





Letter
to the
shareholders
致股東的函件

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Financial Achieve

I am pleased to report that the Group has seen a substantial improvement in its results for the financial year ended 28 February 2007 over that achieved by it last financial year.

This improvement was mainly due to (i) a more buoyant and confident retail market being present in all sectors/geographical area's in which the Group operates (particularly in the second half of the year) (ii) organic sales growth being achieved by the Group across all its businesses units being our Hong Kong retail, export, showroom, Malaysian retail and mainland China retail ("the Mainland") businesses due to its more focused merchandising and promotional efforts during the year and the benefits being deriving from our upgraded stores, shopping environment and brand image and (iii) the acquisition by the Group of an additional 24% interest in our Mainland business during the year.

The improved result was also assisted by the commencement, during the first half of this financial year, of the winding down of the Group's 3 year reinvestment program. Save for our IT project, this reinvestment program is now complete with the IT project scheduled to be completed by August 2007. During the year, the Group was able to start to enjoy the benefits of (i) all the projects that had been completed by it so far under this program (i.e. renovated stores, increased factory capacity, store expansion in Hong Kong and the Mainland and the brand, product and image re-launches) and (ii) the corresponding reduction in the costs/overheads associated with each of these projects as they were completed.

Notwithstanding the improvement in the performance of our Hong Kong retail business, the Group is still taking a cautious approach to its investment in Hong Kong and is continuing to concentrate its efforts and resources on its Mainland, showroom and export businesses as these businesses continue to grow and provide the Group with a better return on its investment.

本人欣然報告，本集團截至2007年2月28日止財政年度的業績較上個財政年度錄得顯著改善。

業績改善主要是由於(i)所有本集團有所經營的地區／區域的零售市場較為活躍及穩定(尤其是本年度下半年)；(ii)本集團於年內致力商品之重點營銷及宣傳，並受惠於本集團店舖、購物環境及品牌形象的提升，及所有業務單位（即香港零售、出口、陳列室、馬來西亞零售及中國內地零售（「內地」）業務）的銷售均獲有機的增長；及(iii)本集團於年內收購其內地業務額外24%的權益。

本集團於本財政年度上半年開始逐步完成之3年再投資計劃亦有助業績的改善。除本集團的資訊科技工程外，此再投資計劃現已完成，而資訊科技工程亦預計將於2007年8月前完成。年內，本集團可開始受惠於(i)此計劃項下已完成的所有工程（即店舖翻新、廠房產能提升、香港及內地店舖之擴充以及品牌、產品及形象之再推廣）；及(ii)此等項目完成後各自相關成本／管理費用的相應減少。

儘管香港零售業務表現有所改善，集團仍對其香港的有關投資採取審慎態度。鑑於本集團內地、陳列室及出口業務均持續為本集團的投資帶來較理想的回報，本集團將持續集中其精力及資源於此等業務上。

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Estrella



Designing & Crafting fabulous & Creative Jewellery

During the year, the Group continued to make consistent and pleasing progress with its businesses and the rebuilding of its brand and core infrastructure. Highlights of the Group's achievements during the year include:

- The successful acquisition of a further 24% stake in its Mainland business from its joint venture partner, The China Retail Fund, LDC which has increased its interest in that business from 56.46% to 80.46%. The Group sees its Mainland business as being one of its main growth engines going forward so this acquisition will further enhance its ability to capitalize on this market.
- The successful launch of the first and second phases of its IT project in its (i) retail units in Hong Kong and the Mainland and (ii) head office. The roll out of the balance of the system over the rest of the Group's functions is to be completed over the next 6 months. The new information technology system will enable the Group to serve our customers more effectively with timely and accurate information and more efficiently by streamlining the operation procedures.
- The partial upgrade of its showroom business located within its Hung Hom headquarters.
- The opening of its new factory in Panyu in April 2006. This factory is an addition to our existing manufacturing capability of 3 factories and will service the Group's growing requirements for general and specialized jewellery products in the greater China region as well as our growing export business going forward.
- The opening of 2 new stores in Hong Kong and the opening and/or renovation of 27 new stores in the Mainland.
- The successful launch of a number of new marketing campaigns including the "My Moment" campaign earlier in the year aimed at the wedding market and the "Estrella" campaign to promote the Estrella Diamond in November 2006. Both campaigns attracted extensive media coverage and were well received by our customers.

年內，本集團的業務及其品牌與核心基礎設施之重建工作均持續地取得理想進展。本集團於年內的成果包括：

- 成功進一步向其合營夥伴中國商業發展基金收購本集團國內業務24%的股權，使本集團於該業務的權益由56.46%增至80.46%。由於本集團認為其國內業務為帶動增長的其中一個主要動力，故此項收購將進一步提升其於該市場的發展能力。
- 成功於(i)香港及內地零售單位及(ii)總辦事處推行第一期及第二期的資訊科技工程。就本集團其他功能的餘下系統將於未來6個月內陸續完成。新資訊科技系統將精簡運作程序，使本集團更能以適時及準確的資訊，為顧客提供更有效率及更專業的服務。
- 位於紅磡總部內的陳列室業務已作出部份提升。
- 於2006年4月在番禺開設新廠房。此廠房提升本集團現有3間廠房之生產力，並將滿足本集團在大中華區對普通及特製珠寶產品之增長需求以及本集團之出口業務之增長發展。
- 於香港開設2家新店舖及於內地開設及/或翻新27家新店舖。
- 成功推出一系列新市場推廣活動，包括於本年度前期針對婚禮市場的「My Moment」活動及於2006年11月以宣傳Estrella鑽石的「Estrella」活動。該等活動均吸引傳媒廣泛報導及獲本集團客戶好評。

- The Group successfully launched new products and initiatives consistent with its image and brand position the most prominent of which was the “TSL Estrella Diamond” (which is exclusive to the Group) and its VIP program.
- 100 % of the Group’s outlets in Mainland China (“the Mainland”) and 85% of the Group’s outlets in Hong Kong have now been changed to the new image with the new corporate identity. Our next new generation of store design was launched in the Mainland in September and has been well received by our customers and other stakeholders.
- The Group developed a new and substantially upgraded set of promotional material and image advertisements which it successfully launched in both Hong Kong and the Mainland in September 2006.
- As part of our continuing expansion in the Mainland, 謝瑞麟 | Saxx stores were further expanded with the opening of 2 new stores this year. This brand is an extension of the Group’s quality products and services to the young and trendy consumer segment in the Mainland.
- The service culture is deeply embedded in the Group with our Hong Kong Retail Division again being successful in winning the award of “The Service Retailer in Watch & Jewellery Category” of the Mystery Shoppers Programme run by Hong Kong Retail Management Association (“HKRMA”). Also, our staff, Mr Law Kam Fai and Mr Ho Siu Wai were awarded the “2006 Service & Courtesy Award” from the HKRMA and Mr Lee Chun Fung and Mr Ho Siu Wai were awarded the “Forevermark Service Ambassador” award by DTC.

Create Cozy, Classy & Inviting Shop

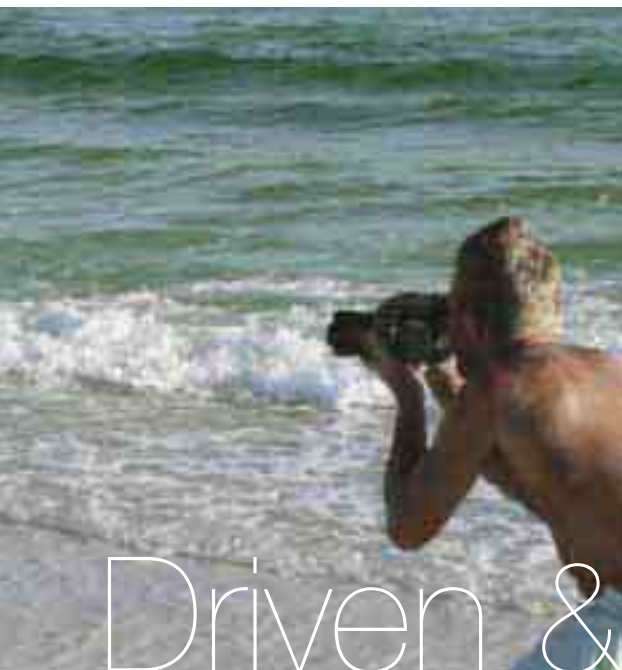
- 本集團成功推出新產品及與其形象及品牌定位一致的措施，其中最矚目的是「TSL Estrella Diamond」(本集團獨家產品)及其VIP計劃。
- 本集團100%之中國內地(「內地」)銷售點及85%之香港銷售點現已換上集團之新企業形象。本集團的新一代店舖設計已於9月在內地推出並不斷獲本集團客戶及其他人士好評。
- 本集團已開發一套全新及經重大改良的宣傳品與形象廣告，於2006年9月在香港及內地成功推出。
- 作為本集團內地持續擴展之一部分，謝瑞麟 | Saxx店已進一步擴展，並於本年度開設了2家新店舖。此品牌乃本集團優質產品及服務之延伸，針對內地年輕及追求時尚之消費者。
- 本集團有深厚的服務文化。本集團的香港零售部門再次成功贏得香港零售管理協會(「HKRMA」)舉辦之神秘顧客計劃之「服務零售商獎 - 手錶及珠寶組別」。同時，本集團員工羅錦輝先生及何小為先生榮獲由HKRMA頒發的「2006年傑出服務大獎」，而李振峰先生及何小為先生亦榮獲國際鑽石商貿公司頒發「Forevermark傑出服務大使獎」。



ping Environment



The images of TSL's new ad campaign enhance and give new energy to the customer.
全新形象廣告為顧客帶來煥然一新的感覺。



The Group's innovation in new product development is well recognized by the industry and the customers. During the year, our designers won design and merit awards in a wide variety of jewellery products (including diamond and pearl) in the 6th International South Sea Pearl Jewellery Design Competition and the 7th & 8th Hong Kong Jewellery Design Competition.

We believe that the above (and past) initiatives undertaken and completed by the Group have now successfully come together to form a solid base for the Group to now embark upon a growth phase so as to achieve our mission to become the leading, most innovative, efficient and profitable jewellery retailer in Asia. We are looking forward to the final completion of our IT project so that we can then solely focus on the growth and expansion of our business particularly our export and Mainland businesses where we currently see the most opportunity.

We shall, with the continuing support of our shareholders and other stakeholders, continue work steadily and diligently to achieve this mission.

Tse Tat Fung, Tommy
Chairman
Hong Kong, 18 June 2007

Driven & Design Driven

- 本集團於新產品開發上之創新獲得業內及客戶之廣泛認同。年內，本集團設計師憑多款珠寶產品（包括鑽石及珍珠）於第六屆國際南洋珍珠首飾設計比賽金獎以及第七屆及第八屆香港珠寶設計比賽中贏得設計及優異獎項。

我們相信，上述（及過往）作出及完成之措施已為本集團成功塑造了鞏固之基礎，使其可開始踏入增長期，並致力成為亞洲具領導地位、最具創意、效率及具盈利的珠寶零售企業。本集團期待有關資訊科技工程的完成，屆時本集團可專注於業務的增長及擴展，尤其是我們現時視為最具商機的出口及內地業務。

在本集團股東及其他人士的長期支持下，本集團將繼續穩定及努力不懈地達致此目標。

主席
謝達峰

香港，二零零七年六月十八日