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)

2007/2008 INTERIM RESULTS

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 2007. The interim results for the six months ended 31 August 2007 have been reviewed by the Company's audit committee.

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 AUGUST 2007 – UNAUDITED

(Expressed in Hong Kong dollars)

		Six months ended 31 August	
		2007	2006
	Note	***$'000***	*$'000*
Turnover	*2*	**812,902**	727,718
Cost of sales		**(370,257)**	(372,950)
		442,645	354,768
Other revenue		**4,940**	2,622
Selling expenses		**(329,405)**	(264,882)
Administrative expenses		**(63,232)**	(55,474)
Other operating expenses		**(77)**	(175)
Profit from operations	*3*	**54,871**	36,859
Finance costs		**(4,962)**	(5,129)
Gain on disposal of subsidiaries		**–**	1,430
Profit before taxation		**49,909**	33,160
Income tax	*4*	**(16,825)**	(9,129)
Profit after taxation		**33,084**	24,031
Attributable to:			
Equity holders of the company		**25,644**	10,237
Minority interests		**7,440**	13,794
Profit after taxation		**33,084**	24,031
Earnings per share			
Basic	*6*	**12 cents**	5 cents

CONSOLIDATED BALANCE SHEET
AT 31 AUGUST 2007 – UNAUDITED
(Expressed in Hong Kong dollars)

	Note	At 31 August 2007		At 28 February 2007	
		$'000	**$'000**	$'000	$'000
Non-current assets					
Property, plant and equipment			**125,931**		130,663
Other financial asset			**500**		500
Club debenture			**103**		103
Deferred tax assets			**24,450**		25,096
			150,984		156,362
Current assets					
Inventories		**729,349**		521,589	
Trade and other receivables	7	**116,563**		143,694	
Tax recoverable		**7**		71	
Cash at bank and in hand		**44,936**		99,178	
		890,855		764,532	
Current liabilities					
Trade and other payables		**(465,714)**		(358,309)	
Bank overdraft		**(16,550)**		(18,486)	
Secured bank loans		**(12,000)**		(12,800)	
Secured other loans		**(16,963)**		(38,135)	
Unsecured other loans		**(1,709)**		(1,640)	
Obligations under finance lease		**(907)**		(1,151)	
Current Taxation		**(92,148)**		(94,824)	
		(605,991)		(525,345)	
Net current assets			**284,864**		239,187
Total assets less current liabilities carried forward			**435,848**		395,549

		At 31 August 2007		At 28 February 2007	
	Note	***$'000***	***$'000***	*$'000*	*$'000*
Total assets less current liabilities brought forward			**435,848**		395,549
Non-current liabilities					
Obligations under finance lease		**(552)**		(991)	
Secured other loans		**(30,003)**		(36,066)	
Unsecured other loans		**(1,221)**		(2,093)	
Secured bank loans		**(49,000)**		(38,200)	
Employee benefit obligations		**(10,836)**		(10,836)	
Deferred tax liabilities		**(377)**		(55)	
			(91,989)		(88,241)
NET ASSETS			**343,859**		307,308
CAPITAL AND RESERVES					
Share capital			**51,766**		51,766
Reserves			**252,975**		223,863
Total equity attributable to equity holders of the Company			**304,741**		275,629
Minority interests			**39,118**		31,679
TOTAL EQUITY			**343,859**		307,308

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1. Basis of preparation

This interim financial report is unaudited but 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 2007. 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").

This interim financial report has been prepared in accordance with the same accounting policies adopted in the Group's financial statements for the year ended 28 February 2007, except for the adoption of the following new standards, amendments to standards and interpretations issued by the HKICPA which are effective for the annual periods beginning 1 March 2007:–

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasure Share Transactions

The adoption of the above new standards, amendments to standards and interpretations has had no material impact on the Group's accounting policies and the methods of computation in the Group's financial statements in the current or prior periods.

The Group has not adopted earlier or applied the following new and revised standards or interpretations that have been issued but are not yet effective. In the opinion of the directors, the application of these standards or interpretations will have no material impact on the results and financial positions of the Group:–

HKAS 23 (Revised)	Borrowing Costs *
HKFRS 8	Operating Segments *
HK(IFRIC)-Int 12	Service Concession Arrangements +
HK(IFRIC)-Int 13	Customer Loyalty Programmes #
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction +

* Effective for annual periods beginning on or after 1 January 2009

\+ Effective for annual periods beginning on or after 1 January 2008

\# Effective for annual periods beginning on or after 1 July 2008

The preparation of an interim financial report in conformity with HKAS 34 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 2007 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 2007 are available from the Company's registered office.

2. Segmental information

The analysis of the geographical location of the operations of the Group during the financial period is as follows:

	PRC (including Hong Kong)		**Others**		**Inter-segment elimination**		**Consolidated**	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**797,565**	712,570	**15,337**	15,148	**–**	–	**812,902**	727,718
Inter-segment revenue	**1,572**	8,583	**–**	–	**(1,572)**	(8,583)	**–**	–
Other revenue from external customers	**4,619**	2,485	**321**	137	**–**	–	**4,940**	2,622
Total	**803,756**	723,638	**15,658**	15,285	**(1,572)**	(8,583)	**817,842**	730,340
Segment results	**52,803**	34,917	**2,068**	1,942			**54,871**	36,859
Finance costs							**(4,962)**	(5,129)
Gain on liquidation of subsidiaries							**–**	1,430
Income tax							**(16,825)**	(9,129)
Profit for the year							**33,084**	24,031
Depreciation for the period	**19,442**	14,648	**184**	34				
Significant non cash expenses/(income)	**171**	1,016	**–**	–				

In view of the fact that all the Group's turnover and trading results are generated from the manufacture, sale and marketing of jewellery products, no business segments analysis of the Group is presented.

3. Profit from ordinary activities before taxation

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

	Six months ended 31 August	
	2007	2006
	$'000	*$'000*
Interest on borrowings	**4,962**	5,129
Depreciation	**19,626**	14,682
Gain on disposal of subsidiaries	**–**	(1,430)
Provision for inventory	**1,267**	1,590

4. Income Tax

Income Tax in the consolidated profit and loss account represents:

	Six months ended 31 August	
	2007	2006
	$'000	*$'000*
Current tax – Provision for Hong Kong Profits Tax		
Tax for the period	**3,910**	1,559
Underprovision in respect of prior years	**0**	327
	3,910	1,886
Current tax – Overseas		
Tax for the period	**11,883**	6,846
Deferred tax		
Origination and reversal of temporary differences	**1,032**	397
	16,825	9,129

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 17.5% (2006: 17.5%) 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.

5. Dividends

The directors have resolved not to declare the payment of any interim dividend for the six months ended 31 August 2007 (2006: Nil).

6. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity holders of the Company for the period of $25,644,000 (2006: $10,237,000) and on the weighted average of 207,063,221 ordinary shares (2006: 207,063,221 ordinary shares) in issue during the period.

(b) Diluted earnings per share

Diluted earning per share is not shown as all the potential ordinary shares are anti-dilutive.

7. Trade and other receivables

Included in trade and other receivables are debtors (net of provisions for bad and doubtful debts) with the following ageing analysis:

	At 31 August 2007	At 28 February 2007
	$'000	*$'000*
0 to 30 days	**56,120**	74,692
31 to 60 days	**3,315**	6,306
61 to 90 days	**5,047**	1,135
Over 90 days	**3,669**	2,042
Total debtors	**68,151**	84,175
Other receivables, deposits and prepayments	**48,412**	59,519
	116,563	143,694

Apart from retail customers, the Group allows an average credit period from 30 to 75 days to other customers.

8. Pledge of assets

At 31 August, 2007, the Group's secured bank loans and secured other loans are secured by (a) all of the undertakings, properties and assets of the Company and 12 of its subsidiaries by way of fixed and floating charges and rental revenue of the Group; (b) the capital contribution to a subsidiary of the Group amounting to US$232,500 and all the benefits accruing to the pledged equity interest of 11.625% and (c) all rights, titles and interests in 80.46% of the entire share capital of two subsidiaries of the Group and all benefits accruing to the pledged equity interest.

9. Contingent liabilities

a. As set out in the announcements of the Company dated 1 February 2006 and 20 April 2006, the Company was informed that two directors, a consultant and an employee (collectively "the Officers") were charged by the Independent Commission Against Corruption ("ICAC") relating to alleged offences under the Prevention of Bribery Ordinance, the Crime Ordinance and the Theft Ordinance ("the ICAC Charges").

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

   The directors have consulted with the Company's legal advisers as to what legal implication the ICAC Charges may have, if any, for the Group as a whole. In view of the discussions with the legal advisers, the directors are of the view that they are not in a position to conclude whether and/or to what extent the Company may be required to indemnify the directors involved in relation to the ICAC Charges. As a result, the directors will, in conjunction with the Company's legal advisors, consider any such claims as and when they are received and the Company will make such provision or adjustment in the accounts as deemed necessary at that time.

b. At the balance sheet date, the disputes of certain subsidiaries with Inland Revenue Department ("IRD") regarding the tax treatment of certain offshore income and agent commission payments and promoter fees for prior years are still undetermined. The Group has established a provision of approximately HK$91,000,000 in respect of such disputes. In the event that the Group is not successful in defending the tax treatments adopted, the Group may be subject to significant additional tax liabilities and possibly penalties which, under the provisions of the current tax legislation, may be up to three times any tax under-reported as assessed by the IRD. Furthermore, the ICAC's allegations as mentioned in (a) above may or may not have impact on the IRD's challenges on the tax treatments adopted by the Group relating to agent commission payments and promoter fees arising in prior years. The directors consider that it is impractical to estimate the potential amount of additional tax liabilities arising if the IRD's challenge in respect of the agent commission payments and promoter fees is successful.

Save as mentioned above, as at 31 August 2007, the Group did not have any other material contingent liabilities.

10. Commitments

As at 31 August 2007, the Group had capital commitments contracted for amounted to $2,978,000 (as 28 February 2007: $874,000).

INTERIM DIVIDEND

The Board resolved not to pay an interim dividend for ordinary shares of the Company for the six months ended 31 August 2007 (2006: Nil).

BUSINESS REVIEW AND PROSPECTS

Financial results

For the six months ended 31 August, 2007 (the "first half"), the Group achieved a satisfactory improvement in its results over that achieved by it in the same period last year recording (i) an increase in consolidated turnover of 11.7% from HK$727.7 million to HK$812.9 million and (ii) an increase in the profit attributable equity holders of the Company from HK$10.2 million to HK$25.6 million. Earnings per share increased from HK 5 cents to HK 12 cents per share.

The improvement in the Group's results for the first half is mainly attributable to (i) the benefits it has derived from the ongoing strength of the overall retail market generally and (ii) more specifically, the improved performance and contribution from our Mainland China ("the Mainland") business and showroom business.

Review and Prospect

Thanks to the continuing high level of consumer confidence in Hong Kong and the continued steady inflow of tourists to Hong Kong from the Mainland during the first half, our Hong Kong retail business recorded a 16% growth during this period in sales. However, due to the relatively stable gold price in the first half, this growth was partly off-set by a decline in the amount of recycled gold purchased and sold by the Group as compared to the same period last year.

During the first half, the Group also undertook a review of its retail operations in Hong Kong and, as a result, it has started to progressively shift the mix of its stores to better suit the changing shopping habits in Hong Kong and our brand positioning. In the first half, the Group opened two new counters in department stores in Tai Po and Tuen Mun and identified a number of other sites that would compliment its brand position. In this respect, in the second half of this year, the Group will open two new stores in shopping malls, namely Luk Yeung Galleria in Tsuen Wan and East Point City in Tsueng Kwan O respectively. Over the next 1–2 years, the Group will further look to remix its retail locations to better suit the changing market and our brand positioning.

Due to the rapid emergence of Macau as new economic force and tourist destination in the Pearl River Delta, the Group has decided to re-enter the Macau retail market to enjoy the opportunities that this market now presents. Following an exhaustive search, the Group located a suitable site in phase 2 of The Venetian Macao. This store has been opened on 19 November, 2007. We believe that The Venetian Macao will become one of the premier shopping malls and sight-seeing spots for tourists visiting Macau and that this store will become our strategic anchor to serve our customers in this growing market.

Sales in the Group's showroom business grew by 40% during the period under review due partly to the Group being able to successfully benefit from the consolidation that occurred in the market following the tightening of control over the industry. The Group has actively participated in the "Trustworthy Tourist Store" initiative of the Travel Industry Council ("TIC") and worked closely with other authorities on new guidelines/standards to protect the interests of tourists shopping in Hong Kong. We believe that the market may consolidate further and so there maybe further opportunities for long standing and reputable branded operators like the Group.

Our business in the Mainland saw satisfactorily growth in the first half which was in line with the increasing wealth of the population and the expanding Mainland economy generally. During the period under review, 11 new stores were opened by the Group. The Group intends to open approximately 20 new stores within this financial year. The Group sees its Mainland business as being one of the major growth opportunities going forward and it will continue to invest in this business to capitalize on the market opportunities in the Mainland.

The growth of our export business slowed slightly in the first half due to the uncertainties created in the economy of United States ("US") by the recent sub-prime mortgage crisis. As our export business is mainly targeted to the upper end market, this adverse impact should be transient unless the economy in the US deteriorates beyond that which we currently expect or anticipate. In the meantime, we have continued to progressively diversify the business away from the US market by continuing to build our European market and by developing new markets by joining the jewellery exhibitions in other emerging markets like the Middle East and Eastern Europe.

The Malaysian operation recorded a stable growth in turnover and profitability as a result of improved merchandising.

Infrastructure Reinvestment Program

As anticipated, the final part of the Group's infrastructure reinvestment program was completed in August 2007 with the completion of the third (and final) phase of its Group's IT project. We believe that the completion of this project (and the previously completed projects under this reinvestment program) will gradually bring about ongoing cost savings and improvements to our operations as we harness these systems to supply better information for serving our customers and improving profitability. Also, the completion of this reinvestment program means that the Group now has a solid retail platform and infrastructure in place from which it can grow its business going forward. We look forward to entering an expansion phase for the Group using the systems and infrastructure that we have built up over the last 3 years.

Finance

Capital expenditure including store renovation and expansion, information technology investment and machinery during the period was approximately HK$15 million. It was financed mainly from internal resources.

Liquidity, Capital Structure and Gearing

At 31 August, 2007, the Group's total borrowings decreased to HK$128.9 million from HK$149.6 million at 28 February, 2007. Cash and bank balance at 31 August, 2007 was HK$44.9 million. Our debt to equity ratio (ratio of net borrowings to equity attributable to equity holders of the Company) has increased from 18.3% to 27.6%.

Pledge of assets

At 31 August, 2007, the Group's secured bank loans and secured other loans are secured by (a) all of the undertakings, properties and assets of the Company and 12 of its subsidiaries by way of fixed and floating charges and rental revenue of the Group; (b) the capital contribution to a subsidiary of the Group amounting to US$232,500 and all the benefits accruing to the pledged equity interest of 11.625% and (c) all rights, titles and interests in 80.46% of the entire share capital of two subsidiaries of the Group and all benefits accruing to the pledged equity interest.

Employees

At 31 August, 2007, the total number of employees of the Group was approximately 3,000. The increase in headcount was mainly in production, sale and marketing in Mainland following the growth of the Group.

Subject to the foregoing, during the period under review, human resources policies, capital structure, financial policies, exposure to foreign exchange rates, plan for capital expenditure, contingent liabilities and charges on the Group assets do not materially differ form the information disclosed 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 2007.

CORPORATE GOVERNANCE

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

The Company is committed to the establishment of good corporate governance practices and procedures. The Company has applied the principles and complied with all code provisions and, where applicable, the 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") throughout the six months ended 31 August 2007, except the following deviations from code provisions A.3.2 of the CG Code:

Mr. Gerald Clive Dobby resigned as an Independent Non-executive Director of the Company on 28 February 2007 for personal reasons and the number of the Independent Non-executive Directors fell below the minimum number required under Rule 3.10(1) of the Listing Rules and the number of the members of audit committee fell below the minimum number required under Rule 3.21 of the Listing Rules. Subsequently, Mr. Siu Ming Wah was appointed to fill the vacancy of Independent Non-executive Director and member of the audit committee on 2 May 2007.

Audit Committee

The Audit Committee, which terms of reference are in compliance with the provisions set out in the CG Code, comprises three members who are all Independent Non-executive Directors of the Company. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with management regarding auditing, internal control and financial reporting matters including the review of the Company's unaudited interim results for the six months ended 31 August 2007.

Model Code on Securities Transactions By Directors

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. 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 2007.

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 2007.

At the date of this announcement, the Board comprises:

Executive Directors:
Mr. TSE Tat Fung, Tommy
Mr. Peter Gerardus VAN WEERDENBURG
Mr. Erwin Steve HUANG
Ms. YAU On Yee, Annie
Mr. CHEUNG Tse Kin, Michael
Mr. LAI Tsz Mo, Lawrence

Independent Non-Executive Directors:
Mr. CHUI Chi Yun, Robert
Mr. Peter George BROWN
Mr. SIU Ming Wah

By order of the Board
TSE Tat Fung, Tommy
Chairman

Hong Kong, 19 November 2007

* *For identification purpose only*