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TSE SUI LUEN JEWELLERY (INTERNATIONAL) LIMITED

謝瑞麟珠寶(國際)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 417)

ANNOUNCEMENT OF INTERIM RESULTS FOR 2011/2012

RESULTS

The board of directors (the “Board”) of Tse Sui Luen Jewellery (International) Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 August 2011. The interim results for the six months ended 31 August 2011 have been reviewed by the Company’s audit committee.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 AUGUST 2011

		Six months ended 31 August	
	Note	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Turnover	2	1,563,219	1,079,727
Cost of goods sold		(791,941)	(527,571)
Gross profit		771,278	552,156
Other income		4,341	4,263
Selling expenses		(580,287)	(432,143)
Administrative expenses		(67,585)	(56,300)
Profit from operations		127,747	67,976
Write back of tax surcharge and interest/compounds provision	4b	-	19,389
Finance costs		(4,337)	(2,762)
Profit before taxation	3	123,410	84,603
Taxation	4	(26,370)	5,364
Profit for the period		97,040	89,967
Other comprehensive income			
Exchange difference arising on translation of financial statements of foreign subsidiaries		18,627	881
Other comprehensive income, net of tax		18,627	881
Total comprehensive income for the period		115,667	90,848

* For identification purpose only

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)
FOR THE SIX MONTHS ENDED 31 AUGUST 2011**

		Six months ended	
		31 August	
	Note	2011	2010
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Profit attributable to :			
Owners of the Company		88,455	81,458
Non-controlling interests		8,585	8,509
		97,040	89,967
Total comprehensive income attributable to:			
Owners of the Company		103,707	82,376
Non-controlling interests		11,960	8,472
		115,667	90,848
Earnings per share			
	6		
Basic		42 cents	39 cents
Diluted		N/A	N/A

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 AUGUST 2011**

	Note	At 31 August 2011 HK\$'000 (unaudited)	At 28 February 2011 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		128,034	124,538
Other asset		500	500
Deferred tax assets		19,758	19,015
		<u>148,292</u>	<u>144,053</u>
Current assets			
Inventories		1,553,574	1,268,497
Trade and other receivables	7	217,694	233,437
Current tax assets		2,298	1,349
Cash at bank and in hand		100,440	121,935
		<u>1,874,006</u>	<u>1,625,218</u>
Current liabilities			
Trade and other payables	8	(668,249)	(554,249)
Bank overdrafts – secured		(3,462)	(18,054)
Bank loans		(255,835)	(193,880)
Obligations under finance leases		(1,921)	(1,881)
Current tax liabilities		(36,724)	(37,374)
		<u>(966,191)</u>	<u>(805,438)</u>
Net current assets		<u>907,815</u>	<u>819,780</u>
Total assets less current liabilities		<u>1,056,107</u>	<u>963,833</u>
Non-current liabilities			
Obligations under finance leases		(851)	(1,825)
Employee benefit obligations		(12,745)	(12,745)
Deferred tax liabilities		(19,658)	(16,837)
		<u>(33,254)</u>	<u>(31,407)</u>
NET ASSETS		<u>1,022,853</u>	<u>932,426</u>
CAPITAL AND RESERVES			
Share capital		52,584	52,584
Reserves		837,507	759,040
Total equity attributable to owners of the Company		<u>890,091</u>	<u>811,624</u>
Non-controlling interests		132,762	120,802
TOTAL EQUITY		<u>1,022,853</u>	<u>932,426</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the Group’s financial statements for the year ended 28 February 2011. The condensed consolidated interim 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 Hong Kong Financial Reporting Standards, HKASs and Interpretations).

The condensed financial statements have been prepared under historical cost convention.

This condensed financial statements have been prepared in accordance with the same accounting policies adopted in the Group’s financial statements for the year ended 28 February 2011, except for the adoption of the following amendments, new and revised HKFRSs which become effective for accounting periods beginning on or after 1 March 2011:

HKAS 24 (Revised)	Related Party Disclosures
HKFRS 1 (Amendment)	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards - Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters
HK(IFRIC) - Int 14 (Amendments)	Amendments to HK(IFRIC) - Int 14 Prepayments of a Minimum Funding Requirement
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKFRSs (Amendments)	Improvements to HKFRSs 2010

The adoption of the above amendments, new and revised HKFRSs has had no material impact on the Group’s results of operations and financial position.

1. Basis of preparation (cont'd)

The Group has not adopted earlier or applied the following amendments, new and revised HKFRSs that have been issued but are not yet effective, in this interim financial report.

		Effective for accounting periods beginning on or after
HKFRS1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
HKFRS 7 (Amendment)	Financial Instruments: Disclosures - Transfer of Financial Assets	1 July 2011
HKFRS 9	Financial Instruments	1 January 2013
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HKAS 1 (Revised) (Amendments)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	1 July 2012
HKAS 12 (Amendments)	Income Taxes: Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKAS 19 (2011)	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013

The Group has already commenced an assessment of the impact of these amendments, new and revised HKFRSs but is not yet in a position to state whether these amendments, new and revised HKFRSs would have a material impact on its results of operations and financial position.

The preparation of an interim financial report requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The financial information relating to the financial year ended 28 February 2011 included in the interim financial report does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 28 February 2011 are available at the Company's office.

2. Segment reporting

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.

The following table represents the revenue and results for the Group's reportable segments for the period ended 31 August 2011 and 2010, respectively.

	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
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	Six months ended 31 August							
Revenue from external customers	1,546,354	1,068,159	16,865	11,568	-	-	1,563,219	1,079,727
Inter-segment revenue	16,093	4,492	-	-	(16,093)	(4,492)	-	-
Other revenue	4,322	4,180	19	83	-	-	4,341	4,263
Reportable segment revenue	1,566,769	1,076,831	16,884	11,651	(16,093)	(4,492)	1,567,560	1,083,990
Segment results	127,489	68,613	258	(637)			127,747	67,976
Finance costs							(4,337)	(2,762)
Write back of tax surcharge and interest/compounds provision							-	19,389
Taxation							(26,370)	5,364
Profit for the period							97,040	89,967
Depreciation for the period	20,400	21,420	560	41	-	-	20,960	21,461

3. Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 31 August	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Interest on borrowings	4,337	2,762
Depreciation	20,960	21,461
Provision for inventory	4,572	6,759

4. Taxation

(a) Taxation recognised in profit or loss in the consolidated statement of comprehensive income represents:

	Six months ended 31 August	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	6,507	3,156
Overprovision in prior periods	-	(27,192)
	<u>6,507</u>	<u>(24,036)</u>
Current tax - Overseas		
Provision for the period	<u>17,784</u>	<u>17,861</u>
	<u>17,784</u>	<u>17,861</u>
Deferred tax		
Origination and reversal of temporary differences	<u>2,079</u>	811
	<u>2,079</u>	811
	<u>26,370</u>	<u>(5,364)</u>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2010: 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period.

Tax on the assessable profits of subsidiary companies operating overseas is calculated at the rates prevailing in the respective jurisdictions in which they operate, based on existing legislation, practices and interpretations thereof.

4. Taxation (cont'd)

- (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. Provisions for tax surcharges and interest/compounds totaling 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 totaling 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.

As the Tax Disputes have been fully 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 period ended 31 August 2010.

5. Dividends

- (a) Dividends attributable to the periods

	Six months ended 31 August	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interim dividend, declared after period end, of HK\$0.027 (2010: HK\$0.027) per ordinary share	<u>5,679</u>	<u>5,679</u>

At the board meeting held on 31 October 2011, the directors declared an interim dividend of HK\$0.027 per share. These dividends have not been recognized as a liability as at 31 August 2011.

5. Dividends (cont'd)

(b) Dividends attributable to the previous financial year, approved during the period

	Six months ended 31 August	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Final dividend attributable to the previous financial year, approved during the period, of HK\$0.12 (2010: HK\$0.08) per share	25,240	16,827

6. 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 period attributable to owners of the Company in the amount of HK\$88,455,000 (2010: HK\$81,458,000) and on the weighted average number of ordinary shares of 210,336,221 (2010: 210,336,221 ordinary shares) in issued during the period.

(b) Diluted earnings per share

No adjustment has been made to the basic earnings per share amount presented for the periods ended 31 August 2011 and 31 August 2010 in respect of dilution as the Group had no potential dilutive ordinary shares issue during the periods.

7. Trade and other receivables

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:

	At 31 August 2011 HK\$'000 (unaudited)	At 28 February 2011 HK\$'000 (audited)
0 to 30 days	101,740	143,029
31 to 60 days	12,825	6,256
61 to 90 days	2,273	1,476
Over 90 days	6,979	7,792
	<hr/>	<hr/>
Total trade receivables	123,817	158,553
Other receivables, deposits and prepayments	93,877	74,884
	<hr/>	<hr/>
	217,694	233,437

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

8. Trade and other payables

Included in trade and other payables are trade payables with the following ageing analysis, based on the date of receipt of goods:

	At 31 August 2011 HK\$'000 (unaudited)	At 28 February 2011 HK\$'000 (audited)
0 to 30 days	134,122	53,795
31 to 60 days	90,695	85,235
61 to 90 days	74,467	48,144
Over 90 days	121,500	150,676
	<hr/>	<hr/>
Total trade payables	420,784	337,850
Other payables and accruals	247,465	216,399
	<hr/>	<hr/>
	668,249	554,249

9. Pledge of assets

- (a) As at 31 August 2011, debentures have been executed by the Group in favour of its banker charging, by way of fixed and floating charges, all of the undertakings, properties and assets of the Company and of its 11 subsidiaries as security for, *inter alia*, all obligations and liabilities, actual or contingent, from time to time owing by the Group to the banker. Rental revenue of the Group was also charged in favour of the Group's banker.
- (b) As at 31 August 2011, the Company and its 6 subsidiaries (the "Subsidiaries") have executed a second floating charge and the Company made a guarantee to the Subsidiaries and there was a cross guarantee among the Subsidiaries in favour of Rosy Blue Hong Kong Limited ("Rosy Blue HK") to pledge 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 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") from time to time. As at 31 August 2011, the Debts amounted to HK\$182,779,000 (at 28 February 2011: HK\$136,833,000).

10. Commitments

There were no capital commitments outstanding at 31 August 2011 and 28 February 2011 not provided for in the consolidated financial statements.

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of 2.7 HK cents per ordinary share of the Company for the six months ended 31 August 2011 (2010: 2.7 HK cents per ordinary share) to shareholders whose names appear on the Register of Members of the Company on Thursday, 24 November 2011. The interim dividend will be paid on Tuesday, 10 January 2012.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 22 November 2011 to Thursday, 24 November 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Secretaries Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4:30 p.m. (Hong Kong Time) on Monday, 21 November 2011.

BUSINESS REVIEW AND PROSPECTS

Financial results

Consolidated turnover for the first half of the 2011/2012 financial year increased by 45% from HK\$1,080 million to HK\$1,563 million. Profit attributable to equity holders of the Company grew from HK\$81.5 million to HK\$88.5 million. Comparing with the profit of last year (excluding the write-back of over-provision for tax disputes) of HK\$34.9 million, the profit attributable to shareholders has increased by 1.5 times from the same period of last year.

The improvement in the Group's result for the first half was mainly attributable to the strong retail market in Hong Kong, the synergy of new stores in Hong Kong and Macau as well as the continuous improvement of efficiency of the operation.

Earnings per share was 42 HK cents (2010: 39 HK cents per share).

Review and prospects

Retail markets in Hong Kong and Macau are benefited from the strong purchasing power of tourists from Mainland China. The rising gold price of around US\$500/oz during the period under review has reinforced the sentiment of buying 24-karat gold products, thereby leading to a more than 60% growth of sales volume for the category. A new store was open in Sino Centre in Mong Kok of Hong Kong in early August 2011, which coupled with the new stores opened last year, are all well complement to our existing store portfolio to achieve the economies of scale. Turnover in the region has grown by around 60% from last year, resulting in the increase in the profit during the period under review.

The turnover in Mainland China grew by 25% from last year and the profit remained stable. The economic growth of Mainland China has slowed down while all luxury retailer businesses have placed their development focus on the Mainland China in recent years, hence the competition in terms of market share and resources has become increasingly rigorous. The Group continues to invest in this growing market and has opened 19 shops, including a street store in Nanjing Xi Lu, the premier shopping area of Shanghai, in adjacent to other international luxury brands.

With the participation of the world's renowned micro-sculptor Mr. Willard Wigan, the exhibitions in Hong Kong and Shanghai have successfully exemplified the "Trend-setting Craftsmanship" of the Group's exclusive product, Estrella diamond. We have also held a fall/winter new product launch in mid October to allow our customers experience the charm of our new products. These events were all well received by our customers and widely covered by the media. The Group will continue to invest in the brand to further strengthen its competitiveness and brand awareness.

Our service culture is well recognized by the industry and in the region, and we are honoured to be awarded with "Customer Service Excellency Award of 2011" of Federation of Asia-Pacific Retailers Associations. We will continue to strive for excellent customer service to provide our customers with a pleasant TSL shopping experience.

The demand for luxury and jewellery products, particularly from tourists from Mainland China, has remained robust despite the fact that recent stock market volatility and the unsettled national debt crisis in Europe and United States have added uncertainties to the business outlook. The Group will keep on reviewing and expanding its store portfolio to further improve the coverage and efficiency of its network in Mainland China and Hong Kong.

Finance

Capital expenditure for the period was incurred mainly by store renovation and expansion, totaling to approximately HK\$23.8 million, which was funded largely by internal resources and borrowings.

As of 31 August 2011, the Group's total borrowings increased to HK\$262 million from HK\$216 million as of 28 February 2011. The Group's cash and bank balance as of 31 August 2011, was HK\$100 million, while undrawn banking facilities was HK\$36 million. Our debt-to-equity ratio (ratio of total borrowings to total equity) slightly increased from 23% to 26%.

Employees

As of 31 August 2011, the Group's total complement of employees was approximately 3,700, with increase mainly in sale and marketing departments to cope with the expansion of the Group.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 August 2011.

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

REVIEW OF UNAUDITED FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the unaudited consolidated financial statements of the Group for the six months ended 31 August 2011.

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 six months ended 31 August 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 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 period ended 31 August 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 unaudited consolidated financial statements and interim report for the six months ended 31 August 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 six months ended 31 August 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 six months ended 31 August 2011.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 2011/2012 INTERIM REPORT

The interim results announcement will be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.tslj.com. The 2011/2012 Interim Report will be despatched to the shareholders and published on the above websites.

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

Hong Kong, 31 October 2011

At the date of this announcement, the Board comprises:

Executive Directors:

Ms. YAU On Yee, Annie
Mr. Erwin Steve HUANG
Mr. LAI Tsz Mo, Lawrence

Independent Non-executive Directors:

Mr. CHUI Chi Yun, Robert
Mr. HENG Ching Kuen, Franklin
Mr. CHAN Yue Kwong, Michael