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 2010/2011

RESULTS

The board of directors (the "Board") of Tse Sui Luen Jewellery (International) Limited (the "Company") announces that the consolidated profit attributable to owners of the Company for the year ended 28 February 2011 was HK$176,118,000 (2010: HK$121,690,000). The basic earnings per share was HK$0.84 (2010: HK$0.58). The consolidated results of the Company and its subsidiaries (the "Group") for the year ended 28 February 2011 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2011

	Note	**2011 HK$'000**	2010 HK$'000
Turnover	4	**2,517,543**	2,017,572
Cost of goods sold		**(1,224,836)**	(952,621)
Gross profit		**1,292,707**	1,064,951
Other income	5	**5,813**	9,800
Selling expenses		**(964,970)**	(776,400)
Administrative expenses		**(116,568)**	(95,495)
Profit from operations		**216,982**	202,856
Write back of tax surcharge and interest/compounds provision	7 (b)	**19,389**	-
Finance costs	6 (a)	**(5,708)**	(3,761)
Profit before taxation	6	**230,663**	199,095
Taxation	7	**(30,425)**	(52,344)
Profit for the year		**200,238**	146,751
Other comprehensive income			
Exchange difference arising on translation of financial statements of foreign subsidiaries		**34,117**	2,717
Other comprehensive income for the year, net of tax		**34,117**	2,717
Total comprehensive income for the year		**234,355**	149,468

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)
FOR THE YEAR ENDED 28 FEBRUARY 2011

	Note	**2011** **HK$'000**	2010 HK$'000
Profit attributable to :			
Owners of the Company		**176,118**	121,690
Non-controlling interests		**24,120**	25,061
		200,238	146,751
Total comprehensive income attributable to:			
Owners of the Company		**206,764**	124,360
Non-controlling interests		**27,591**	25,108
		234,355	149,468
Earnings per share			
Basic	9	**84 cents**	58 cents
Diluted	9	**N/A**	58 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 28 FEBRUARY 2011

	Note	28 February 2011 HK$'000	28 February 2010 HK$'000 (restated)	1 March 2009 HK$'000 (restated)
Non-current assets				
Property, plant and equipment		**124,538**	118,593	134,625
Other asset		**500**	500	500
Deferred tax assets		**19,015**	22,244	26,732
		144,053	141,337	161,857
Current assets				
Inventories		**1,268,497**	954,714	760,761
Trade and other receivables	10	**233,437**	183,982	162,501
Current tax assets		**1,349**	1,038	116
Cash at bank and in hand		**121,935**	176,894	127,121
		1,625,218	1,316,628	1,050,499
Current liabilities				
Trade and other payables	11	**(554,249)**	(501,302)	(393,235)
Bank overdrafts – secured		**(18,054)**	(19,364)	(22,468)
Bank loans – secured		**(193,880)**	(123,150)	(87,014)
Other loan – secured		-	(6,962)	(21,514)
Other loan – unsecured		-	-	(311)
Obligations under finance leases		**(1,881)**	(107)	(173)
Current tax liabilities		**(37,374)**	(62,179)	(79,179)
		(805,438)	(713,064)	(603,894)
Net current assets		**819,780**	603,564	446,605
Total assets less current liabilities		**963,833**	744,901	608,462
Non-current liabilities				
Obligations under finance leases		**(1,825)**	(203)	(308)
Employee benefit obligations		**(12,745)**	(11,152)	(22,323)
Deferred tax liabilities		**(16,837)**	(12,969)	(6,885)
		(31,407)	(24,324)	(29,516)
NET ASSETS		**932,426**	720,577	578,946
CAPITAL AND RESERVES				
Share capital		**52,584**	52,584	52,203
Reserves		**759,040**	574,782	458,640
Total equity attributable to owners of the Company		**811,624**	627,366	510,843
Non-controlling interests		**120,802**	93,211	68,103
TOTAL EQUITY		**932,426**	720,577	578,946

Notes

1. Adoption of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 March 2010. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

Reclassification of borrowings

In November 2010 the HKICPA issued Hong Kong Interpretation 5 "Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". The Interpretation is effective immediately and is a clarification of an existing standard, HKAS 1 "Presentation of Financial Statements". It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of Hong Kong Interpretation 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the consolidated statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 March 2009, with consequential reclassification adjustments to comparatives as at 28 February 2010. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

1. Adoption of new and revised Hong Kong Financial Reporting Standards (cont'd)

Reclassification of borrowings (cont'd)

Effect of adoption of Hong Kong Interpretation 5 on the consolidated statement of financial position is set out below:

	28 February		1 March
	2011	2010	2009
	HK$'000	HK$'000	HK$'000
Increase/(decrease) in			
Current liabilities			
Other loan - secured	**-**	-	6,962
Bank loans - secured	**56,700**	36,800	12,640
Non-current liabilities			
Other loan - secured	**-**	-	(6,962)
Bank loans - secured	**(56,700)**	(36,800)	(12,640)

2. Statement of compliance

This financial statements has been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

This financial statements has been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to this financial statements, are disclosed in note 3 to the financial statements.

3. Critical judgements and key estimates

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amount recognised in the financial statements.

(i) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

Key sources of estimation uncertainty

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

3. Critical judgements and key estimates (cont'd)

Key sources of estimation uncertainty (cont'd)

(i) Useful lives and depreciation of property, plant and equipment

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

(ii) Net realisable value of inventories

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

(iii) Allowance for bad and doubtful debts

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

(iv) Customer loyalty programmes

The Group measures the cost of the loyalty award credits by reference to the costs of products and gifts redeemed in the prior years and the probability of redemption are estimated by the directors based on the past history. Actual results may different from the estimation.

4. Turnover

The principal activities of the Group are the manufacture, sale and marketing of jewellery products. Turnover represents the sales value of jewellery products sold to customers, net of value added tax and discount.

5. Other income

	2011	2010
	HK$'000	HK$'000
Interest income	**760**	518
Rental income	**159**	651
Others	**4,894**	8,631
	5,813	9,800

6. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	2011	2010
	HK$'000	HK$'000
(a) Finance costs		
Interest on bank loans and overdrafts wholly repayable within five years	**5,650**	3,404
Interest on other loans wholly repayable within five years	**43**	356
Interest element of finance lease payments	**15**	1
	5,708	3,761

The analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayment dates set out in the loan agreements. For the years ended 28 February 2011 and 2010, the interest on bank borrowings which contain a repayment on demand clause amounted to HK$4,789,000 and HK$2,468,000 respectively.

6. Profit before taxation (cont'd)

	2011	2010
	HK$'000	HK$'000
(b) Staff costs		
Contributions to defined contribution retirement schemes	**5,864**	4,775
Adjustment in respect of long service payments	**1,593**	(11,171)
Retirement costs - net	**7,457**	(6,396)
Salaries, wages and other benefits	**343,956**	284,719
	351,413	278,323
(c) Other items		
Auditors' remuneration		
- current year provision		
- auditors of the Company	**2,000**	3,000
- other auditors	**260**	239
- prior year underprovision		
- auditor of the Company	**-**	90
Cost of inventories sold	**1,224,836**	952,621
Depreciation	**42,176**	42,906
Loss on disposal of plant and equipments	**58**	89
Operating lease charges		
- land and buildings situated in Hong Kong	**87,391**	72,410
- land and buildings situated other than in Hong Kong	**23,138**	17,176
(Reversal of provision) / provision for inventories	**(10,830)**	3,560
Rental income from properties less direct outgoings		
- rental income	**(159)**	(651)
- direct outgoings	**18**	66
	(141)	(585)
Reversal of allowance for bad and doubtful debts	**(115)**	(110)

Cost of inventories sold includes HK$62,999,000 (2010: HK$51,793,000) relating to staff costs, depreciation expenses, operating lease charges, which amounts are also included in the respective total amounts disclosed separately above in note 6(b) and 6(c) for each of these types of expenses.

7. Taxation

Taxation recognised in profit or loss in the consolidated statement of comprehensive income represents:-

	2011	2010
	HK$'000	HK$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	**8,122**	3,269
(Overprovision) / underprovision in prior years	**(28,643)**	280
	(20,521)	3,549
Current tax - overseas		
Provision for the year	**44,264**	38,295
Underprovision / (Overprovision) in prior years	**49**	(29)
	44,313	38,266
Deferred tax	**6,633**	10,529
	30,425	52,344

(a) Hong Kong Profits Tax has been provided at a rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Inland Revenue Department ("IRD"), in prior years, issued protective profits tax assessments and additional tax proposals for the years ended 29 February 1996 to 28 February 2005 with respect to the disputes between certain subsidiaries of the Company with IRD regarding the tax treatment of certain offshore income and agents commission payments and promoter fees for prior years (the "Tax Disputes"). The Group has established full provision for all assessments and additional tax proposed issued by IRD in respect of the Tax Disputes in the previous years. The Group has since substantially paid, by monthly instalments, the tax demanded under the Tax Disputes. Provisions for tax surcharges and interest / compounds totalling HK$32 million were also made on the then outstanding balances of assessments and proposed additional tax in prior years.

The Group submitted proposals to IRD on 30 April 2010 for settlement of the Tax Disputes up to the year ended 28 February 2009 and these proposals were accepted by IRD. The Group's subsidiaries respectively received revised assessments on the Tax Disputes totalling HK$67 million in August 2010. Furthermore, in the letters received by the Group in October 2010, IRD agreed, upon payment of compounds of HK$9 million, not to take any further action under the Inland Revenue Ordinance against the Group in relation to the Tax Disputes.

7. Taxation (cont'd)

As at 28 February 2011, all of the tax payable and the related interest / compounds about the Tax Disputes has been fully paid. As the Tax Disputes have been settled, the excessive tax provision and the related tax surcharge and interest / compounds provision of HK$27 million and HK$19 million made in previous years have been written back to the profit or loss in the statement of comprehensive income in the current accounting year.

8. Dividends

	2011 **HK$'000**	2010 HK$'000
Interim of HK$0.027 (2010: HK$0.02) per ordinary share paid	**5,679**	4,207
Proposed final of HK$0.12 (2010: HK$0.08) per ordinary share	**25,240**	16,827
	30,919	21,034

9. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company in the amount of HK$176,118,000 (2010: HK$121,690,000) and on the weighted average number of ordinary shares of 210,336,221 (2010: 209,867,971 ordinary shares) in issued during the year.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in existence during the year ended 28 February 2011 as there was no outstanding share option during the year. The calculation of diluted earnings per share attributable to owners of the Company for the year ended 28 February 2010 was based on the profit attributable to the owners of the Company in the amount of HK$121,690,000 and on the weighted average number of ordinary shares of 210,127,513 adjusted for the effects of exercise of share options.

10. Trade and other receivables

	2011 **HK$'000**	2010 HK$'000
Trade receivables	**173,031**	140,839
Other receivables, deposits and prepayments	**75,884**	58,736
	248,915	199,575
Less: Allowance for bad and doubtful debts (note (c))	**(15,478)**	(15,593)
	233,437	183,982

(a) Included in trade and other receivables are trade receivables (net of allowance for bad and doubtful debts) with the following ageing analysis, based on the invoice date:

	2011 **HK$'000**	2010 HK$'000
0 to 30 days	**143,029**	113,413
31 to 60 days	**6,256**	2,573
61 to 90 days	**1,476**	691
Over 90 days	**7,792**	8,569
Total trade receivables	**158,553**	125,246
Other receivables, deposits and prepayments (note (d))	**74,884**	58,736
	233,437	183,982

Apart from retail customers, the Group allows an average credit period from 30 to 90 days to other customers.

(b) The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:-

	2011 **HK$'000**	2010 HK$'000
Neither past due nor impaired	**154,779**	124,107
Less than 6 months past due	**3,758**	1,101
Over 6 months past due	**16**	38
	158,553	125,246

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

10. Trade and other receivables (cont'd)

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

The directors consider that the trade and other receivables are approximate their fair values.

(c) Movements in allowance for bad and doubtful debts during the year were as follows:

	2011 **HK$'000**	2010 HK$'000
1 March	**15,593**	15,703
Reversal of allowance for bad and doubtful debts	**(115)**	(110)
28 February	**15,478**	15,593

(d) Details of other receivables, deposits and prepayments are as follows:

	2011 **HK$'000**	2010 HK$'000
Other receivables	**8,540**	11,747
Deposits	**50,130**	39,084
Prepayments	**16,214**	7,905
	74,884	58,736

11. Trade and other payables

(a) The aging analysis of trade and other payables based on the date of receipt of goods, is as follows:

	2011 **HK$'000**	2010 HK$'000
0 to 30 days	**53,795**	26,062
31 to 60 days	**85,235**	53,249
61 to 90 days	**48,144**	49,987
Over 90 days	**150,676**	144,629
Total trade payables	**337,850**	273,927
Other payables and accruals (note(b))	**216,399**	227,375
	554,249	501,302

The directors consider that the trade and other payables are approximate their fair values.

(b) Details of other payables and accruals are as follows:-

	2011 **HK$'000**	2010 HK$'000
Others payables	**74,209**	65,932
Customer deposits	**9,891**	7,689
Provision for liabilities	**13,867**	19,424
Accruals	**118,432**	134,330
	216,399	227,375

12. Segment reporting

(a) Information about segment profit, segment assets and segment liabilities:

	PRC (including Hong Kong and Macau)		Others		Inter-segment elimination		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**2,493,975**	1,994,997	**23,568**	22,575	**-**	-	**2,517,543**	2,017,572
Inter-segment revenue	**10,640**	4,792	**-**	-	**(10,640)**	(4,792)	**-**	-
Other revenue from external customers	**4,640**	9,645	**1,173**	155	**-**	-	**5,813**	9,800
Reportable segment revenue	**2,509,255**	2,009,434	**24,741**	22,730	**(10,640)**	(4,792)	**2,523,356**	2,027,372
Segment results	**217,663**	205,448	**(681)**	(2,592)			**216,982**	202,856
Write back of tax surcharge and interest/compounds provision							**19,389**	-
Finance costs							**(5,708)**	(3,761)
Taxation							**(30,425)**	(52,344)
Consolidated profit for the year							**200,238**	146,751
Depreciation for the year	**41,847**	42,830	**329**	76			**42,176**	42,906

12. Segment reporting (cont'd)

(a) Information about segment profit, segment assets and segment liabilities: (cont'd)

	PRC (including Hong Kong and Macau)		Others		Inter-segment elimination		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**1,784,840**	1,471,365	**39,841**	35,527	**(75,774)**	(72,209)	**1,748,907**	1,434,683
Deferred tax assets							**19,015**	22,244
Current tax assets							**1,349**	1,038
Consolidated total assets							**1,769,271**	1,457,965
Segment liabilities	**552,983**	498,618	**77,040**	74,893	**(75,774)**	(72,209)	**554,249**	501,302
Bank overdrafts – secured							**18,054**	19,364
Bank loans – secured							**193,880**	123,150
Other loans – secured							**-**	6,962
Deferred tax liabilities							**16,837**	12,969
Current tax liabilities							**37,374**	62,179
Obligations under finance lease							**3,706**	310
Employee benefit obligations							**12,745**	11,152
Consolidated total liabilities							**836,845**	737,388
Additions to non-current segment assets	**44,539**	27,243	**3,253**	74			**47,792**	27,317
Non-current assets	**121,816**	118,809	**3,222**	284			**125,038**	119,093

(b) Information about major customers

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

FINAL DIVIDEND

The Board has proposed to declare a final dividend of 12 HK cents per ordinary share of the Company for the year ended 28 February 2011 (2010: 8 HK cents per ordinary share) to shareholders whose names appear on the Register of Members of the Company on Thursday, 25 August 2011. This, together with the interim dividend of 2.7 HK cents per ordinary share paid on Tuesday, 11 January 2011, will amount to a total dividend of 14.7 HK cents per ordinary share for the year (2010: 10 HK cents per ordinary share). Subject to the shareholders' approval at the forthcoming annual general meeting, the final dividend will be paid on Thursday, 15 September 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 22 August 2011 to Thursday, 25 August 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and for the attendance of the forthcoming annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Secretaries Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4:30 p.m. (Hong Kong Time) on Friday, 19 August 2011.

REVIEW AND OUTLOOK

Letter to Shareholders

I am pleased to report the audited annual results of the Group for the year ended 28 February 2011 (the "Year").

I am delightful to report the continuous improvement in financial performance of the Group for the Year. The total consolidated sales turnover generated from the core jewellery business increased by 25% over that of the last financial year. The improvement in the profit attributable to shareholders was even more significant, up 45% over that of last year. The principal reasons to the improvements were: 1. the surge in the demand of 24-karat pure gold from the consumer market of Hong Kong has brought along additional sales and store traffic; and 2. the write-back of provision due to the settlement of a tax dispute with the Hong Kong Inland Revenue Department during the Year. Save for these two major factors, the overall jewellery business achieved satisfactory growth through improved product mix and network expansion.

In addition to the financial achievement, it was also a year of re-investment of the Group in marketing and brand-building. During the Year, we launched a number of marketing initiatives that aimed at promoting TSL as a classic jewellery brand with innovative designs and state-of-the-art craftsmanship. In the middle of the Year, we introduced the Wedding Ambassador program featuring digital experience through TSL Lifestyle e-Magazine via a mobile tablet platform. These programs have successfully impressed our customers with our focus on the bridal market and the evolution of TSL in line with the ever-changing digital world. Moreover, in the last quarter of the year, we commenced our cooperation with the world's renowned micro-sculptor Mr. Willard Wigan, whose masterpieces are recognized as "The Eighth Wonder of The World". Through such cooperation, we successfully promoted our prestigious and unique Estrella diamonds as a noble and distinguished choice which, with its precision craftsmanship, resembles the stunning carving technique of Mr. Wigan. This cross-over program will continue to come through with flying colours in the next financial year.

The long-term re-investment effort of the Group was not only devoted in marketing and branding but also in human resources development. In order to be well-positioned for the business development of the Group in the coming years, we have introduced new operating functions as well as appointing new talents into the existing teams so as to fortify the capability of our employees. Notwithstanding the significant increase in staff cost incurred by the re-investment, we have been cautiously monitoring the financial impact to the Group. We believe that our current development in human resources will drive the performance of the Group to leap further in the near future.

Another honour that the Group obtained during the Year was The Service & Courtesy Awards accredited by the Hong Kong Retail Management Association. This represented a record-breaking of our Hong Kong Retail Operations Team which has won four awards in the Year, two of which even demonstrating the highest honour --- The 2010 Service Retailers of the Year – Grand Award and the 2010 Service Retailers of the Year – Watch & Jewellery Category under the Mystery Shoppers Programme. Obtaining of these prestigious recognitions among the Hong Kong retail industry has proven our dedication in delivering sincere and excellent service to all consumers and fellows of TSL around the world.

As for the business outlook, we will continue to expand our business network in the Greater China and Malaysia. To continue from the network expansion momentum in the Year, during which we open twenty-two stores in the Mainland China, two stores in Hong Kong, one store in Macau and one store in Malaysia, we will keep on implementing our mid- to long-term business expansion plan so as to capture more business opportunities. Undoubtedly, we will continue to invest in branding and team development, and will also strive for higher efficiency and return on investment through continuous review on our retail sales network and store profiles. With respect to product offerings, we will continue to enable business growth by increasing our 24-karat pure gold inventory especially in the Southern China region to which particular attention has been paid since last financial year. Being optimistic to the future, we will monitor the possible effects of the global financial crisis which is expected to linger on for a period of time.

Last but not least, I would like to take this opportunity to express my sincere gratitude to all shareholders and other stakeholders for their support to the Group. As the leader of the Company, I will continue to work diligently and whole-heartedly with the Board of Directors and the executive team in driving the Company to become a leading jewellery retailer in Asia with high recognitions and innovative vision.

Management's Discussion and Analysis

Results of the Group

For the financial year ended 28 February 2011, the Group achieved a consolidated turnover of HK$2,518 million (2010: HK$2,018 million), an increase of 25% from last financial year and a profit attributable to owners of the Company of HK$176.1 million (2010: HK$121.7 million), representing a rise of 45%. Earnings per share were 84 HK cents (2010: 58 HK cents). The increase in profit was attributable to the growth of turnover from all major business segments and the write back of overprovision for the settled tax dispute.

Subject to shareholders' approval at the forthcoming annual general meeting, the Board has proposed a final dividend of 12 HK cents per ordinary share of the Company for the year ended 28 February 2011 (2010: 8 HK cent) to the shareholders whose names appear on the Register of Members of the Company on Thursday, 25 August 2011. Together with the paid interim dividend of 2.7 HK cents, the total dividend of the Company for the year ended 28 February 2011 will be 14.7 HK cents (2010: 10 HK cent).

Benefited from the soaring demands from the Mainland tourists on the jewellery retail market in Hong Kong and Macau, sales attributable to Hong Kong and Macau achieved a 33% growth from last year. During the year, we opened three additional stores in Mongkok and Causeway Bay of Hong Kong as well as Avenida de Almeida Riberio (the CBD area) of Macau, which, complementing with our existing store portfolio will provide better services to both the local consumers and the growing number of tourists from Mainland China. The Group will continue to invest in new stores within tourists spots in the region so as to capture market share and fully leverage on the economies of scale.

Our business in the Mainland grew by 16% from last year. The pace of the economic growth in the Mainland has slowed down while in recent years, all luxury retail businesses have focused their development in the Mainland China, thus, the competitions for both the market shares and the resources have become increasingly vigorous. In light of this, the Group will continue to devote much effort in this growing market and plans to invest in around 30 stores during this financial year. The Group will also diversify its product mix by launching 24-karat gold jewelleries and watches with vogue style in order to provide our customers with satisfactory services.

The export business remained weak during the financial year as customers in the United States and Europe were still cautious in replenishing their inventories. The Group will explore with proactive yet prudent approach new opportunities in the export market by continuously review its product portfolio.

Given the signs of recovery in Malaysia, we opened a new store in an upscale shopping mall in Kuala Lumpur in January 2011 to capture the growing potentials of the country.

To offer target consumers an experience the Group's vision of "Trend-setting Craftsmanship", a series of advertising and promotion campaigns have been launched in Hong Kong and Mainland China since the second half of the year. Expenditure on brand-building has increased by around HK$20 million during the year. Various events of the Group have not only gained customers' recognitions but also won broad coverage by the media, for example, the launch of innovative digital applications in jewellery retailing in Hong Kong in September 2010, the Belgium King's Day Event in November 2010 and the event co-organised with the world's renowned micro-sculptor Mr. Willard Wigan. The Group will continue to invest in the brand to further enhance its competitiveness and its brand awareness.

The expected inflation and general recovery of the economies are favourable to the demand for jewelleries. The increased tourist traffic from Mainland China because of relaxation of visa application in Shenzhen has injected additional vitality to the retail market in Hong Kong. In spite of the unstable conditions in the Middle East and Africa and the unsettled debt crisis in Europe, the Group is still cautiously optimistic with the business outlook. We will continue to expand our store network in mindful steps in order to capitalize our premier brand positioning and the market growth potentials in Mainland and Hong Kong.

Finance, Liquidity, Capital Structure and Gearing

Capital expenditure, comprising mainly store renovation and expansion, furniture and fixtures and machineries, incurred during the year amounted to approximately HK$47.8 million, which was mainly financed by bank borrowings and fund generated from internal resources.

As at 28 February 2011, the Group's total borrowings increased to HK$215.6 million from HK$149.8 million as at 28 February 2010. Our gearing ratio (ratio of total borrowings to total equity) has slightly increased to 23.1% from 20.8%, which was mainly attributable to the increase in inventory due to store expansion and business growth. All borrowings of the Group are denominated in Hong Kong dollars, while interest is calculated on the inter-bank interest rate or prime rate.

As at 28 February 2011, the Group had cash and bank balances and undrawn banking facilities of approximately HK$208 million, which in the opinion of the directors, should be sufficient for the present working capital requirements.

Exchange Rates

During the year, the transactions of the Group were mainly denominated in local currencies and US dollars. The impact of the fluctuation of foreign exchange rates of these currencies to the Group is minimal.

Charges on Group Assets

(a) On 17 February 2011, the previous debentures dated 3 August 2000 entered into between the Group and its bankers and financial creditors in relation to the charge, by way of fixed and floating charges, of all undertakings, properties and assets of the Company and its subsidiaries and the pledge in the favour of the Group's bankers and financial creditors of all rights, titles and interests in 80.46% of the entire share capital of Infinite Assets Corp. and Tse Sui Luen Investment (China) Limited as securities have been discharged. On the same date, new debentures were executed by the Group in relation to the charge charging, by way of fixed and floating charges, of all undertakings, properties and assets of the Company and its 11 subsidiaries in favour of its bankers as security for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to the bankers. Rental revenue of the Group was also charged in favour of the Group's bankers.

(b) On 17 February 2011, the previous second floating charge over the inventory and receivables of the Company and its 6 subsidiaries (the "Subsidiaries") have been discharged. On 18 February 2011, the Company and the Subsidiaries executed a new second floating charge and the Company made a guarantee to the Subsidiaries. There existed a cross guarantee among the Subsidiaries. Under which, in favour of Rosy Blue Hong Kong Limited ("Rosy Blue HK"), all of the Subsidiaries' respective rights to and title and interest from time to time in their inventories or stock-in-trade and their receivables from their overseas fellow subsidiaries in connection with the sales and supply of any inventory or stock-in-trade to such overseas fellow subsidiaries were charged as a continuing security for the debts arising from the supply of polished diamonds and precious stones by Rosy Blue HK to the Subsidiaries (the "Debts"). As at 28 February 2011, the Debts amounted to HK$136,833,000 (2010: HK$144,271,000).

Contingent Liabilities

As set out in the announcement of the Company dated 3 June 2008, two former directors of the Company, a former controller of showroom operation of a subsidiary and a former consultant to a subsidiary were convicted by the District Court of Hong Kong of various charges involving offences under the Prevention of Bribery Ordinance, the Crime Ordinance and the Theft Ordinance. The Company is aware a former director is lodging appeal to the higher court (the "Further Appeal").

Under the Company's Bye-Laws, the Company may be required to indemnify its directors or any of them all actions, costs, charges, losses, damages and expenses which they or any of them may incur during the execution of their duties, provided that such indemnity shall not be extended to any act involving , among other things, fraud and dishonesty.

The directors are of the view that they are not in a position to conclude that whether and/or to what extent the Company may be required to indemnify the former director involved in the Further Appeal.

Human Resources

As at 28 February 2011, the total number of employees of the Group was approximately 3,500 (2010: 3,200). New operating functions were introduced and the increase of human force mainly related to merchandising and production, sales and marketing so as to cater the continuous growth of the business.

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. The Group also has an employee share option scheme. No options were granted pursuant to the scheme during the year. Retail front line staff is provided with formal on-the-job training by internal seniors and external professional trainers. Experience sharing with seniors at in-house seminars and discussion groups enhance intra-departmental communications.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 28 February 2011.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 28 February 2011 have been agreed by the Group's auditors, RSM Nelson Wheeler, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by RSM Nelson Wheeler in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standard 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 RSM Nelson Wheeler on the preliminary announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Second Floor, Block B, Summit Building, 30 Man Yue Street, Hunghom, Kowloon, Hong Kong on Thursday, 25 August 2011 at 2:30 p.m. (Hong Kong time).

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices of the Listing Rules

The Company is committed to the establishment of good governance practices and procedures. During the year ended 28 February 2011, save for code provision A.2.1 as disclosed below, the Company has applied the principles and complied with most of the code provisions and some recommended best practices of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Code provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and clearly established and set out in writing. During the year ended 28 February 2011, the roles of the Chairman and the Chief Executive Officer of the Company were performed by Ms. Yau On Yee, Annie. The Board of Directors 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 of three Independent Non-executive Directors of the Company, namely, Mr. Chui Chi Yun, Robert, Mr. Heng Ching Kuen, Franklin and Mr. Chan Yue Kwong, Michael. Its terms of reference are in compliance with the provisions set out in the CG Code.

The Audit Committee has reviewed the Company's consolidated financial statements and annual report for the year ended 28 February 2011, including the accounting principles and practices adopted by the Group, and discussed with management regarding auditing, internal control and financial reporting matters.

Model Code for Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made with all Directors and the Directors have confirmed compliance with the required standard set out in the Model Code during the year ended 28 February 2011.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 28 February 2011.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2010/2011 ANNUAL REPORT

The annual results announcement will be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the websites of the Company at www.tslj.com and tsl.etnet.com.hk. The 2010/2011 Annual Report will be despatched to the shareholders and published on the above websites.

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

Hong Kong, 31 May 2011

At the date of this announcement, the Board comprises:

Executive Directors:
Ms. YAU On Yee, Annie
Mr. Erwin Steve HUANG
Mr. CHEUNG Tse Kin, Michael
Mr. LAI Tsz Mo, Lawrence

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

* *For identification purpose only*