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TSL | 謝瑞麟

TSE SUI LUEN JEWELLERY (INTERNATIONAL) LIMITED
謝瑞麟珠寶(國際)有限公司*

(*Incorporated in Bermuda with limited liability*)

(Stock Code: 417)

ANNOUNCEMENT OF ANNUAL RESULTS FOR 2019/2020

FINANCIAL HIGHLIGHTS

	2020	2019	
	HK$'000	HK$'000	Change
Turnover	**2,913,827**	4,064,920	-28.3%
Profit from operations	**3,320**	149,802	-97.8%
(Loss)/profit attributable to owners of the Company	**(89,670)**	54,161	-265.6%
Basic (loss)/earnings per share	**(36.0) HK cents**	21.9 HK cents	-264.4%
Total equity attributable to owners of the Company	**900,214**	1,085,749	-17.1%
Equity attributable to owners of the Company per share	**HK$3.61**	HK$4.37	-17.4%

BUSINESS HIGHLIGHTS

- The consolidated turnover for the year ended 31 March 2020 decreased by 28.3% to HK$2,913.8 million as compared with that for the same period last year.
- Loss for the year ended 31 March 2020 was HK$89.8 million, compared to a profit of HK$54.2 million for the previous financial year.

* *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 loss attributable to owners of the Company for the year ended 31 March 2020 (the “Year”) is HK$89,670,000 (the consolidated profit attributable to owners of the Company for the year ended 31 March 2019: HK$54,161,000). The basic loss per share is 36.0 HK cents (basic earnings per share for the year ended 31 March 2019: 21.9 HK cents). The audited consolidated results of the Company and its subsidiaries (the “Group”) for the Year, with the comparative figures for the year ended 31 March 2019 (“2018/19”), are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 MARCH 2020

	Notes	**2020** **HK$’000**	2019 HK$’000
Turnover	3	**2,913,827**	4,064,920
Cost of sales		**(1,765,431)**	(2,445,558)
Gross profit		**1,148,396**	1,619,362
Other income and gains/(losses), net	5	**37,518**	(272)
Selling and distribution expenses		**(1,036,780)**	(1,299,234)
Administrative expenses		**(145,814)**	(170,054)
PROFIT FROM OPERATIONS		**3,320**	149,802
Finance costs	6	**(63,348)**	(50,360)
(LOSS)/PROFIT BEFORE TAX	7	**(60,028)**	99,442
Income tax expense	8	**(29,726)**	(45,275)
(LOSS)/PROFIT FOR THE YEAR		**(89,754)**	54,167
ATTRIBUTABLE TO :			
Owners of the Company		**(89,670)**	54,161
Non-controlling interests		**(84)**	6
		(89,754)	54,167
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	10	**(36.0) HK cents**	21.9 HK cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	2020 HK$'000	2019 HK$'000
(LOSS)/PROFIT FOR THE YEAR	**(89,754)**	54,167
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement (loss)/gain on defined benefit plan	**(788)**	7,339
Income tax effect	**130**	(1,211)
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	**(658)**	6,128
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(74,644)**	(97,775)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(75,302)**	(91,647)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(165,056)**	(37,480)
ATTRIBUTABLE TO :		
Owners of the Company	**(164,968)**	(37,461)
Non-controlling interests	**(88)**	(19)
	(165,056)	(37,480)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**132,157**	181,843
Right-of-use assets		**280,303**	-
Intangible assets		**99**	99
Other asset		**500**	500
Prepayments and deposits		**41,506**	53,165
Deferred tax assets		**40,526**	49,275
		495,091	284,882
CURRENT ASSETS			
Inventories		**1,453,755**	1,436,259
Trade receivables	11	**77,783**	148,116
Prepayments, other receivables and other assets		**98,745**	159,575
Tax recoverable		**14,788**	17,771
Time deposits		**232,003**	159,302
Cash and cash equivalents		**336,750**	251,242
		2,213,824	2,172,265
CURRENT LIABILITIES			
Trade payables	12	**(245,718)**	(224,503)
Other payables and accruals		**(284,966)**	(316,578)
Interest-bearing bank and other borrowings		**(446,150)**	(786,984)
Finance lease payables		**-**	(680)
Lease liabilities		**(155,162)**	-
Tax payable		**(3,355)**	(16,550)
		(1,135,351)	(1,345,295)
NET CURRENT ASSETS		**1,078,473**	826,970
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,573,564**	1,111,852

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AT 31 MARCH 2020

	Note	2020 HK$'000	2019 HK$'000
NON-CURRENT LIABILITIES			
Other payables and accruals		**(4,278)**	(5,770)
Interest-bearing bank and other borrowings		**(567,611)**	-
Employee benefit obligations		**(1,639)**	(2,655)
Lease liabilities		**(84,070)**	-
Deferred tax liabilities		**(15,879)**	(17,717)
		(673,477)	(26,142)
NET ASSETS		**900,087**	1,085,710
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	**(62,296)**	(62,138)
Reserves		**(837,918)**	(1,023,611)
		(900,214)	(1,085,749)
Non-controlling interests		**127**	39
TOTAL EQUITY		**(900,087)**	(1,085,710)

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, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. 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 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKFRS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

2. Changes in accounting policies and disclosures (continued)

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28 and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information for 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

2. Changes in accounting policies and disclosures (continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land, offices, retail shops, warehouses, factory and motor vehicle. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for an elective exemption for leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019. The right-of-use assets for leases were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 April 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of HK$1,104,000 that were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application when applying HKFRS 16.C8(b)(i)
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 April 2019
- Relying on the entity's assessment of whether leases were onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before 1 April 2019 as an alternative to performing an impairment review

2. Changes in accounting policies and disclosures (continued)

As a lessee – Leases previously classified as finance lease

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and lease liabilities at 1 April 2019 were the carrying amounts of the recognised assets and liabilities (i.e. finance lease payables) measured under HKAS17.

Financial impact at 1 April 2019

The impact arising from the adoption of HKFRS 16 as at 1 April 2019 was as follow:

	Increase/(decrease) HK$'000
Assets	
Right-of-use assets	362,039
Property, plant and equipment	(51,380)
Prepayment, other receivables and other assets	(3,283)
Deferred tax assets	2,345
Total assets	309,721
Liabilities	
Lease liabilities	325,783
Finance lease payables	(680)
Other payables and accruals	(7,727)
Total liabilities	317,376
Equity	
Retained profits	(7,655)

2. Changes in accounting policies and disclosures (continued)

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

	HK$'000
Operating lease commitments as at 31 March 2019	**355,603**
Less: Commitments relating to short-term leases and those with a remaining lease term ending on or before 31 March 2020	(535)
	355,068
Weighted average incremental borrowing rate as at 1 April 2019	4.88%
Discounted operating lease commitments as at 1 April 2019	325,103
Add: Finance lease liabilities recognised as at 31 March 2019	680
Lease liabilities as at 1 April 2019	**325,783**

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

3. Turnover

An analysis of turnover is as follows:

	2020	2019
	HK$'000	HK$'000
Revenue from contracts with customers		
Sales of jewellery products	**2,863,912**	4,008,945
Service income	**49,915**	55,975
	2,913,827	4,064,920

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 the provision of retail management services to other retailers.

Wholesale Business includes wholesale sales of jewellery products to customers, including franchisee.

Other Businesses includes E-business and others.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that unallocated expenses, non-lease-related 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 interest-bearing bank and other borrowings, 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 31 March 2020				
Segment revenue:				
Sales to external customers	**2,079,576**	**592,454**	**191,882**	**2,863,912**
Other revenue	**49,915**	**-**	**-**	**49,915**
	2,129,491	**592,454**	**191,882**	**2,913,827**
Segment results:	**(75,736)**	**105,704**	**13,825**	**43,793**
Reconciliation:				
Unallocated expenses				**(55,098)**
Finance costs (other than interest on lease liabilities)				**(48,723)**
Income tax expense				**(29,726)**
Loss for the Year				**(89,754)**
Segment assets:	**2,476,383**	**103,548**	**73,670**	**2,653,601**
Reconciliation:				
Deferred tax assets				**40,526**
Tax recoverable				**14,788**
Total assets				**2,708,915**
Segment liabilities:	**(662,995)**	**(104,109)**	**(7,090)**	**(774,194)**
Reconciliation:				
Interest-bearing bank and other borrowings				**(1,013,761)**
Tax payable				**(3,355)**
Deferred tax liabilities				**(15,879)**
Employee benefit obligations				**(1,639)**
Total liabilities				**(1,808,828)**
Other segment information:				
Depreciation of property, plant and equipment	**54,036**	**1,204**	**5,373**	**60,613**
Depreciation of right-of-use assets	**185,261**	**-**	**12,910**	**198,171**
Capital expenditure*	**65,570**	**-**	**33,024**	**98,594**
Disposal of fixed assets	**(305)**	**-**	**(159)**	**(464)**

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

4. Operating segment information (continued)

	Retail Business HK$'000	Wholesale Business HK$'000	Other Business HK$'000	Total HK$'000
Year ended 31 March 2019				
Segment revenue:				
Sales to external customers	3,031,899	821,038	156,008	4,008,945
Other revenue	55,975	-	-	55,975
	3,087,874	821,038	156,008	4,064,920
Segment results:	94,703	147,813	22,905	265,421
Reconciliation:				
Unallocated expenses				(115,619)
Finance costs				(50,360)
Income tax expense				(45,275)
Profit for the year				54,167
Segment assets:	2,229,944	90,584	69,573	2,390,101
Reconciliation:				
Deferred tax assets				49,275
Tax recoverable				17,771
Total assets				2,457,147
Segment liabilities:	(458,905)	(83,034)	(4,912)	(546,851)
Reconciliation:				
Interest-bearing bank and other borrowings				(786,984)
Tax payable				(16,550)
Deferred tax liabilities				(17,717)
Finance lease payables				(680)
Employee benefit obligations				(2,655)
Total liabilities				(1,371,437)
Other segment information:				
Depreciation of property, plant and equipment	55,379	1,460	1,264	58,103
Capital expenditure*	68,126	-	37,725	105,851
Disposal of fixed assets	(1,394)	-	(124)	(1,518)

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

4. Operating segment information (continued)

(a) Geographical information

Revenue from external customers

	2020	2019
	HK$'000	HK$'000
Hong Kong and Macau	**847,988**	1,492,030
Mainland China	**1,992,246**	2,511,694
Other countries	**73,593**	61,196
	2,913,827	4,064,920

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

Non-current assets

	2020	2019
	HK$'000	HK$'000
Hong Kong and Macau	**285,206**	138,237
Mainland China	**120,770**	51,027
Other countries	**12,715**	3,095
	418,691	192,359

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 Year and prior year.

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

	2020	2019
	HK$'000	HK$'000
Interest income	**3,849**	3,808
Foreign exchange differences, net	**(6,893)**	(6,566)
Government grants*	**11,150**	437
Fair value loss on gold loans designated as at fair value through profit or loss	**-**	(2,509)
Gain on sales of scrap gold	**8,499**	484
Repair service income	**821**	1,041
Others	**20,092**	3,033
	37,518	(272)

* 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:

	2020	2019
	HK$'000	HK$'000
Interest on bank loans, overdrafts and other loans	**43,332**	38,648
Interest on finance leases	**-**	57
Interest on gold loans	**-**	1,034
Interest on lease liabilities	**14,625**	-
Other charges	**5,391**	10,621
	63,348	50,360

7. (Loss)/profit before tax

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

	2020	2019
	HK$'000	HK$'000
Cost of goods sold*	**1,777,930**	2,450,509
Reversal of provision for impairment of inventories, net	**(12,499)**	(4,951)
Depreciation of property, plant and equipment	**60,613**	58,103
Depreciation of right-of-use assets	**198,171**	-
Minimum lease payments in respect of operating leases**	**-**	217,291
Lease payments not included in the measurement of lease liabilities	**3,321**	-
Auditor's remuneration	**2,940**	2,970
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	**539,351**	630,839
Pension scheme contributions***	**7,585**	8,486
Employee benefit obligations	**127**	339
	547,063	639,664
Impairment of property, plant and equipment	**3,447**	-
Impairment of right-of-use assets	**13,011**	-
Impairment of trade receivables, net	**1,116**	12,654
Fair value loss on gold loans designated as at fair value through profit or loss****	**-**	2,509
Loss on disposal of items of property, plant and equipment	**364**	1,364

* Cost of goods sold includes HK$95,451,000 (2019: HK$103,198,000) relating to employee benefit expense, depreciation of property, plant and equipment and depreciation of right-of-use assets (2019: operating lease payments), which are also included in the respective total amounts disclosed separately above under each of these types of expenses.

** This included contingent rental in relation to shopping malls of HK$1,628,000 while the commission payables in relation to sales counters in department stores were not included for the year ended 31 March 2019.

*** At 31 March 2020, there were no forfeited contributions available to the Group to reduce its contributions to pension schemes in future years (31 March 2019: Nil).

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

8. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the Year. Taxes on profits assessable in places other than Hong Kong have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2020	2019
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the Year	**4,728**	6,673
Overprovision in prior years	**(582)**	(60)
Current – other than Hong Kong		
Charge for the Year	**15,938**	30,359
Underprovision in prior years	**59**	18
Deferred	**9,583**	8,285
	29,726	45,275

9. Dividends

	2020	2019
	HK$'000	HK$'000
Interim dividend declared and paid (2018/19: HK$0.048 per ordinary share)	**-**	11,902
Final dividend declared and paid (2018/19: HK$0.056 per ordinary share)	**-**	13,919
	-	25,821

The Board did not recommend the payment of any dividend for the Year.

10. (Loss)/earnings per share attributable to owners of the Company

The calculation of basic (loss)/earnings per share amount is based on the loss for the Year attributable to owners of the Company of HK$89,670,000 (2019: profit attributable to owners of the Company of HK$54,161,000), and the weighted average number of ordinary shares of 248,837,561 (2019: 247,871,246) in issue during the Year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 March 2020.

No diluted earnings per share amounts have been presented for the year ended 31 March 2019 as the impact of the share options outstanding had no diluting effect on the basic earnings per share amounts presented.

11. Trade receivables

	2020	2019
	HK$'000	HK$'000
Trade receivables	**91,105**	160,920
Impairment	**(13,322)**	(12,804)
	77,783	148,116

The Group's retail sales are normally made on a cash basis. Credit card receivables from financial institutions in respect of retail sales are aged within one month. Apart from retail customers, the Group allows an average credit period from 30 to 90 days for other customers. 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 ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowances, is as follows:

	2020	2019
	HK$'000	HK$'000
Within 1 month	**59,397**	139,414
1 to 2 months	**9,680**	2,827
2 to 3 months	**6,879**	1,298
Over 3 months	**1,827**	4,577
Total trade receivables	**77,783**	148,116

12. Trade payables

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

	2020	2019
	HK$'000	HK$'000
Within 1 month	**64,392**	40,551
1 to 2 months	**714**	51,239
2 to 3 months	**44,501**	36,443
Over 3 months	**136,111**	96,270
Total trade payables	**245,718**	224,503

The trade payables are non-interest-bearing.

13. Share capital

	2020	2019
	HK$'000	HK$'000
Authorised:		
1,500,000,000 ordinary shares of HK$0.25 each	**375,000**	375,000
Issued and fully paid:		
249,182,030 (31 March 2019: 248,551,651) ordinary shares of HK$0.25 each	**62,296**	62,138

13. Share capital (continued)

A summary of the movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK$'000
At 1 April 2018	246,836,860	61,709
Scrip issue (note 1)	1,714,791	429
At 31 March 2019 and 1 April 2019	248,551,651	62,138
Scrip issue (note 2)	630,379	158
At 31 March 2020	249,182,030	62,296

Note 1: The scrip issue included the scrip dividends for 2017/18 second interim dividend and 2018/19 interim dividend, resulting in the issue of 1,714,791 shares for a total consideration of HK$3,625,000, representing an increase of share capital and share premium of HK$429,000 and HK$3,196,000, respectively.

Note 2: The scrip issue included the scrip dividends for 2018/19 final dividend, resulting in the issue of 630,379 shares for a total consideration of HK$1,007,000, representing an increase of share capital and share premium of HK$158,000 and HK$849,000, respectively.

14. Pledge of assets

(a) In the prior year, the Group entered into banking facility arrangements with a bank pursuant to which the Group's land and buildings in Hong Kong with an aggregate carrying value as at 31 March 2020 of HK$75,278,000 (31 March 2019: HK$77,789,000) 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 (the "Existing Facilities").

On 29 March 2019, the Group entered into a facilities agreement (the "New Facilities") with Hang Seng Bank Limited, China CITIC Bank International Limited, China Construction Bank (Asia) Corporation Limited, Fubon Bank (Hong Kong) Limited, United Overseas Bank Limited, Chong Hing Bank Limited and Bangkok Bank Public Company Limited, Hong Kong Branch acting as mandated lead arrangers and original lenders, pursuant to which certain loan facilities, comprising a term loan and a revolving loan, in the aggregate amount of HK$820,000,000 had been granted. The New Facilities was used to repay the Existing Facilities and the Notes, as mentioned in note 14(b), on 26 April 2019. The legal charge of the land and buildings under the Existing Facilities was released and mortgaged again under New Facilities 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 those banks.

(b) In the prior year, the Group entered into a subscription agreement with two institutional investors for senior secured notes (the "Notes") issued by a subsidiary of the Group 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 were pledged by way of a first floating charge (the "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. The Notes were fully redeemed on 26 April 2019 and the Floating Charge was consequently released.

(c) As at 31 March 2020, time deposits of the Group denominated in Renminbi equivalent to approximately HK$232,003,000 (31 March 2019: HK$159,302,000) have been pledged to secure for standby letters of credit relating to a cross border treasury arrangement.

FINAL DIVIDEND

No interim dividend was declared during the Year, and the Board do not recommend the payment of final dividend for the Year (2018/19 total dividend: 10.4 HK cents per ordinary share of the Company).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 3 September 2020 to Tuesday, 8 September 2020 (both days inclusive), for the purpose of ascertaining shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Tuesday, 8 September 2020 (the "2020 AGM"). During the above closure period, no transfer of shares will be registered. In order to be entitled to attend and vote at the 2020 AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. (Hong Kong Time) on Wednesday, 2 September 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of the Group

The turnover of the Group for the Year decreased by 28.3% to HK$2,913.8 million from HK$4,064.9 million for 2018/19. The Group recorded a loss attributable to owners of the Company for the Year of HK$89.7 million as compared to a profit attributable to owners of the Company for 2018/19 of HK$54.2 million. The loss per share for the Year was 36.0 HK cents.

The Year was undoubtedly one of the most difficult trading years that the Group has encountered in a very long time. Firstly, the Year started against the backdrop of the protracted trade dispute between the world's two largest economies, which had already slowed the global economic growth and weakened consumer sentiment in our main markets. Although the United States and China signed the phase one trade agreement in January 2020, a comprehensive trade consensus continued to appear beyond reach with the major issues remained unresolved that keep on bringing negative impact to the Group's businesses. Secondly, the social unrest in Hong Kong from June 2019 took a heavy toll on inbound tourism and local sales, which put a drag on the Group's business. The Hong Kong economy contracted by 1.2% for 2019 as a whole. Lastly, the novel coronavirus outbreak which started towards the end of 2019 proved devastating, not only to the already weakened retail market in Hong Kong but also to the operations of all retailers in Mainland China. Business closures and large-scale layoffs have occurred in these regions (our major operating regions) and more are expected.

In such a tough business environment, the Group has imposed various cost saving measures, including ongoing negotiations with landlords for rental relief or reduction, minimization of staff costs, general and administrative expenses and other operating costs, and store network streamlining. In addition, the Group has applied more proactive operating tactics, such as adjusting our product portfolio and marketing strategies to stimulate sales and lowering our inventory level to reduce holding costs. As we anticipate that the upcoming financial year will be similarly challenging for the Group, we will continue to enhance our cost effectiveness not only to successfully get through the current crisis but also to ensure that we are well-positioned for the economic and retail recovery when it comes.

Business Review

Retailing Business
Hong Kong and Macau

As previously mentioned, our Hong Kong business suffered the triple blow of the US-China trade dispute, the local social instability and the global coronavirus pandemic, all severely impacted our sales due to the resulting significant drop in tourist numbers and the dwindling confidence of local consumers. With the coronavirus outbreak, we also saw a deterioration in the sales performance of our Macau stores during the first quarter of 2020. During the Year, the turnover of our Hong Kong and Macau retail businesses decreased by 44.6% as compared to 2018/19 with minus 41.6% same store sales growth. As gold prices soared, the average amount of invoice slightly increased by 3.4%.

The Group opened 4 new stores in Hong Kong at Tsim Sha Tsui, Tung Chung, Nam Cheong and North Point as committed at the beginning of the Year, prior to the social unrest and coronavirus pandemic. In response to said crises, we have adjusted our business strategies and are now taking a very prudent approach to our future retail business development in Hong Kong. Enhancing cost effectiveness has been one of the Group's ongoing pursuits. In the face of the exceptionally high rentals in Hong Kong, following negotiations, many landlords have offered us rental cuts to help us tide over the current tough operating period, though far from comparable to our decrease in sales. We will keep on negotiating with landlords for further rental concessions as and when required. We have also reviewed our retail network and considered store closures. The Group will continue to implement stringent cost management and streamline our store network in order to weather the current turbulence while maintaining healthy and strategic operations.

Mainland China

The Group recorded a year-on-year decrease of 20.8% in the turnover of our self-operated stores in Mainland China with negative same store sales growth of 21.3% during the Year. The reduction in retail sales was mainly due to the protracted US-China trade war, which had caused a slowdown in China's economy dating back to the beginning of the Year, as well as the sudden outbreak of novel coronavirus in January 2020, which sent sales plummeting as the country locked down in response. Chinese cities near to the epicenter of the outbreak were quarantined, resulting in the closure of many shopping malls and outlets during the traditional peak season of the retail industry.

During the Year, 12 new self-operated stores and 78 new franchised stores were opened, driving the net increase of our total number of stores in Mainland China from 435 to 445 (including 192 self-operated stores and 253 franchised stores). We will continue to optimize our retail network in Mainland China while at the same time exercise caution by keeping a watchful eye on the evolving pandemic and any other negative market changes.

The Group has capitalized on the prevalence of e-commerce in Mainland China through our official website for mobile users, which has extended our market reach, particularly into the youth market, and expanded the demand for our jewellery. Our successful launch of the new flagship self-run store on the JD platform in August 2019 has enhanced our online customer service, strengthening our foothold in the online market in Mainland China. Going forward, we will put more effort into developing e-business strategies and channels to boost the online-to-offline and offline-to-online synergies.

Malaysia

Our retail business in Malaysia recorded a growth in turnover of 19.3% year-on-year, supported by the spectacular marketing event "The Expressions of Love" and special in-store craftsmanship demonstration for Malaysian customers held last summer, which helped to partially offset the negative effects deriving from the subsequent nationwide compulsory business closure due to the coronavirus that the Malaysian government imposed in mid-March 2020. After our store opening at the Mid Valley Southkey Megamall, the number of retail stores in Malaysia increased to 6 as at the end of the Year. We will continue endeavouring to maintain our brand presence beyond the Greater China region going forward.

Wholesale Business

Despite a year-on-year growth trend since the commencement of our Mainland China franchise business, the turnover of our wholesale business decreased by 27.8% during the Year due to the coronavirus outbreak, which decimated franchisee sales and resulted in some shop closures in the last quarter. The total number of our franchised stores increased from 230 as at the end of 2018/19 to 253 by the end of the Year. As a responsible business partner, we have implemented relief plans to help franchisees ride out the pandemic together. Strategies for boosting sales in the franchised stores are also being formulated to improve our wholesale business performance when the coronavirus epidemic in China stabilizes and eventually subsides.

Other Businesses

Our e-business has been steadily growing in recent years and achieved a 17.2% year-on-year increase in turnover for the Year. Apart from our own official website, which registered booming sales, the Group has also cooperated with popular e-commerce platforms, such as JD.com, Tmall, Taobao and HKTVmall, to further expand our online presence. As the retail landscape transforms, we believe that e-business will become a significant and sustainable source of revenue for the Group. We will continue to expand our online presence through various channels and strengthen our collaboration with other e-commerce platforms as the opportunity arises, while maintaining the high quality of our products and an exceptional customer experience to further bolster the online-to-offline and offline-to-online effects.

Outlook

The global economy and retail market, particularly for luxury goods, have been devastated by the coronavirus pandemic. Although we are starting to see signs that the tide of the pandemic may be beginning to turn in some regions, caution is still required as uncertainty abounds. It will still take time for consumer confidence to return even after the outbreak subsides, in order to drive any retail recovery. The worldwide economy in the upcoming financial year is expected to stay under the shadow of further trade negotiations between the United States and China, exerting more pressure on our businesses. In addition, no end is in sight for the social unrest in Hong Kong, which has undermined the local economy and consumer sentiment, at this time. While the recovery of our retail business in Mainland China mainly depends on the abatement of the coronavirus outbreak, the recovery of our Hong Kong business hinges on the resolution of both the pandemic and social unrest, making it much more difficult to predict in the near term.

In this challenging situation, the Group will continue to put in place more effective cost saving measures and streamline the workflow and organizational structure to enhance cost effectiveness and our business efficiency as a whole. Staying alert to the volatile economic and market conditions, we will also adjust our business strategies and optimize our retail network in a timely and forward-looking manner. In particular, the Group's management will take a cautious approach to retail business development and make decisions on any lease renewal, store opening or closure after careful consideration of various factors that could bring synergistic effect to the Group's performance. With our solid foundation and brand presence, we are confident that the Group will overcome the current difficulties and thrive in the long run.

At this critical juncture, we will continue to provide customers with new and exquisite products and personalized services, adhering to the Group's brand positioning of "Trendsetting Craftsmanship". To embrace the new retail era is to create a seamless shopping experience for customers to shop anytime and anywhere. Therefore, going forward, we will attach greater importance to e-business development and seek to elevate customer experience in an online environment. We believe that this will help attract consumers and strengthen brand equity, contributing to the future success of the Group.

Financial Structure

Capital expenditure, comprising mainly store renovation and expansion, furniture & fixtures and machinery, incurred during the Year amounted to approximately HK$98.6 million (2018/19: HK$105.9 million), which was mainly financed by borrowings and funds generated from internal resources.

As at 31 March 2020, the Group's total interest-bearing liabilities increased from approximately HK$787.7 million (as at 31 March 2019) to approximately HK$1,013.8 million, which included current interest-bearing bank and other borrowings of HK$446.2 million and also non-current interest-bearing bank and other borrowings of HK$567.6 million. Net borrowings (total interest-bearing liabilities less cash and cash equivalents and time deposits) increased from HK$377.1 million (as at 31 March 2019) to HK$445.0 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 incurred.

The net gearing ratio (the ratio of total interest-bearing liabilities, which excludes lease liabilities, (less cash and cash equivalents and time deposits) to total equity) increased from 35% to 49% during the Year. All borrowings of the Group are denominated in Hong Kong dollars or Renminbi. Interest on bank borrowings is calculated on either the inter-bank interest rate or the prime rate or the benchmark interest rate.

As at 31 March 2020, the Group had time deposits, cash and bank balances, and undrawn banking facilities of approximately HK$568.8 million and HK$247.2 million respectively which, in the opinion of the directors of the Company, 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 Hong Kong dollars, Renminbi and United States dollars. Renminbi is not a freely convertible currency and any significant exchange rate fluctuation of Renminbi may have financial impacts on the Group. The Board believes that such foreign exchange exposure is manageable by using natural hedges that arise from holding assets and liabilities denominated in the same foreign currencies, and that the Group's exposure to foreign exchange fluctuation remains minimal. We will continue to closely monitor the Group's foreign exchange position.

Charge on Group Assets and Contingent Liabilities

Charges on the Group's assets during the Year are disclosed in note 14 to the consolidated financial statements. The Group did not have any material contingent liabilities which have not been provided for in the financial statements as at 31 March 2020 (as at 31 March 2019: Nil).

Human Resources

As at 31 March 2020, the total number of employees of the Group was approximately 2,870 (as at 31 March 2019: 3,300). The decrease was mainly attributable to the reorganization and streamlining of the Group's manpower structure with due regard to our business strategies and the natural turnover under stressed market conditions. There were no major changes in human resources policies.

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

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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for the deviation of code provision A.2.1 of the CG Code as expressly provided below.

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 2020 AGM will be held on Tuesday, 8 September 2020. A notice of the 2020 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 June 2020

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. HUANG Erwin Steve

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