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

(*Incorporated in Bermuda with limited liability*)

(Stock Code: 417)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

FINANCIAL HIGHLIGHTS

	Six months ended 30 September	
	2022	2021
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Turnover	**1,248,184**	1,397,778
Profit from operations	**40,885**	49,094
Profit attributable to owners of the Company	**1,919**	2,690
Basic earnings per share	**0.8 HK cents**	1.1 HK cents
Total equity attributable to owners of the Company	**902,096**	1,048,479†
Equity attributable to owners of the Company per share	**HK$3.62**	HK$4.21†

†*figure as at 31 March 2022 (audited)*

BUSINESS HIGHLIGHTS

- The consolidated turnover for the six months ended 30 September 2022 decreased by 10.7% period-on-period to HK$1,248.2 million.

- Profit attributable to owners of the Company for the six months ended 30 September 2022 was HK$1.9 million, reduced by 28.7% as compared with the same period last year.

* *For identification purpose only*

RESULTS

The board of directors (the "Board") of Tse Sui Luen Jewellery (International) Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2022 (the "Period"). The interim results for the Period have been reviewed by the Company's audit committee (the "Audit Committee").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Notes	Six months ended 30 September **2022** **HK$'000** **(unaudited)**	 2021 HK$'000 (unaudited)
Turnover	4	**1,248,184**	1,397,778
Cost of sales		**(802,364)**	(886,924)
Gross profit		**445,820**	510,854
Other income and gains, net		**31,592**	16,531
Selling and distribution expenses		**(360,305)**	(400,528)
Administrative expenses		**(76,222)**	(77,763)
PROFIT FROM OPERATIONS		**40,885**	49,094
Finance costs		**(28,325)**	(18,377)
PROFIT BEFORE TAX	5	**12,560**	30,717
Income tax expense	6	**(10,768)**	(28,074)
PROFIT FOR THE PERIOD		**1,792**	2,643
ATTRIBUTABLE TO :			
Owners of the Company		**1,919**	2,690
Non-controlling interests		**(127)**	(47)
		1,792	2,643
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	8	**0.8 HK cents**	1.1 HK cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Six months ended 30 September	
	2022	2021
	HK$'000	HK$'000
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	**1,792**	2,643
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(148,398)**	32,481
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(148,398)**	32,481
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(146,606)**	35,124
ATTRIBUTABLE TO :		
Owners of the Company	**(146,383)**	35,176
Non-controlling interests	**(223)**	(52)
	(146,606)	35,124

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2022

	Notes	**At 30 September 2022 HK$'000 (unaudited)**	At 31 March 2022 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**102,461**	97,034
Investment properties		**26,803**	26,803
Right-of-use assets		**236,777**	183,888
Intangible assets		**99**	99
Other asset		**500**	500
Prepayments and deposits		**52,295**	24,685
Deferred tax assets		**38,191**	38,340
		457,126	371,349
CURRENT ASSETS			
Inventories		**1,541,314**	1,369,451
Trade receivables	9	**98,927**	92,655
Prepayments, other receivables and other assets		**59,577**	129,288
Tax recoverable		**9,628**	7,192
Time deposits		**340,000**	382,725
Cash and cash equivalents		**249,369**	354,507
		2,298,815	2,335,818
CURRENT LIABILITIES			
Trade payables	10	**(327,343)**	(250,034)
Other payables and accruals		**(226,241)**	(293,213)
Interest-bearing bank and other borrowings		**(432,700)**	(920,409)
Lease liabilities		**(101,985)**	(87,984)
Tax payable		**(18,348)**	(19,481)
		(1,106,617)	(1,571,121)
NET CURRENT ASSETS		**1,192,198**	764,697
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,649,324**	1,136,046

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AT 30 SEPTEMBER 2022

	Note	**At 30 September 2022 HK$'000 (unaudited)**	At 31 March 2022 HK$'000 (audited)
NON-CURRENT LIABILITIES			
Other payables and accruals		**(3,673)**	(2,161)
Interest-bearing bank and other borrowings		**(638,295)**	-
Employee benefit obligations		**(1,301)**	(1,301)
Lease liabilities		**(81,314)**	(61,210)
Deferred tax liabilities		**(23,302)**	(23,329)
		(747,885)	(88,001)
NET ASSETS		**901,439**	1,048,045
EQUITY			
Equity attributable to owners of the Company			
Issued capital	11	**(62,296)**	(62,296)
Reserves		**(839,800)**	(986,183)
		(902,096)	(1,048,479)
Non-controlling interests		**657**	434
TOTAL EQUITY		**(901,439)**	(1,048,045)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the Group's financial statements for the year ended 31 March 2022. These interim 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 interim consolidated financial statements have been prepared under historical cost convention.

These interim consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the Group's financial statements for the year ended 31 March 2022, except for the adoption of the following revised HKFRSs which become effective for accounting periods beginning on or after 1 April 2022 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 interim consolidated financial statements:

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

2. Changes in accounting policies and disclosures (continued)

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

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 April 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 April 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 April 2021, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 April 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

2. Changes in accounting policies and disclosures (continued)

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 April 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3a. Operating segment information

For management purposes, the Group is organised into business units based on business nature and has four (2021: four) reportable operating segments as follows:

(a) Retail Business (including Hong Kong, Macau, Mainland China and Malaysia);

(b) Wholesale Business;

(c) E-Business; and

(d) Other Businesses.

Retail Business includes direct retail sales of jewellery products to end consumers through the physical outlets carrying the 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 sales of jewellery products to customers.

E-Business includes sales of jewellery products to customers on e-commerce platforms.

Other Businesses include others.

3a. Operating segment information (continued)

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, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that unallocated expenses, non-lease-related finance costs and income tax expense are excluded from such measurement.

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.

Six months ended 30 September 2022	Retail Business HK$'000 (unaudited)	Wholesale Business HK$'000 (unaudited)	E-Business HK$'000 (unaudited)	Other Businesses HK$'000 (unaudited)	Total HK$'000 (unaudited)
Segment revenue:					
Sales to external customers	**721,251**	**275,050**	**207,120**	**5,901**	**1,209,322**
Other revenue	**38,862**	**-**	**-**	**-**	**38,862**
	760,113	**275,050**	**207,120**	**5,901**	**1,248,184**
Segment results:	**(13,206)**	**58,415**	**9,957**	**(2,127)**	**53,039**
Reconciliation:					
Unallocated expenses					**(16,659)**
Finance costs (other than interest on lease liabilities)					**(23,820)**
Profit before tax					**12,560**
Income tax expense					**(10,768)**
Profit for the Period					**1,792**

3a. Operating segment information (continued)

Six months ended 30 September 2021	Retail Business HK$'000 (unaudited)	Wholesale Business HK$'000 (unaudited)	E-Business HK$'000 (unaudited)	Other Businesses HK$'000 (unaudited)	Total HK$'000 (unaudited)
Segment revenue:					
Sales to external customers	815,561	371,424	166,775	5,898	1,359,658
Other revenue	38,120	-	-	-	38,120
	853,681	371,424	166,775	5,898	1,397,778
Segment results:	23,150	74,406	6,205	(1,772)	101,989
Reconciliation:					
Unallocated expenses					(56,310)
Finance costs (other than interest on lease liabilities)					(14,962)
Profit before tax					30,717
Income tax expense					(28,074)
Profit for the period					2,643

3b. Geographical information

Revenue from external customers

	Six months ended 30 September	
	2022	2021
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Hong Kong and Macau	**290,027**	244,720
Mainland China	**899,640**	1,134,495
Other countries	**58,517**	18,563
	1,248,184	1,397,778

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

4. Turnover

The principal activities of the Group are the manufacturing, sales and marketing of jewellery products and the provision of service. Turnover represents the sales value of jewellery products sold to customers, net of value added tax and discount, and service income. An analysis of turnover is as follows:

	Six months ended 30 September	
	2022	2021
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers		
Sales of jewellery products	**1,209,322**	1,359,658
Service income	**38,862**	38,120
	1,248,184	1,397,778

5. Profit before tax

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

	Six months ended 30 September	
	2022	2021
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Cost of goods sold*	**803,715**	865,182
(Reversal)/provision for impairment of inventories	**(1,351)**	21,742
Depreciation of property, plant and equipment	**19,718**	18,482
Depreciation of right-of-use assets	**57,876**	51,791
Lease payments not included in the measurement of lease liabilities**	**619**	1,462
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	**219,523**	234,404
Pension scheme contributions***	**2,970**	2,692
	222,493	237,096

5. Profit before tax (continued)

	Six months ended 30 September	
	2022	2021
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Impairment of right-of-use assets	**9,985**	29,584
Loss on disposal of items of property, plant and equipment	**80**	635
Government grants and rent concessions related to COVID-19	**(21,048)**	(11,786)
Foreign exchange differences, net	**441**	2,605

* Comprising cost of sales in the interim consolidated statement of profit or loss and includes HK$44,991,000 (2021: HK$45,604,000) relating to employee benefit expense, depreciation on property, plant and equipment and right-of-use assets, which are also included in the respective type of expenses disclosed separately above.

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

*** At 30 September 2022, there were no forfeited contributions available to the Group to reduce its contributions to pension scheme in future years (30 September 2021: Nil).

6. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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 30 September	
	2022	2021
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current – Hong Kong	**2,949**	13,806
Current – Other than Hong Kong	**8,162**	17,846
Deferred	**(343)**	(3,578)
	10,768	28,074

7. Dividend

The Board resolved not to declare any interim dividend for the six months ended 30 September 2022 (2021: Nil).

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$1,919,000 (2021: HK$2,690,000), and the weighted average number of ordinary shares of 249,182,030 (30 September 2021: 249,182,030) in issue during the Period.

The Group had no potentially dilutive ordinary shares in issue during the period ended 30 September 2022 and 2021.

9. Trade receivables

	At 30 September 2022 HK$'000 (unaudited)	At 31 March 2022 HK$'000 (audited)
Trade receivables	**111,114**	106,096
Impairment	**(12,187)**	(13,441)
	98,927	92,655

The Group's retail sales are normally made on cash basis. Credit card receivables from financial institutions in respect of retail sales are aged within one month. Apart from retail customers, the Group allows an average credit period from 30 to 90 days for other customers. Trade receivables are non-interest-bearing in general.

An ageing analysis of the trade receivables as at the end of the Period, based on the invoice date and net of loss allowance, is as follows:

	At 30 September 2022 HK$'000 (unaudited)	At 31 March 2022 HK$'000 (audited)
Within 1 month	**84,404**	85,736
1 to 2 months	**12,136**	4,201
2 to 3 months	**8**	179
Over 3 months	**2,379**	2,539
Total trade receivables	**98,927**	92,655

10. Trade payables

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

	At 30 September 2022 HK$'000 (unaudited)	At 31 March 2022 HK$'000 (audited)
Within 1 month	**243,465**	85,828
1 to 2 months	**47,680**	29,755
2 to 3 months	**30,260**	24,154
Over 3 months	**5,938**	110,297
Total trade payables	**327,343**	250,034

The trade payables are non-interest-bearing.

11. Share capital

	At 30 September 2022 HK$'000 (unaudited)	At 31 March 2022 HK$'000 (audited)
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 2022: 249,182,030) ordinary shares of HK$0.25 each	**62,296**	62,296

12. Pledge of assets

(a) The Group entered into banking facility arrangements ("Existing Facilities") with banks pursuant to which the Group's land and buildings and investment properties in Hong Kong with an aggregate carrying value as at 30 September 2022 of HK$67,702,000 (31 March 2022: HK$68,497,000) were mortgaged by way of a first legal charge, as securities for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to those banks.

On 6 May 2022, the Group entered into a facilities agreement with Hang Seng Bank Limited, China CITIC Bank International Limited, United Overseas Bank Limited, Fubon Bank (Hong Kong) Limited, Bank Sinopac, Hong Kong Branch and China Construction Bank (Asia) Corporation Limited 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 ("New Facilities") has been granted. The New Facilities was used to repay the Existing Facilities on 17 May 2022, the legal charge of the land and buildings and investment properties under Existing Facilities was released. The Group's land and buildings and investment properties in Hong Kong were mortgaged again under New Facilities by way of a first legal charge, as securities for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to those banks.

(b) The Group entered into a banking facility arrangement with a bank pursuant to which the Group's land and buildings in Hong Kong with a carrying value as at 30 September 2022 of HK$26,378,000 (31 March 2022: HK$26,803,000) were mortgaged by way of a first legal charge, as securities for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to that bank.

(c) During the Period, the Group entered into a banking facility arrangement with a bank pursuant to which the Group's land use right in Mainland China with a carrying value as at 30 September 2022 of HK$28,572,000 (31 March 2022: Nil) were mortgaged as securities for all owing by the Group to that bank.

(d) As at 30 September 2022, time deposits of the Group denominated in Renminbi and totaling equivalent to approximately HK$304,670,000 (31 March 2022: HK$382,725,000) have been pledged to secure standby letters of credit relating to a cross border treasury arrangement.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 September 2022 (30 September 2021: Nil).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overall Financial Results

The turnover of the Group for the Period was HK$1,248.2 million, representing a decrease of 10.7% as compared to HK$1,397.8 million for the six-month period ended 30 September 2021. The profit attributable to owners of the Company for the Period decreased by 28.7% from HK$2.7 million to HK$1.9 million. The earnings per share attributable to owners of the Company for the Period was 0.8 HK cents (for the six-month period ended 30 September 2021: 1.1 HK cents).

Instead of returning to pre-COVID growth paths, the global economy took another hit following the emergence of another wave of COVID-19 driven by the Omicron variant at the beginning of 2022. The surge in the number of infections and the tightened social distancing measures put in place to combat this wave placed a further strain on an already battered global retail industry. China's economy inevitably slowed down resulting in sluggish retail sales growth as strict containment measures were re-imposed during the Period. On the positive side, the Hong Kong and Macau Governments implemented new phases of their respective consumption voucher schemes which helped to boost local economies; and following the vaccination drives and the lifting of restrictions, we saw Malaysia's economy start a robust post-COVID recovery. During the challenging times, the Group managed to offset some of the negative impacts on its sales performance by achieving e-business growth.

In response to the gloomy economic outlook and the decline in consumer sentiment caused by the prolonged epidemic, persistent political tensions and aggressive interest rate hikes, the Group endeavored to enhance its product offering and customer service across the different market segments under "TSL | 謝瑞麟", "TSL TOSI" and "DUO by TSL" brands, adhering to the overarching brand positioning of "Trendsetting Craftsmanship". For example, our "MADE-TO-ORDER" service available in both physical and online stores enables couples to express their unique love for one another by personalizing and crafting their pair of distinctive and one-of-a-kind couple rings from a selection of designs, colors, materials, anniversary stones, engraving styles and more. Given the global economy clouded by uncertainties, the Group would maintain prudent management and keep a close track of the market situation in order to be able to quickly adjust its business strategies as and when the circumstances required.

Review and Outlook

Retailing Business

Hong Kong and Macau

The gradual relaxation of the quarantine and testing arrangements for inbound visitors, the launch of the Employment Support Scheme and the new phase of the Consumption Voucher Scheme by the Hong Kong Government all helped to improve the business environment. Local retail sales experienced a certain level of revival and increased momentum, in particular the fall in gold prices led to encouraging growth in demand for gold products during the Period. In Macau, cross-border travel restrictions resulted in weak retail sales performance. As the local outbreak subsequently came under control, the Macau Government loosened the entry requirements and shortened the quarantine duration for inbound travelers in September 2022. Retail performance was boosted by the recovery in tourist arrivals. Therefore, the Group recorded an increase in the turnover of Hong Kong and Macau retail businesses with same-store sales growth.

The Group's brand "DUO by TSL" has been well developed and received in Hong Kong with its strategic promotion successfully establishing a market presence and capturing additional local sales. "DUO" symbolizes the enduring commitment behind a wealth of memories, representing the perfect courtship in which two parties are intertwined and complementary. The shop designed in the style of Nordic simplicity has attracted a large number of young customers. In addition, we have strengthened our retail network in Macau with a new flagship store inauguration in October 2022, which is situated at the Shoppes at Londoner and adopts fresh Scandinavian Minimalism store image. The Group will capture the business opportunities brought by the relaxation of quarantine policy for arrivals and continue to optimize its store portfolio in Hong Kong and Macau.

Mainland China

Retail business in Mainland China has consistently been a key contributor to the Group's turnover and thus profitability. During the Period, due to the implementation of stringent social restrictions to curb the sporadic COVID-19 outbreaks occurred across major Chinese cities, domestic demand and consumer sentiment have plunged significantly. The Group recorded a decline in turnover in its self-operated stores and negative same-store sales growth in its Mainland China operation. To alleviate the adverse impacts of the economic downturn, the Group has enhanced its product portfolio and carried out effective cost control. In light of consumers' increasing preference for fashionable fine gold products, the Group will continue to invest in featured collections of gold products.

The Group has been pursuing excellent design and craftsmanship while keeping abreast of the market trends. "TSL TOSI" stores located in Suzhou, Guangzhou and Shanghai were designed based on the concept of "Embrace the True You" to showcase different styles of affordable and chic jewellery accessories so that each customer can embrace the unique beauty of their true personality. The brand features diverse styles and epitomizes "light luxury", which has successfully broadened the Group's customer base, especially the younger generations. Going forward, the Group will adopt a cautious approach to explore new creative ideas and develop its store network in Mainland China, and also closely monitor the retail market to better serve its customers.

Malaysia

The Group achieved promising boost of turnover of retail business in Malaysia during the Period. We have benefited immensely from the strong rebound in tourism and retail industry after Malaysia reopened its borders to fully vaccinated international travelers with no quarantine requirement from April 2022. Normalcy has largely resumed, with people's lives getting back on track. Consumer spending, which had been constrained by the national lockdowns during the corresponding period last year, has rebounded swiftly together with the revival of economic activities. The Group will continue to extend its store network at strategic locations in Malaysia to bolster sales performance and brand recognition.

Wholesale Business

Performance of the Group's wholesale business during the Period was adversely affected by the implementation of sudden and frequent lockdowns in certain regions of Mainland China and the economic slowdown. Along with the prudent expansion of the franchised store network across Mainland China, the Group anticipates that its wholesale business will develop progressively in the future. We will further deepen our market penetration by attracting and cooperating with more prospective business partners.

E-Business

During the Period, the Group recorded an encouraging double-digit increase in turnover for e-business, which has been and will continue to be one of our critical sales growth drivers going forward. As the epidemic has significantly altered customer behavior and accelerated the growth of e-business in recent years, the Group has continuously revamped its Hong Kong and Mainland China official eShops to tap into the market and boost sales. By creating live streams to interact with younger consumers, strengthening collaboration with Key Opinion Leaders and Key Opinion Consumers, enhancing customer experience with improved online ordering and payment systems, interactions between online and offline channels have been stimulated, creating synergy between the channels for the Group.

In addition, the Group has reached a wider target market through refined product assortments to meet the customers' rising demand for fashionable and affordable products, as well as various holiday marketing campaigns and seasonal promotions on major online marketplaces, such as Tmall, JD.com, VIP.com in Mainland China and HKTVmall in Hong Kong. The Group will continue the development of its online business and the close cooperation with e-commerce platforms to achieve healthy expansion.

Financial Structure

Capital expenditure, comprising mainly store renovation, furniture and fixtures and machinery as well as additions to building and prepaid land lease, incurred during the Period amounted to HK$56.5 million (for the six-month period ended 30 September 2021: HK$15.6 million), which was mainly financed by borrowings and funds generated from internal resources.

As at 30 September 2022, the Group's total interest-bearing liabilities increased from HK$920.4 million as at 31 March 2022 to HK$1,071.0 million, including current interest-bearing bank and other borrowings of HK$432.7 million and non-current interest-bearing bank and other borrowings of HK$638.3 million. Net borrowings (total interest-bearing liabilities less cash and cash equivalents and time deposits) increased from HK$183.2 million (as at 31 March 2022) to HK$481.6 million.

Internally generated funds and borrowings have mainly been applied during the Period to finance the enhancement of the Group's inventory and capital expenditure incurred.

As at 30 September 2022, the net gearing ratio (the ratio of total interest-bearing liabilities (less cash and cash equivalents and time deposits) to total equity) increased to 53.4% (as at 31 March 2022: 17.5%). All borrowings of the Group are denominated in Hong Kong dollars and Renminbi. Interest on bank borrowings is calculated on either the inter-bank interest rate or the prime rate or the benchmark interest rate.

As at 30 September 2022, the Group had time deposits, cash and bank balances of HK$589.4 million, which were mostly denominated in Hong Kong dollars, Renminbi and United States dollars, and in the opinion of the directors of the Company, are sufficient to satisfy the Group's present working capital requirements.

Exchange Rates

During the Period, the transactions of the Group were mainly denominated in Hong Kong dollars, Renminbi and United States dollars. Renminbi is not a freely convertible currency and any significant exchange rate fluctuation of Renminbi may have financial impacts on the Group. The Board is of the view that such foreign exchange exposure is manageable by using natural hedges that arise from holding assets and liabilities denominated in the same foreign currencies, and that the Group's exposure to foreign exchange fluctuation remains minimal. The Group will continue to closely monitor its foreign exchange position.

Charge on Group Assets and Contingent Liabilities

Charge on the Group's assets during the Period is disclosed in note 12 to this interim results announcement. The Group did not have any material contingent liabilities which have not been provided for in the financial statements as at 30 September 2022 (as at 31 March 2022: Nil).

Human Resources

As at 30 September 2022, the total number of employees of the Group was approximately 2,360 (as at 30 September 2021: 2,350). The change was with due regard to the Group's business strategies and the market conditions. There were no major changes in human resources policies.

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

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

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 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 to the Listing Rules, except for the deviation of code provision C.2.1 of the CG Code as expressly stated below.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and clearly established and set out in writing. During the 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 has reviewed the Company's unaudited consolidated financial statements and interim report for the Period, including the accounting principles and practices adopted by the Group, and discussed with management regarding auditing, risk management, internal control and financial reporting matters.

At the request of the Audit Committee, Messrs. Ernst & Young, the auditor of the Company (the "Auditor"), has performed certain agreed-upon procedures on the Group's interim condensed consolidated financial statements for the Period in accordance with Hong Kong Standard on Related Services 4400 (Revised) "Agreed-Upon Procedures Engagements".

The agreed-upon procedures were performed solely to assist the Audit Committee to review the interim results of the Group for the Period. As the agreed-upon procedures did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA, the Auditor does not express any assurance on the interim results of the Group. The Audit Committee has reviewed with the management of the Company the consistency of accounting policies adopted by the Group in preparing this interim financial information and the relevant disclosures made in accordance with the requirements of HKAS 34 and Appendix 16 to the Listing Rules.

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

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

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

Hong Kong, 23 November 2022

At the date of this announcement, the Board comprises:

Executive Directors:
Ms. YAU On Yee, Annie
Ms. NG Yi Kum, Estella

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