TSL | 謝瑞麟

interim report 2010|2011

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Tse Sui Luen Interim Report 2010|2011

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Corporate Profile

Executive Directors

Yau On Yee, Annie *(Chairman & Chief Executive Officer)*
Erwin Steve Huang *(Deputy Chairman)*
Cheung Tse Kin, Michael
Lai Tsz Mo, Lawrence
Chow Kwok Ying, Rachel

Independent Non-executive Directors

Chui Chi Yun, Robert
Heng Ching Kuen, Franklin
Chan Yue Kwong, Michael

Company Secretary

Ho Yuk Fun, Bella

Authorised Representatives

Yau On Yee, Annie
Lai Tsz Mo, Lawrence

Audit Committee

Chui Chi Yun, Robert *(Chairman)*
Heng Ching Kuen, Franklin
Chan Yue Kwong, Michael

Remuneration Committee

Heng Ching Kuen, Franklin *(Chairman)*
Chui Chi Yun, Robert
Chan Yue Kwong, Michael
Yau On Yee, Annie

Executive Committee

Yau On Yee, Annie *(Chairman)*
Erwin Steve Huang
Cheung Tse Kin, Michael
Lai Tsz Mo, Lawrence
Chow Kwok Ying, Rachel

Legal Advisers

As to Hong Kong law:
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As to Bermuda law:
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Room 2901, One Exchange Square, 8 Connaught Place, Central, Hong Kong

Auditors

Moore Stephens
Certified Public Accountants
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Principal Banker

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Hong Kong Branch Share Registrar

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Registered Office

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Principal Office

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Stock Code

417

Website

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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 2010. The interim results for the six months 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 $'000	2009 $'000
Turnover	2	1,079,727	851,408
Cost of goods sold		(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	5b	19,389	—
Finance costs		(2,762)	(1,935)
Profit before taxation	4	84,603	60,049
Income tax credit/(charged)	5	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

	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	7		
– Basic		39 cents	12 cents
– Diluted		N/A	12 cents

Consolidated Statement of Changes in Equity for the six months ended 31 August 2010

(Expressed in Hong Kong dollars)

	Share Capital $'000	Share premium $'000	Capital reserve $'000	Share-based compensation reserve $'000	Exchange reserve $'000	Retained profits $'000	Proposed dividend $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 March 2010	52,584	123,364	153,533	—	46,905	234,153	16,827	627,366	93,212	720,578
Final Dividend declared (2009/10)	—	—	—	—	—	—	(16,827)	(16,827)	—	(16,827)
Proposed interim dividend (2010/11)	—	—	—	—	—	(5,679)	5,679	—	—	—
Total comprehensive income for the period	—	—	—	—	918	81,458	—	82,376	8,472	90,848
Balance at 31 August 2010	52,584	123,364	153,533	—	47,823	309,932	5,679	692,915	101,684	794,599
Balance at 1 March 2009										
As previously reported	52,203	120,233	149,708	1,961	44,234	137,401	6,310	512,050	68,366	580,416
Effect of adoption HK(IFRIC) - Int 13	—	—	—	—	—	(1,207)	—	(1,207)	(263)	(1,470)
As restated	52,203	120,233	149,708	1,961	44,234	136,194	6,310	510,843	68,103	578,946
Lapse of share options	—	—	—	(1,129)	—	1,129	—	—	—	—
Share options exercised	381	3,131	—	(832)	—	—	—	2,680	—	2,680
Final Dividend declared (2008/09)	—	—	—	—	—	—	(6,310)	(6,310)	—	(6,310)
Proposed interim dividend (2009/10)	—	—	—	—	—	(4,207)	4,207	—	—	—
Total comprehensive income for the period	—	—	—	—	1,757	25,004	—	26,761	10,851	37,612
Balance at 31 August 2009	52,584	123,364	149,708	—	45,991	158,120	4,207	533,974	78,954	612,928

Consolidated Statement of Financial Position at 31 August 2010 – Unaudited

(Expressed in Hong Kong dollars)

		At 31 August 2010		At 28 February 2010	
	Note	$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	3		113,151		118,593
			113,151		118,593
Other financial asset			500		500
Deferred tax assets			23,505		22,244
			137,156		141,337
Current assets					
Inventories	8	1,121,487		954,714	
Trade and other receivables	9	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	10	(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

	Note	At 31 August 2010 $'000	At 31 August 2010 $'000	At 28 February 2010 $'000	At 28 February 2010 $'000
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	11		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

Condensed Consolidated Cash Flow Statement for the six months ended 31 August 2010

(Expressed in Hong Kong dollars)

	Six months ended 31 August 2010 $'000	2009 $'000
Net cash (outflow) / inflow from operating activities	(93,344)	77,474
Net cash outflow from investing activities	(15,476)	(11,408)
Net cash inflow / (outflow) from financing	27,052	(28,201)
(Decrease) / increase in cash and cash equivalents	(81,768)	37,865
Effect of foreign exchange rates changes	490	1,901
Cash and cash equivalents at 1 March	157,530	104,653
Cash and cash equivalents at 31 August	76,252	144,419
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	86,893	163,784
Bank overdrafts	(10,641)	(19,365)
	76,252	144,419

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:

1. Basis of preparation (continued)

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 had no significant effect on these consolidated financial statements.

1. Basis of preparation (continued)

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

1. Basis of preparation (continued)

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 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'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 Acquisitions and disposals of fixed assets

During the six months ended 31 August 2010, the Group acquired items of property, plant and machineries with a cost of $16,014,000 (six months ended 31 August 2009: $11,413,000). Items of property, plant and machineries with net book value of $45,000 were disposed of during the six months ended 31 August 2010 (six months ended 31 August 2009: $156,000), resulting in a loss on disposal of $7,000 (six months ended 31 August 2009: $151,000).

4. 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)

5. Income tax credit/(charged)

(a) Income tax credit / (charged) in the consolidated statement of comprehensive income represents:-

	Six months ended 31 August 2010 $'000	2009 $'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.

5. Income tax credit/(charged) (continued)

(a) (continued)

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.

5. Income tax credit/(charged) (continued)

(b) (continued)

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.

6. Dividends

(a) Dividends attributable to the periods

	Six months ended 31 August 2010 $'000	2009 $'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 share. 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 $'000	2009 $'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

7. 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 period.

(b) Diluted earnings per share

No adjustment has been made to the basic earnings per share amount presented for the period ended 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.

8. Inventory

	At 31 August 2010 $'000	At 28 February 2010 $'000
Raw materials – at net realizable value	126,980	91,946
Work in progress – at cost	118,969	70,988
Finished goods – at net realizable value	875,538	791,780
	1,121,487	954,714

As at 31 August 2010, the carrying amount of inventories held by 6 subsidiaries (the "Subsidiaries") amounted to $553,270,000 (at 28 February 2010: $487,655,000) have been pledged as a continuing security of the debts arising from the supply of polished diamonds and precious stones by Rosy Blue Hong Kong Limited ("Rosy Blue HK") to the Subsidiaries (the "Debts") from time to time (see note 12 below).

9. Trade and other receivable

Included in trade and other receivables are debtors (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.

10. Trade and other payables

Included in trade and other payables are creditors 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

11. Share capital

	At 31 August 2010		At 28 February 2010	
	No. of shares '000	Amount $'000	No of shares '000	Amount $'000
Authorised				
Ordinary shares of $0.25 each	1,500,000	375,000	1,500,000	375,000
Issued and fully paid:				
Ordinary shares				
At beginning of the period / year	210,336	52,584	208,813	52,203
Share options exercised	—	—	1,523	381
At end of the period / year	210,336	52,584	210,336	52,584

12. 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 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 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. As at 31 August 2010, the Debts amounted to $117,866,000 (at 28 February 2010: $144,271,000).

13. Connected and material related party transactions

(a) At 31 August 2010, the outstanding loan due to Partner Logistics Limited ("Partner Logistics") amounted to $Nil (at 28 February 2010: $6,962,000) are secured and interest bearing at Hong Kong Interbank Offering Rate plus 2% per annum. During the period, interest expenses paid to Partner Logistics amounted to $43,000 (2009: $212,000).

Partner Logistics is a company ultimately controlled by Mr. Tse Tat Fung, Tommy, a substantial shareholder and the spouse of a director of the Company.

During the period, TSL Manufacturing and Distribution Limited ("TSL M&D"), a subsidiary of the Company, purchased raw materials and finished goods from Rosy Blue HK amounting to $132million (2009: $85million).

During the period, TSL Jewellery (H.K.) Co. Limited ("TSL(HK)"), a subsidiary of the Company, purchased raw materials and finished goods from Rosy Blue HK amounting to $Nil (2009: $206,000).

During the period, Excellent Ford Development Limited ("EF") sold raw materials to Beijing Tse Sui Luen Jewellery Company Limited ("BTSL") through Rosy Blue (Shanghai) Diamond Company Limited ("Rosy Blue SH"), an authorised diamond trading company in the PRC, amounting to $82million (2009: $28million). EF and BTSL are subsidiaries of the Company.

Rosy Blue HK and Rosy Blue SH are subsidiaries of Rosy Blue Investments S.à.r.l., a preference shareholder of Partner Logistics. In the opinion of the Directors of the Company, the transactions were carried out on normal commercial terms and in the ordinary course of business.

13. Connected and material related party transactions (continued)

(b) **The group paid key management personnel compensation as follows:**

	Six months ended 31 August	
	2010	2009
	$'000	$'000
Salaries and other short-term employee benefit	4,104	4,357
Retirement scheme contributions	24	24
	4,128	4,381

14. 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.

Save as mentioned above, as at 31 August 2010, the Group did not have any other material contingent liabilities.

15. Commitments

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

(b) At 31 August 2010, the total future minimum lease payments under non-cancellable operating leases are as follows:

	At 31 August 2010 $'000	At 28 February 2010 $'000
Within 1 year	88,646	82,898
After 1 year but within 5 years	75,957	62,296
After 5 years	930	—
	165,533	145,194

16. Review of unaudited interim financial report

The unaudited interim financial report for the six months ended 31 August 2010 has been reviewed by the audit committee of the Company.

17. Approval of interim financial report

The interim financial report was approved by the board on 28 October 2010.

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.

Business Review and Prospects (Continued)

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.

Business Review and Prospects (Continued)

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.

Other Information

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 31 August 2010, the interests and short positions of the directors and chief executive and/or their respective associates of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Other Information (Continued)

Interests and short positions in issued shares of the Company

Ordinary shares of HK$0.25 each

Name of Director	Personal interest	Family interest	Corporate interest	Derivative interest (share options)	Short interest	Other interest	Approximate percentage of total issued share capital
Yau On Yee, Annie	100,000	152,960,914 *(Note)*	—	—	—	—	72.77%
Erwin Steve Huang	100,000	—	—	—	—	—	0.05%
Lai Tsz Mo, Lawrence	200,000	—	—	—	—	—	0.10%
Chow Kwok Ying, Rachel	200,000	—	—	—	—	—	0.10%

Note:

These ordinary shares are held by Partner Logistics Limited, a company which is owned and controlled by Blink Technology Limited. Blink Technology Limited is wholly and beneficially owned by Mr. Tse Tat Fung, Tommy, the spouse of Ms. Yau On Yee, Annie, an executive director of the Company. By virtue of the SFO, Ms. Yau On Yee, Annie is deemed to be interested in all the shares held by Partner Logistics Limited.

Other Information

(Continued)

Other than as disclosed above and certain nominee shares in subsidiaries held by directors in trust for the Company or its subsidiaries, as at 31 August 2010, none of the Company's directors, chief executive and their respective associates, had any other interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which required notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive is taken or deemed to have taken under such provisions of the SFO); or which were required pursuant to section 352 of the SFO to be entered into the register maintained by the Company; or which were required, pursuant to the Model Code contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), to be notified to the Company or the Stock Exchange.

Other Information (Continued)

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 31 August 2010, the interests and short positions of any substantial shareholders or other persons (not being directors or chief executive of the Company) in the shares and/or underlying shares of the Company which have been disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and have been recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

		Ordinary shares of HK$0.25 each					
Name	Capacity	Direct interest	Approximate percentage of total issued share capital	Short position	Approximate percentage of total issued share capital	Other interest	Approximate percentage of total issued share capital
Partner Logistics Limited *(Note 1)*	Beneficial owner	152,960,914	72.72%	—	—	—	—
Blink Technology Limited *(Note 1)*	Deemed interest	—	—	—	—	152,960,914	72.72%
Tse Tat Fung, Tommy *(Note 1)*	Deemed interest	—	—	—	—	152,960,914	72.72%
Prime Investments S.A. *(Note 2)*	Deemed interest	—	—	—	—	152,960,914	72.72%
Rosy Blue Investments S.à.r.l. *(Note 2)*	Deemed interest	—	—	—	—	152,960,914	72.72%
Harshad Ramniklal Mehta *(Note 2)*	Deemed interest	—	—	—	—	152,960,914	72.72%

Other Information

(Continued)

Notes:

1. These ordinary shares are held by Partner Logistics Limited, a company which is owned and controlled by Blink Technology Limited. Blink Technology Limited is wholly and beneficially owned by Mr. Tse Tat Fung, Tommy, the spouse of Ms. Yau On Yee, Annie, an executive director of the Company. By virtue of the SFO, Blink Technology Limited, Ms. Yau On Yee, Annie and Mr. Tse Tat Fung, Tommy are deemed to be interested in all the shares held by Partner Logistics Limited.

2. These ordinary shares are held by Partner Logistics Limited, a company which is owned and controlled by Blink Technology Limited. Prime Investments S.A. is the preference shareholder of Partner Logistics Limited. Prime Investments S.A. is owned as to 99.83% by Rosy Blue Investments S.à.r.l., which in turn is owned as to 75% by Mr. Harshad Ramniklal Mehta. By virtue of the SFO, each of Prime Investments S.A., Rosy Blue Investments S.à.r.l. and Mr. Harshad Ramniklal Mehta, is deemed to be interested in all the shares held by Partner Logistics Limited.

Other than as disclosed above, as at 31 August 2010, the Company had not been notified of any persons who had interests or short positions in the shares and/or underlying shares of the Company, which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Changes of Directors' Information pursuant to Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information on directors of the Company are as follows:

Mr. Peter George Brown ("Mr. Brown") retired as an independent non-executive director and has ceased to be a member of each of the Audit Committee and the Remuneration Committee of the Company at the conclusion of the annual general meeting of the Company held on 25 August 2010.

Other Information

(Continued)

Mr. Chan Yue Kwong, Michael was appointed as an independent non-executive director, a member of each of the Audit Committee and the Remuneration Committee of the Company with effect from 25 August 2010 to fill the causal vacancy upon the retirement of Mr. Brown.

The remuneration package of the following directors has been revised by the Remuneration Committee in consideration of respective responsibilities and market rates:

1) With effect from 1 March 2010, the monthly remuneration of Mr. Erwin Steve Huang, the Deputy Chairman of the Group and General Manager of showroom operations of the Group, has been revised to HK$90,000.

2) With effect from 1 April 2010, the monthly remuneration of Mr. Lai Tsz Mo, Lawrence, an executive director and Chief Financial Officer of the Group, has been revised to HK$110,000.

3) With effect from 1 April 2010, the monthly remuneration of Ms. Chow Kwok Ying, Rachel, an executive director and Director - Group Human Resources of the Group, has been revised to HK$83,000.

Share Option Scheme

The Company's share option scheme was adopted by shareholders of the Company on 26 November 2003 ("2003 Share Option Scheme"). The purpose of the 2003 Share Option Scheme is to provide incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity").

Other Information

(Continued)

Under the 2003 Share Option Scheme, the directors of the Company are authorised, at their discretion, at any time following the date of the adoption of the 2003 Share Option Scheme but before the tenth anniversary of that date, to offer options to any person belonging to any of the following classes of participants to subscribe for shares of the Company:

— any employee (whether full time or part time employee, including any executive directors but not any non-executive director) of the Company, any of its subsidiaries or any Invested Entity;

— any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

— any supplier of goods or services to any member of the Group or any Invested Entity;

— any customer of the Group or any Invested Entity;

— any person or entity that provides research, development or technological support or other services to the Group or any Invested Entity; and

— any shareholder or any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange on the date of offer of the grant and the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of offer of the grant. An offer of an option shall be deemed to have been accepted within 28 days from the date of offer upon acceptance of the option duly signed by the grantee together with a remittance of HK$1. The maximum number of securities available for issue

Other Information

(Continued)

under the 2003 Share Option Scheme shall not exceed 10% of the issued share capital of the Company. The maximum entitlement of each grantee in any 12-month period is limited to 1% of the ordinary shares in issue of the Company. The option period will not be more than ten years from the date of grant of the option and the Company's board of directors may at its discretion determine the minimum period for which the option has to be held or other restriction before the exercise of the subscription right attaching thereon.

As at 31 August 2010, there was no outstanding share option under the 2003 Share Option Scheme. No share options were granted, exercised, cancelled or lapsed during the period.

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.

Other Information

(Continued)

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 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.

Other Information

(Continued)

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 the 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 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.

By Order of the Board
Yau On Yee, Annie
Chairman

Hong Kong, 28 October 2010