TSL 謝瑞麟
HONG KONG

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)

2008/2009 INTERIM RESULTS

RESULTS

The board of directors 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 2008. The interim results for the six months ended 31 August 2008 have been reviewed by the Company's audit committee.

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 AUGUST 2008 – UNAUDITED

(Expressed in Hong Kong dollars)

		Six months ended 31 August	
		2008	2007
	Note	***$'000***	*$'000*
Turnover		**968,070**	812,902
Cost of sales		**(453,097)**	(370,257)
		514,973	442,645
Other revenue		**33,881**	4,940
Selling expenses		**(391,017)**	(329,405)
Administrative expenses		**(60,719)**	(63,232)
Other operating expenses		**–**	(77)
Profit from operations	*3*	**97,118**	54,871
Finance costs		**(3,552)**	(4,962)
Profit before taxation		**93,566**	49,909
Income tax	*4*	**(20,511)**	(16,825)
Profit after taxation		**73,055**	33,084
Attributable to:			
Equity holders of the company		**61,706**	25,644
Minority interests		**11,349**	7,440
Profit after taxation		**73,055**	33,084
Dividend attributable to the period	*5*	**4,176**	–
Earnings per share			
Basic	*6*	**30 cents**	12 cents

CONSOLIDATED BALANCE SHEET
AT 31 AUGUST 2008 – UNAUDITED
(Expressed in Hong Kong dollars)

		At 31 August 2008		At 29 February 2008	
	Note	*$'000*	*$'000*	*$'000*	*$'000*
Non-current assets					
Property, plant and equipment			**140,484**		138,375
Other financial asset			**500**		500
Deferred tax assets			**22,036**		18,883
			163,020		157,758
Current assets					
Inventories		**875,268**		865,594	
Trade and other receivables	7	**175,768**		156,590	
Tax recoverable		**44**		44	
Cash at bank and in hand		**67,122**		78,998	
		1,118,202		1,101,226	
Current liabilities					
Trade and other payables		**(474,018)**		(524,340)	
Bank overdraft		**(39,023)**		(25,804)	
Secured bank loans		**(63,305)**		(73,797)	
Secured other loans		**(14,552)**		(14,552)	
Unsecured other loans		**(1,221)**		(1,782)	
Obligations under finance lease		**(590)**		(865)	
Current Taxation		**(91,970)**		(96,874)	
		(684,679)		(738,014)	
Net current assets			**433,523**		363,212
Total assets less current liabilities			**596,543**		520,970
Non-current liabilities					
Obligations under finance lease		**(367)**		(126)	
Secured other loans		**(14,238)**		(21,514)	
Unsecured other loans		–		(312)	
Secured bank loans		**(24,480)**		(32,320)	
Employee benefit obligations		**(17,671)**		(17,671)	
Deferred tax liabilities		**(1,122)**		(777)	
			(57,878)		(72,720)
NET ASSETS			**538,665**		448,250
CAPITAL AND RESERVES					
Share capital			**52,203**		51,766
Reserves			**426,296**		349,865
Total equity attributable to equity holders of the Company			**478,499**		401,631
Minority interests			**60,166**		46,619
TOTAL EQUITY			**538,665**		448,250

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 29 February 2008. 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 29 February 2008, 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 2008:–

HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above new 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 1 (Revised)	Presentation of financial statements*
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 3 (Revised)	Business Combinations+
HKFRS 8	Operating Segments*
HKAS 23 (Revised)	Borrowing Costs*
HK(IFRIC)-Int 13	Customer Loyalty Programmes#

Effective for annual periods beginning on or after 1 July 2008
* Effective for annual periods beginning on or after 1 January 2009
+ Effective for annual periods beginning on or after 1 July 2009

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 29 February 2008 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 29 February 2008 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 and Macau)		Others		Inter-segment elimination		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**950,094**	797,565	**17,976**	15,337	**–**	–	**968,070**	812,902
Inter-segment revenue	**4,705**	1,572	**–**	–	**(4,705)**	(1,572)	**–**	–
Other revenue from external customers	**33,612**	4,619	**269**	321	**–**	–	**33,881**	4,940
Total	**988,411**	803,756	**18,245**	15,658	**(4,705)**	(1,572)	**1,001,951**	817,842
Segment results	**94,851**	52,803	**2,267**	2,068			**97,118**	54,871
Finance costs							**(3,552)**	(4,962)
Income tax							**(20,511)**	(16,825)
Profit for the year							**73,055**	33,084
Depreciation for the period	**21,608**	19,442	**201**	184				
Significant non cash expenses	**–**	171	**–**	–				

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	
	2008	2007
	$'000	*$'000*
Interest on borrowings	**3,552**	4,962
Depreciation	**21,809**	19,626
(Reversal of provision)/Provision for inventory	**(4,063)**	1,267

4. Income Tax

Income Tax in the consolidated income statement represents:

	Six months ended 31 August	
	2008	2007
	$'000	*$'000*
Current tax – Provision for Hong Kong Profits Tax		
Tax for the period	**5,428**	3,910
Underprovision in respect of prior years	**3,374**	–
Tax for the period	**8,802**	3,910
Current tax – Overseas		
Tax for the period	**14,721**	11,883
	14,721	11,883
Deferred tax		
Origination and reversal of temporary differences	**(3,012)**	1,032
	(3,012)	1,032
	20,511	16,825

(a) The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2007 : 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.

(b) Since the end of the last financial year and up to the date of this report, a subsidiary of the Group received from the Inland Revenue Department ("IRD") additional assessments relating to certain agent commission payments and promoter fees arising in prior years under dispute in respect of which the IRD have challenged the tax treatments adopted by the subsidiary. The subsidiary is in the process of gathering relevant information to support the tax treatments adopted. The directors believe that the information being gathered will provide sufficient grounds to support the tax treatments adopted. However, the directors consider it prudent to establish an additional provision of $3.4 million in respect of the above which has been charged to the consolidated income statement for the period.

5. Dividends

	Six months ended 31 August	
	2008	2007
	$'000	*$'000*
Interim dividend, declared after period end, of HK$0.02 (2007: Nil) per ordinary share	**4,176**	–

At the board meeting held on 18 November 2008, the directors declared interim dividend of HK$0.02 per share. These dividends have not been recognised as a liability at the balance sheet date.

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 $61,706,000 (2007: $25,644,000) and on the weighted average of 207,938,221 ordinary shares (2007: 207,063,221 ordinary shares) in issue during the period.

(b) Diluted earnings per share

Diluted earnings 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 2008	At 29 February 2008
	$'000	*$'000*
0 to 30 days	**64,237**	73,170
31 to 60 days	**12,194**	21,299
61 to 90 days	**7,807**	2,525
Over 90 days	**4,077**	15,388
Total debtors	**88,315**	112,382
Other receivables, deposit and prepayments	**87,453**	44,208
	175,768	156,590

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

8. PLEDGE OF ASSETS

(a) At 31 August 2008, debentures were executed by the Group in favour of its bankers and financial creditors charging, by way of fixed and floating charges, all of the undertakings, properties and assets of the Company and of its 12 subsidiaries as security for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to the bankers and financial creditors. Rental revenue of the Group is also charged in favour of the Group's bankers.

(b) At 31 August 2008, the Group pledged all rights, titles and interests in 80.46% of the entire share capital of IAC and TSL China and all benefits accruing to the pledged equity interest to the Group's bankers and financial creditors as security for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to the bankers and financial creditors.

(c) On 27 September 2007, the Company and its 6 subsidiaries (the "Subsidiaries") executed a second floating charge and the Company made a guarantee to the Subsidiaries and there is a cross guarantee among the subsidiaries in favour of Rosy Blue Hong Kong Limited ("Rosy Blue") 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 2008, the Debts amounted to $75,194,000.

9. Contingent liabilities

(a) As set out in the announcements of the Company dated 3 June 2008, two directors of the Company, and the controller of showroom operation of a subsidiary and a 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 has been informed that the two directors who have been convicted have commenced proceedings to appeal the verdict ("the Appeal").

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 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 directors involved in relation to the Appeal.

(b) As at the balance sheet date, the disputes of certain subsidiaries with 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 $94.4 million 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 verdict of the District Court of Hong Kong 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 agents 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 offshore income, the agent commission payments and promoter fees is successful.

Save as mentioned above, as at 31 August 2008, the Group did not have any other material contingent liabilities.

10. Commitments

As at 31 August 2008, the Group had capital commitments contracted for amount to $1,030,000 (as 29 February 2008: $2,690,000).

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of 2 HK cents per ordinary share of the Company for the six months ended 31 August 2008 (2007: Nil) to shareholders whose names appear on the Register of Members of the Company on Wednesday, 3 December 2008. The interim dividend will be paid on Thursday, 15 January 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 1 December 2008 to Wednesday, 3 December 2008, both days inclusive, during which period no transfer of shares will be effected. 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 Friday, 28 November 2008.

BUSINESS REVIEW AND PROSPECTS

Financial Results

The Group achieved a satisfactory and continuous improvement in its results for the six months ended 31 August 2008 (the "first half"), compared with the same period of last year. Consolidated turnover increased by 19% to HK$968 million from HK$813 million and the profit attributable to equity holders of the Company increased from HK$25.6 million to HK$61.7 million. Earnings per share increased from HK12 cents to HK30 cents per share.

The improvement in the Group's results for the first half is mainly attributable to (i) the improved performance and contribution from our Mainland China (the "Mainland") business and (ii) other income from compensation for early termination of shop lease. Excluding the effect of the other income, the profit attributable to equity holders increased by 47% from HK$25.6 million to HK$37.7 million.

Review and Prospect

During the first half, Hong Kong and Macau Retail markets have slowed down because of the decrease in number of tourists from Mainland shopping in these two markets. The abolition of the long Labour Day Holidays and the visa policy adjustment by Mainland has resulted in the decline in shoppers from Mainland.

The Group continued the review of its retail operations in Hong Kong and progressively shifted the mix of its stores to better suit the changing shopping habits in Hong Kong. In the first half, the Group opened a new store in Sun Yuen Long Centre. In this respect, the Group has also scheduled to open another new store in Landmark North of Sheung Shui early next year.

Despite the decrease in number of tourists from Mainland and overseas as a result of visa policy adjustment by Mainland, sales in the Group's showroom business managed to grow by 6% during the period under review.

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, 9 new stores were opened by the Group of which 6 are Saxx stores. This second brand has been well-received by consumers and our business partners.

In view of the deteriorating global economy, our export business has tightened the credit policy and the growth of the business slowed down in the first half. The fluctuating material prices have also put pressures on the margin and affected the performance of this business.

The Malaysian operation recorded a healthy growth in turnover and profitability as a result of successful cost control and focus on our VIP customers.

Because of the deepening of the global financial crisis in September and October, luxury consumption atmosphere will inevitably be affected. The Group will take a cautious approach to critically review the store and inventory portfolio of all business segments. The Group will also implement stringent cost control measures and improve the internal efficiency. On the other hand, the Group is cautiously optimistic about the business outlook in medium to long term as it is still generally believed that there will be 5–6% per annum economic growth in Mainland in which the Group has a very good presence. Furthermore, Hong Kong economy can also leverage on the moderate growth of Mainland and benefit from the recent announcement of further favourable Mainland's economic policies towards Hong Kong.

Finance

Capital expenditure including store renovation and expansion, information technology investment and machinery during the period was approximately HK$24 million. It was financed mainly from internal resources.

Liquidity, Capital Structure and Gearing

At 31 August 2008, the Group's total borrowings decreased to HK$157.8 million from HK$171.1 million at 29 February 2008. Cash and bank balance at 31 August 2008 was HK$67.1 million. Our debt to equity ratio (ratio of total borrowings to total equity) has decreased from 38.2% to 29.3%.

Charges on Group Assets

(1) At 31 August 2008, debentures were executed by the Group in favour of its bankers and financial creditors charging, by way of fixed and floating charges, all of the undertakings, properties and assets of the Company and 12 of its subsidiaries as security for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to the bankers and financial creditors. Rental revenue of the Group is also charged in favour of the Group's bankers.

(2) At 31 August 2008, the Group pledged all rights, titles and interests in 80.46% of the entire share capital of Infinite Assets Corp. and Tse Sui Luen Investment (China) Limited and all benefits accruing to the pledged equity interest to the Group's bankers and financial creditors as security for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to the bankers and financial creditors.

(3) At 31 August 2008, the Company and its 6 subsidiaries (the "Subsidiaries") executed a second floating charge and the Company made a guarantee to the Subsidiaries and there is a cross guarantee among the Subsidiaries in favor 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"). At 31 August 2008, the Debts amounted to HK$75,194,000.

Contingent Liabilities

As at the balance sheet date, the disputes of certain subsidiaries with Inland Revenue Department ("IRD") regarding the tax treatment of certain offshore income, agents commission payments and promoter fees for prior years are still undetermined. During the period, a subsidiary received additional assessments in relation to the dispute on the tax treatment of agent commission payments and promoter fees for prior years. The Group has established a provision of approximately HK$94.4 million 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 verdict of the District Court of Hong Kong as disclosed in the announcement of the Company dated 3 June 2008 may or may not have impact on the IRD's challenges on the tax treatments adopted by the Group relating to agents 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 offshore income, agent commission payments and promoter fees is successful.

Employees

At 31 August 2008, the total number of employees of the Group was approximately 3,200. The increase in headcount was mainly in sale and marketing in Mainland in line with 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 from 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 2008.

CORPORATE GOVERNANCE

Compliance with 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 2008.

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 2008.

Model Code on Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") 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 2008.

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 2008.

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. Peter George BROWN
Mr. SIU Ming Wah

By order of the Board
YAU On Yee, Annie
Chairman

Hong Kong, 18 November 2008

* *For identification purpose only*