, time deposits denominated in Renminbi (“RMB”) equivalent to HK\$65,122,000 (at 28 February 2015: HK\$27,184,000) 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 31 August 2015, time deposits of 2 subsidiaries in the PRC denominated in RMB totalling equivalent to HK\$142,733,000 (at 28 February 2015: HK\$126,633,000) have been pledged to secure standby letters of credit issued by banks to the banks of another subsidiary in Hong Kong for a cross border treasury arrangement. These pledged time deposits will be released upon the release of the standby letters of credit issued.

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of 1.5 HK cents per ordinary share of the Company for the six months ended 31 August 2015 (2014: 1.2 HK cents per ordinary share) to shareholders whose names appear on the Register of Members of the Company on Friday, 20 November 2015. The interim dividend will be paid on Thursday, 26 November 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 19 November 2015 to Friday, 20 November 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, 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 Wednesday, 18 November 2015.

BUSINESS REVIEW AND PROSPECTS

Overall Financial results

For the first half of the financial year 2015/2016 (“the First Half”), the Group’s sales turnover decreased by 3.6% from HK\$1,818 million to HK\$1,753 million. This decline in sales in the First Half was mainly attributable to a significant year-on-year drop in retail sales activity in Hong Kong resulting from a reduction in the number of tourists visiting from Mainland China. Fortunately, this drop in sales activity in Hong Kong was largely offset by the growth of our Mainland China business, especially our Franchise business which the Group launched last year. The profit attributable to owners of the Company declined by 40% from HK\$25.8 million to HK\$15.5 million. Earnings per share were 7.3 HK cents (2014: 12.3 HK cents per share).

Review and outlook

Retailing Business

Hong Kong and Macau

As mentioned above, the number of tourists visiting Hong Kong and Macau from Mainland China dropped significantly in the First Half with the result that overall tourist and customers’ spending in these markets decreased accordingly. Also spending changed slightly during this period steering away from luxury jewellery products and higher-priced gifting items towards more popular mass market commodities. As a result, sales in Hong Kong and Macau for the period under review decreased by 19% and same store sales growth was minus 20%.

Although the market situation has been very challenging, the Group explored alternate opportunities in the local market. During the First Half, the Group opened two new stores in Hong Kong - one in Olympian City and the other in Plaza Hollywood, Diamond Hill in order to expand its presence in this market. Customers of these stores are generally the end-users in the self-consumption product segment. In addition, we saw the start of a reversal in the previous upward growth trend in store rental costs which have slowed down. There was a downward rental adjustment for shop leases that came up for renewal during the period. Rental expenditure for Hong Kong and Macau shops dropped by 3% in the First Half.

The Group will keep reviewing, adjusting and strengthening the store network in Hong Kong to manage the operating costs and better serve its customers.

Mainland China

The Group's Mainland China retail business grew by 5% during the First Half and same store sales growth was 2.3%. During this period, the Group continued to increase its focus on (i) the further development of and expansion into the "self-consumption market" and (ii) our point of differentiation being high quality design and craftsmanship in the premium mass market following the slowing of growth in the high-end luxury segment. The Group regularly reviews its store network and plans to increase the store opening pace to better reach and serve our customers. The number of self-operated stores was 169 as at 31 August 2015.

Malaysia

Notwithstanding the introduction of a 6% Goods and Services Tax in Malaysia on 1 April 2015, our Malaysia retail business grew by 14% during the First Half. The Group remains optimistic but at the same time prudent towards the growth prospects of this business and, should the opportunity arise, it will seek to open another one to two more stores in Malaysia in the forthcoming year.

Wholesale Business

Twenty-two (22) new stores were opened under the Group's franchising model during the First Half bringing the total number of franchised stores to 56 as at 31 August 2015. The Group will continue to explore more opportunities to work with local business partners to facilitate a more rapid growth of the Group's franchise store sales network. The Group is looking forward to increasing its franchise sales network by more than 100 Point of Sales (POS) in Mainland China in the next two years.

Other Business

Included in other business, the Group further extended its e-business platform during the First Half with the result that turnover for e-business for this period increased by 61% when compared with turnover achieved in the second half of last financial year. The Group joined a new e-business platform, VIP.com, in July 2015 and will continue to explore more new channels to complement its existing e-business platform and the Group's brand.

This growth rate was very encouraging and the Group expects that its e-business channel will be able to maintain this high growth rate in the second half of this year.

Financial Structure

Capital expenditure totalled approximately HK\$23 million during the First Half and was mainly in respect to store renovations and expansion. This was largely funded by internal resources and borrowings.

As at 31 August 2015, the Group's total borrowings decreased to HK\$883 million from HK\$924 million as at 28 February 2015. Net borrowings (total interest-bearing liabilities less cash and cash equivalent and time deposits) decreased from HK\$636 million to HK\$470 million.

The net gearing ratio (the ratio of total interest-bearing liabilities less cash, cash equivalents and time deposits to total equity) decreased from 58% to 45% during the First Half 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 while interest on convertible bonds is fixed.

As at 31 August 2015, the Group had time deposits and cash and bank balances and undrawn banking facilities of approximately HK\$413 million and HK\$301 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 Period, the transactions of the Group were mainly denominated in local currencies and United States dollars. The impact of any fluctuation in the exchange rate of these currencies to the Group is minimal.

Charge on group assets and Contingent Liabilities

- (a) In 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 31 August 2015 of HK\$48,913,000) 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) In December 2013, the Group entered into a banking facility arrangement with a bank pursuant to which certain other fixed properties (i.e. land and buildings with aggregate carrying value as at 31 August 2015 of HK\$5,671,000) in Hong Kong were mortgaged to another 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 31 August 2015, time deposits denominated in RMB equivalent to HK\$65,122,000 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 31 August 2015, time deposits of 2 subsidiaries in the PRC denominated in RMB totalling equivalent to HK\$142,733,000 have been pledged to secure standby letters of credit issued by banks to the banks of another subsidiary in Hong Kong for a cross border treasury arrangement. These pledged time deposits will be released upon the release of the standby letters of credit issued.

The Group did not have any material contingent liabilities not provided for in the financial statements as at 31 August 2015.

Human Resources

As at 31 August 2015, total staff of the Group was approximately 3,220 (28 February 2015: 3,550). The change was mainly due to normal staff turnover and delayed recruitment in light of the uncertain business environment. There were no major changes in human resource policies.

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

REVIEW OF UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 31 August 2015 (the "Reporting Period").

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 Reporting Period, the Company has applied the principles and complied with all of the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for the deviation of code provision A.2.1 of the CG Code as expressly stated 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 Reporting Period, the roles of the Chairman and the Chief Executive Officer of the Company were performed by Ms. Yau On Yee, Annie. The Board considered that the current management structure had operated efficiently. According to the Company's practice, all major strategic decisions are taken by the Board, or relevant committee of the Board, as duly constituted.

Audit Committee

The Audit Committee comprises 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 has reviewed the Company's unaudited consolidated financial statements and interim report for the Reporting Period, 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 Reporting Period.

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 Reporting Period.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 2015/2016 INTERIM REPORT

The interim results announcement will be 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 2015/2016 Interim 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 October 2015

At the date of this announcement, the Board comprises:

Executive Directors:

Ms. YAU On Yee, Annie

Mr. CHAN Lambert Lap Yip

Non-executive Directors:

Mr. Erwin Steve HUANG

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