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 2010/2011

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 month ended 31 August 2010. The interim results for the six month ended 31 August 2010 have been reviewed by the Company's audit committee.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 AUGUST 2010 – UNAUDITED

(Expressed in Hong Kong dollars)

	Note	**Six months ended 31 August**	
		2010	2009
		$'000	*$'000*
Turnover	2	**1,079,727**	851,408
Cost of Sales		**(527,571)**	(395,818)
Gross profit		**552,156**	455,590
Other revenue		**4,263**	3,863
Selling expenses		**(432,143)**	(345,500)
Administrative expenses		**(56,300)**	(51,969)
Profit from operations		**67,976**	61,984
Write back of surcharge and interest / compounds provision		**19,389**	-
Finance costs		**(2,762)**	(1,935)
Profit before taxation	3	**84,603**	60,049
Income tax credit / (charged)	4	**5,364**	(24,272)
Profit for the period		**89,967**	35,777
Other comprehensive income			
Exchange difference arising on translation of financial statements of foreign subsidiaries		**881**	1,835
Other comprehensive income, net of tax		**881**	1,835
Total comprehensive income for the period		**90,848**	37,612

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	Six months ended 31 August 2010 $'000	2009 $'000
Profit attributable to :			
Equity holders of the Company		**81,458**	25,004
Non-controlling interests		**8,509**	10,773
		89,967	35,777
Total comprehensive income attributable to:			
Equity holders of the Company		**82,376**	26,761
Non-controlling interests		**8,472**	10,851
		90,848	37,612
Earnings per share	6		
- Basic		**39 cents**	12 cents
- Diluted		**N/A**	12 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 AUGUST 2010 – UNAUDITED

(Expressed in Hong Kong dollars)

	Note	**At 31 August** *2010* *$'000*	At 28 February *2010* *$'000*
Non-current assets			
Property, plant and equipment		**113,151**	118,593
Other financial asset		**500**	500
Deferred tax assets		**23,505**	22,244
		137,156	141,337
Current assets			
Inventories		**1,121,487**	954,714
Trade and other receivables	7	**172,540**	183,982
Current tax recoverable		**105**	1,038
Cash at bank and in hand		**86,893**	176,894
		1,381,025	1,316,628
Current liabilities			
Other loan - secured		**-**	(6,962)
Obligations under finance leases – current		**(105)**	(107)
Trade and other payables	8	**(502,798)**	(501,302)
Current tax payable		**(23,691)**	(62,179)
Bank overdrafts – secured		**(10,641)**	(19,364)
Bank loans - secured		**(127,978)**	(86,350)
		(665,213)	(676,264)
Net current assets		**715,812**	640,364
Total assets less current liabilities		**852,968**	781,701
Non-current liabilities			
Obligations under finance leases – non-current		**(153)**	(203)
Employee benefit obligations		**(11,152)**	(11,152)
Bank loans – secured		**(32,000)**	(36,800)
Deferred tax liabilities		**(15,064)**	(12,969)
		(58,369)	(61,124)
NET ASSETS		**794,599**	720,577
CAPITAL AND RESERVES			
Share capital		**52,584**	52,584
Reserves		**640,331**	574,782
Total equity attributable to equity holders of the Company		**692,915**	627,366
Non-controlling interests		**101,684**	93,211
TOTAL EQUITY		**794,599**	720,577

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 2010. 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 2010, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ended 28 February 2011. Details of these changes in accounting policies are set out below.

The adoption of the new and revised standards, amendments and interpretations which become effective for accounting periods beginning on or after 1 March 2010 have had no material impact on the Group's result of operations and financial position except for the revised HKFRS 3 'Business Combinations' ('HKFRS 3') and the amendments to HKAS 27 'Consolidated and Separate Financial Statements'. The principal effect of adopting HKAS 27 (Revised) is as follows:

HKAS 27 (Revised) ***Consolidated and Separate Financial Statements***

This revised standard requires that profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

In terms of their application to the Group, the amendments to HKAS 27 apply prospectively to attribution of total comprehensive income to the owners of the parent and to the non-controlling interests. The application of the revised standard has no significant effect on these consolidated financial statements.

The Group has not adopted earlier or applied the following new standards, amendments/revisions/improvements to standards and interpretations that have been issued but are not yet effective, in this interim financial report.

HKAS 24 (Revised)	Related Party Disclosures *
HKFRS 9	Financial Instruments @
HK(IFRIC) – Int 14 Amendment	Prepayments of a Minimum Funding Requirement *
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ^
Improvements to HKFRSs 2010	Amendments to HKFRSs 1, 3 & 7, HKASs 1, 27 & 34 and HK(IFRIC) – Int 13 #

* *Effective for annual periods beginning on or after 1 January 2011*
@ *Effective for annual periods beginning on or after 1 January 2013*
^ *Effective for annual periods beginning on or after 1 July 2010*
\# *Effective for annual period beginning on or after 1 July 2010 or 1 January 2011*

The Group has already commenced an assessment of the related impact of adopting the above new standards, amendments/revisions/improvements to standards and interpretations in the period of initial application but is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be required.

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 2010 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 2010 are available from the Company's registered office.

2. SEGMENTAL INFORMATION

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 2010 and 2009, respectively.

	PRC (including Hong Kong and Macau)		**Others**		**Inter-segment elimination**		**Consolidated**	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue from external customers	**1,068,159**	841,007	**11,568**	10,401	**-**	-	**1,079,727**	851,408
Inter-segment revenue	**4,492**	1,961	**-**	-	**(4,492)**	(1,961)	**-**	-
Other revenue from external customers	**4,180**	3,819	**83**	44	**-**	-	**4,263**	3,863
Total	**1,076,831**	846,787	**11,651**	10,445	**(4,492)**	(1,961)	**1,083,990**	855,271
Segment results	**68,613**	62,755	**(637)**	(771)			**67,976**	61,984
Finance costs							**(2,762)**	(1,935)
Write back of surcharge and interest/compounds provision							**19,389**	-
Income tax credit / (charged)							**5,364**	(24,272)
Profit for the period							**89,967**	35,777
Depreciation for the period	**21,420**	21,564	**41**	40				

3. PROFIT BEFORE TAXATION

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

	Six months ended 31 August	
	2010	2009
	$'000	$'000
Interest on borrowings	**2,762**	1,935
Depreciation	**21,461**	21,604
Provision for / (Reversal) of inventory	**6,759**	(206)

4. INCOME TAX CREDIT/(CHARGED)

(a) Taxation in the consolidated statement of comprehensive income represents:-

	Six months ended 31 August	
	2010	2009
	$'000	$'000
Current tax - Provision for Hong Kong Profits Tax		
Tax for the period	**3,156**	420
(Over) / under provision in respect of prior years	**(27,192)**	38
Tax for the period	**(24,036)**	458
Current tax – Overseas		
Tax for the period	**17,861**	19,727
	17,861	19,727
Deferred tax		
Origination and reversal of temporary differences	**811**	4,087
	811	4,087
	(5,364)	24,272

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2009: 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.

(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 installments, the tax demanded under the Tax Disputes. Provisions for surcharges and interest / compounds totaling $ 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 $ 67 million in August 2010. Furthermore, in the letters received by the Group in October 2010, IRD agreed, upon payment of compounds of $ 9 million, not to take any further action under the Inland Revenue Ordinance against the Group in relation to the Tax Disputes.

The balance payable of $ 8.8 million, including the related surcharge of $ 4 million of final tax assessments net of installments paid up to 31 August 2010, will be fully settled by monthly installments by December, 2010. As the Tax Disputes have been settled, the excessive tax provision and the related surcharge and interest / compounds provision of $ 27 million and $ 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 period.

5. DIVIDENDS

(a) Dividends attributable to the periods

	Six months ended 31 August	
	2010	2009
	$’000	$’000
Interim dividend, declared after period end, of $0.027 (2009: $0.02) per ordinary share	**5,679**	4,207

At the board meeting held on 28 October 2010, the directors declared an interim dividend of $0.027 per shares. These dividends have not been recognized as a liability as at 31 August 2010.

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

	Six months ended 31 August	
	2010	2009
	$’000	$’000
Final dividend attributable to the previous financial year, approved during the period of $0.08(2009: $0.03) per share	**16,827**	6,310

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 $81,458,000 (2009: $25,004,000) and on the weighted average of 210,336,221 ordinary shares (2009: 209,399,721 ordinary shares) in issue during the year.

(b) Diluted earnings per share

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

For period ended 31 August 2009, the calculation of diluted earnings per share was based on profit attributable to the equity holders of the Company in the amount of $25,004,000 and on the weighted average of 209,918,804 ordinary shares adjusted for the effects of exercise of share options.

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:-

	At 31 August 2010 $'000	At 28 February 2010 $'000
0 to 30 days	**72,741**	113,413
31 to 60 days	**5,980**	2,573
61 to 90 days	**2,566**	691
Over 90 days	**9,424**	8,569
Total trade receivables	**90,711**	125,246
Other receivables, deposits and prepayments	**81,829**	58,736
	172,540	183,982

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:-

	At 31 August 2010 $'000	At 28 February 2010 $'000
0 to 30 days	**31,596**	26,062
31 to 60 days	**64,154**	53,249
61 to 90 days	**44,680**	49,987
Over 90 days	**109,760**	144,629
Total trade payables	**250,190**	273,927
Other payables and accruals	**252,608**	227,375
	502,798	501,302

9. PLEDGE OF ASSETS

(a) At 31 August 2010, debentures have been 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 2010, the Group has 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

(c) At 31 August 2010, the Company and its 6 subsidiaries (the "Subsidiaries") have executed a second floating charge and the Company has 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 2010, the Debts amounted to $117,866,000 (at 28 February 2010: $144,271,000)

10. CONTINGENT LIABILITIES

As set out in the announcements of the Company dated 3 June 2008, two former directors of the Company, and 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 has been informed that the two former directors who have been convicted have commenced proceedings to appeal the verdict. It was noted that the appeal was dismissed by the Court of Appeal on 31 May 2010. The Company understands that a former director is appealing to the higher court. (the "Further 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 former director involved in relation to the Further Appeal.

11. COMMITMENTS

There were no capital commitments outstanding at 31 August 2010 and 28 February 2010 not provided for in the consolidated financial statement.

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 2010 (2009: 2 HK cents per ordinary share) to shareholders whose names appear on the Register of Members of the Company on Friday, 19 November 2010. The interim dividend will be paid on Tuesday, 11 January 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 17 November 2010 to Friday, 19 November 2010, 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 Tuesday, 16 November 2010.

BUSINESS REVIEW AND PROSPECTS

Financial results

Consolidated turnover for the first half of the 2010/2011 financial year increased by 27% from HK$851 million to HK$1,080 million. Profit attributable to equity holders of the Company grew from HK$25 million to HK$81.5 million. The improvement in the Group's result for the first half was mainly attributable to i) the continued recovery of the retail market in Hong Kong from the market doldrums in the first half of last year and ii) a write-back of an over-provision made in prior years totaling HK$46.6 million following the final settlement of the tax disputes between certain subsidiaries and Inland Revenue Department ("IRD"). Excluding the effect of the write-back, the profit attributable to shareholders would have been HK$34.9 million, 40% increase from the same period last year.

Earnings per share was 39 HK cents (2009: 12 HK cents per share).

Review and prospects

Benefitting from the revival of the retail market brought about by a strong inflow of tourists from Mainland China, sales in Hong Kong's and Macau's stores, registered a same-store double-digit growth rate. In August 2010, we opened three new stores in Mong Kok and Causeway Bay of Hong Kong as well as Avenida de Almeida Riberio (the downtown area) of Macau. These three stores complemented our existing store portfolio to better serve both the local consumers and the growing number of tourists from Mainland China.

Business in the Showroom Division also leaped substantially from a low base of last year as a result of the rebound in the traffic of inbound tourists from the Mainland and South East Asia. Moreover, the showroom operations have participated in the Quality Tourism Services Scheme of the Hong Kong Tourism Board and are working closely with the Travel Industry Council to strive for continuous improvements in services provided to tourists.

The quantitative easing of money supply in the United States and Europe has led to rising inflationary expectations, thereby driving demand for physical assets, including jewellery and gold. On the other hand, the market has rallied in the second half of 2009 after hitting rock bottom in the financial crisis. These two factors contributed significantly to the overall market improvement in the first half of the year. Barring unforeseen circumstances in the second half, the business outlook for Hong Kong and Macau is rosy albeit possibly at a slower growth rate compared with that of the first half.

As the influence of the global financial crisis over the market in Mainland China was less intense last year, our business in Mainland China kept growing in-line with the economic development this year. As the economic growth of Mainland China has been dragged down by the global financial crisis, and all luxury retail businesses have focused their development in Mainland China in recent years, the competition has become increasingly keen. In response to this, the Group will keep investing in this growing market and plans to open around 20 stores in this financial year. The Group will also expand the product assortments, such as contemporary 24-carat gold jewellery and watches, to better serve our customers.

The export business continued to be weak in the first half of the financial year due to the cautiousness of customers in replenishing their inventories in the United States and Europe, where the economies were still fraught with uncertainties. Nevertheless, the Group will continue to positively but cautiously explore new opportunities in the export market by continually re-vamping its product portfolios.

Finance

Capital expenditure for the period was incurred mainly by store renovation and expansion, totaling to approximately HK$16 million, which was funded largely by internal resources and borrowings.

The balance payable of HK$8.8 million for final tax assessments, related surcharge and compounds net of installments paid up to 31 August 2010 as a result of the settlement of the disputes with IRD will have been fully settled by monthly installments by December 2010. The directors believe that the settlement of the tax disputes will not have any material adverse impact on the financial position and cash flow of the Group.

Liquidity, capital structure and gearing

As of 31 August 2010, the Group's total borrowings increased to HK$170.9 million from HK$149.8 million as of 28 February 2010. The Group's cash and bank balance as of 31 August 2010, was HK$87 million, while undrawn banking facilities was HK$16.4 million. Our debt-to-equity ratio (ratio of total borrowings to total equity) slightly increased from 20.8% to 21.5%.

Employees

As of 31 August 2010, the Group's total complement of employees was approximately 3,380, with increase mainly in production, sale and marketing departments to cope with the expansion of the Group.

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 2010.

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 2010, 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. With effect from 1 March 2010, the roles of the Chairman and Chief Executive Officer have been 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 financial statements and interim report for the six months ended 31 August 2010, 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 2010.

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 2010.

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

This interim 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 Interim Report will be dispatched 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, 28 October 2010

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
Ms. CHOW Kwok Ying, Rachel

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

* *For identification purpose only*