



T S L | 謝瑞麟

Interim Report 2011 | 2012

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Designed by:

TSL Corporate Branding & Communications

Published by:

Tse Sui Luen Jewellery (International) Limited, Hong Kong

Paper use:

Cover:

Elation Wavy Fancy Paper White, 240gsm. FSC™ Certified, Elemental Chlorine Free (ECF) and Acid Free.

Separation pages:

Elation Wavy Fancy Paper White, 110gsm. FSC™ Certified, Elemental Chlorine Free (ECF) and Acid Free.

Text pages:

Natural Fine Paper White, 90gsm. FSC™ Certified, Elemental Chlorine Free (ECF) and Acid Free .

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C Corporate Information

Executive Directors

Yau On Yee, Annie (*Chairman & Chief Executive Officer*)

Erwin Steve Huang (*Deputy Chairman*)

Lai Tsz Mo, Lawrence

Independent Non-executive Directors

Chui Chi Yun, Robert

Heng Ching Kuen, Franklin

Chan Yue Kwong, Michael

Company Secretary

Lai Tsz Mo, Lawrence

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

Lai Tsz Mo, Lawrence

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Principal Banker

ABN AMRO Bank N.V., Hong Kong Branch

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Principal Share Registrar

Westbroke Limited

Richmond House, Par-la-Ville Road, Hamilton, Bermuda

Hong Kong Branch Share Registrar

Tricor Secretaries Limited

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Principal Office

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Stock Code

417

Website

www.tslj.com

Starlight

Fabulous diamonds to cover your ring, pendant or earrings – set in perfect yellow gold!

Colors that compliment each other

Starlight from a million miles away... just for you.

Starlight diamonds.

White diamonds as well as brown,
to compliment our gold.

Stars from the heavens above.

Naturally, from TSL Jewellery



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esults

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 2011. The interim results for the six months ended 31 August 2011 have been reviewed by the Company’s audit committee.

C Consolidated Statement of Comprehensive Income

for the six months ended 31 August 2011

	Note	Six months ended 31 August	
		2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Turnover	2	1,563,219	1,079,727
Cost of goods sold		(791,941)	(527,571)
Gross profit		771,278	552,156
Other income		4,341	4,263
Selling expenses		(580,287)	(432,143)
Administrative expenses		(67,585)	(56,300)
Profit from operations		127,747	67,976
Write back of tax surcharge and interest/ compounds provision	5b	–	19,389
Finance costs		(4,337)	(2,762)
Profit before taxation	4	123,410	84,603
Taxation	5	(26,370)	5,364
Profit for the period		97,040	89,967
Other comprehensive income			
Exchange difference arising on translation of financial statements of foreign subsidiaries		18,627	881
Other comprehensive income, net of tax		18,627	881
Total comprehensive income for the period		115,667	90,848

		Six months ended 31 August	
		2011	2010
		HK\$'000	HK\$'000
Note		(unaudited)	(unaudited)
Profit attributable to:			
Owners of the Company		88,455	81,458
Non-controlling interests		8,585	8,509
		97,040	89,967
Total comprehensive income attributable to:			
Owners of the Company		103,707	82,376
Non-controlling interests		11,960	8,472
		115,667	90,848
Earnings per share			
Basic	7	42 cents	39 cents
Diluted		N/A	N/A

C Consolidated Statement of Financial Position

at 31 August 2011

	Note	At 31 August 2011 HK\$'000 (unaudited)	At 28 February 2011 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	3	128,034	124,538
Other asset		500	500
Deferred tax assets		19,758	19,015
		148,292	144,053
Current assets			
Inventories	8	1,553,574	1,268,497
Trade and other receivables	9	217,694	233,437
Current tax assets		2,298	1,349
Cash at bank and in hand		100,440	121,935
		1,874,006	1,625,218
Current liabilities			
Trade and other payables	10	(668,249)	(554,249)
Bank overdrafts – secured		(3,462)	(18,054)
Bank loans		(255,835)	(193,880)
Obligations under finance leases		(1,921)	(1,881)
Current tax liabilities		(36,724)	(37,374)
		(966,191)	(805,438)
Net current assets		907,815	819,780
Total assets less current liabilities		1,056,107	963,833

		At 31 August 2011 HK\$'000 (unaudited)	At 28 February 2011 HK\$'000 (audited)
	Note		
Non-current liabilities			
Obligations under finance leases		(851)	(1,825)
Employee benefit obligations		(12,745)	(12,745)
Deferred tax liabilities		(19,658)	(16,837)
		(33,254)	(31,407)
NET ASSETS		1,022,853	932,426
CAPITAL AND RESERVES			
Share capital	11	52,584	52,584
Reserves		837,507	759,040
Total equity attributable to owners of the Company		890,091	811,624
Non-controlling interests		132,762	120,802
TOTAL EQUITY		1,022,853	932,426

C Consolidated Statement of Changes in Equity

for the six months ended 31 August 2011

	Unaudited								
	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserves HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 March 2011	52,584	123,365	158,405	77,550	374,480	25,240	811,624	120,802	932,426
Final dividend declared (2010/11)	-	-	-	-	-	(25,240)	(25,240)	-	(25,240)
Proposed interim dividend (2011/12)	-	-	-	-	(5,679)	5,679	-	-	-
Total comprehensive income for the period	-	-	1,339	13,913	88,455	-	103,707	11,960	115,667
At 31 August 2011	52,584	123,365	159,744	91,463	457,256	5,679	890,091	132,762	1,022,853
At 1 March 2010	52,584	123,365	153,533	46,904	234,153	16,827	627,366	93,211	720,577
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
At 31 August 2010	52,584	123,365	153,533	47,822	309,932	5,679	692,915	101,683	794,598

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ondensed Consolidated Statement of Cash Flows

for the six months ended 31 August 2011

	Six months ended 31 August	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Net cash outflow from operating activities	(57,308)	(93,344)
Net cash outflow from investing activities	(23,498)	(15,476)
Net cash inflow from financing activities	56,684	27,052
Decrease in cash and cash equivalents	(24,122)	(81,768)
Effect of foreign exchange rates changes	17,219	490
Cash and cash equivalents at 1 March	103,881	157,530
Cash and cash equivalents at 31 August	96,978	76,252
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	100,440	86,893
Bank overdrafts	(3,462)	(10,641)
	96,978	76,252

Notes to the Condensed Financial Statements

1. Basis of preparation

This interim financial report 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 2011. 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”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations).

The condensed financial statements have been prepared under historical cost convention.

1. Basis of preparation (continued)

This condensed financial statements have been prepared in accordance with the same accounting policies adopted in the Group's financial statements for the year ended 28 February 2011, except for the adoption of the following amendments, new and revised HKFRSs which become effective for accounting periods beginning on or after 1 March 2011:

HKAS 24 (Revised)	Related Party Disclosures
HKFRS 1 (Amendment)	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters
HK(IFRIC) – Int 14 (Amendments)	Amendments to HK(IFRIC) – Int 14 Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKFRSs (Amendments)	Improvements to HKFRSs 2010

The adoption of the above amendments, new and revised HKFRSs has had no material impact on the Group's results of operations and financial position.

1. Basis of preparation (continued)

The Group has not adopted earlier or applied the following amendments, new and revised HKFRSs that have been issued but are not yet effective, in this interim financial report.

		Effective for accounting periods beginning on or after
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Transfers of Financial Assets	1 July 2011
HKFRS 9	Financial Instruments	1 January 2013
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HKAS 1 (Revised) (Amendments)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	1 July 2012
HKAS 12 (Amendments)	Income Taxes: Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKAS 19 (2011)	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013

1. Basis of preparation (continued)

The Group has already commenced an assessment of the impact of these amendments, new and revised HKFRSs but is not yet in a position to state whether these amendments, new and revised HKFRSs would have a material impact on its results of operations and financial position.

The preparation of an interim financial report 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 2011 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 2011 are available at the Company's office.

2. Segment reporting

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.

Pinwheels of Passion

Love swirls round and round in harmonic beauty and grace and leaves behind the afterglow of an amorous embrace.

TSL recreates pure expressions of your love in the **Pinwheels of Passion** collection.

A magnificent whirling interplay of 18K white gold with white diamonds and orange sapphire.

This is love at its dynamic pinnacle.

Come and put a new spin to your romantic impulses with the **Pinwheels of Passion** collection.

Naturally, from TSL Jewellery



2. Segment reporting (continued)

The following table represents the revenue and results for the Group's reportable segments for the periods ended 31 August 2011 and 2010, respectively.

	PRC (including Hong Kong and Macau)		Others		Inter-segment elimination		Consolidated	
	Six months ended 31 August							
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Revenue from external customers	1,546,354	1,068,159	16,865	11,568	-	-	1,563,219	1,079,727
Inter-segment revenue	16,093	4,492	-	-	(16,093)	(4,492)	-	-
Other revenue	4,322	4,180	19	83	-	-	4,341	4,263
Reportable segment revenue	1,566,769	1,076,831	16,884	11,651	(16,093)	(4,492)	1,567,560	1,083,990
Segment results	127,489	68,613	258	(637)			127,747	67,976
Finance costs							(4,337)	(2,762)
Write back of tax surcharge and interest/compounds provision							-	19,389
Taxation							(26,370)	5,364
Profit for the period							97,040	89,967
Depreciation for the period	20,400	21,420	560	41	-	-	20,960	21,461

3. Acquisitions and disposals of fixed assets

During the six months ended 31 August 2011, the Group acquired items of property, plant and equipment with a cost of HK\$23,779,000 (six months ended 31 August 2010: HK\$16,014,000). Items of property, plant and equipment with net book value of HK\$46,000 were disposed of during the six months ended 31 August 2011 (six months ended 31 August 2010: HK\$45,000), resulting in a loss on disposal of HK\$7,000 (six months ended 31 August 2010: HK\$7,000).

4. Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 31 August	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on borrowings	4,337	2,762
Depreciation	20,960	21,461
Provision for inventory	4,572	6,759

5. Taxation

- (a) Taxation recognised in profit or loss in the consolidated statement of comprehensive income represents:

	Six months ended 31 August	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	6,507	3,156
Overprovision in prior periods	–	(27,192)
	6,507	(24,036)
Current tax – Overseas		
Provision for the period	17,784	17,861
	17,784	17,861
Deferred tax		
Origination and reversal of temporary differences	2,079	811
	2,079	811
	26,370	(5,364)

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2010: 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period.

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

As the Tax Disputes have been fully settled, the excessive tax provision and the related tax surcharge and interest/compounds provision of HK\$27 million and HK\$19 million made in previous years have been written back to the profit or loss in the statement of comprehensive income in the period ended 31 August 2010.

6. Dividends

(a) Dividends attributable to the periods

	Six months ended 31 August	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Interim dividend, declared after period end, of HK\$0.027 (2010: HK\$0.027) per ordinary share	5,679	5,679

At the board meeting held on 31 October 2011, the directors declared an interim dividend of HK\$0.027 per share. These dividends have not been recognised as a liability as at 31 August 2011.

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

	Six months ended 31 August	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Final dividend attributable to the previous financial year, approved during the period, of HK\$0.12 (2010: HK\$0.08) per share	25,240	16,827

7. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company in the amount of HK\$88,455,000 (2010: HK\$81,458,000) and on the weighted average number of ordinary shares of 210,336,221 (2010: 210,336,221 ordinary shares) in issued during the period.

(b) Diluted earnings per share

No adjustment has been made to the basic earnings per share amount presented for the periods ended 31 August 2011 and 31 August 2010 in respect of dilution as the Group had no potential dilutive ordinary shares issued during the periods.

8. Inventories

	At 31 August 2011 HK\$'000 (unaudited)	At 28 February 2011 HK\$'000 (audited)
Raw materials	145,601	136,918
Work in progress	141,483	101,020
Finished goods	1,266,490	1,030,559
	1,553,574	1,268,497

As at 31 August 2011, the carrying amount of inventories held by 6 subsidiaries (the “Subsidiaries”) amounted to HK\$798,830,000 (at 28 February 2011: HK\$645,235,000) 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(b) below).

9. 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, based on the invoice date:

	At 31 August 2011 HK\$'000 (unaudited)	At 28 February 2011 HK\$'000 (audited)
0 to 30 days	101,740	143,029
31 to 60 days	12,825	6,256
61 to 90 days	2,273	1,476
Over 90 days	6,979	7,792
Total trade receivables	123,817	158,553
Other receivables, deposits and prepayments	93,877	74,884
	217,694	233,437

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 trade payables with the following ageing analysis, based on the date of receipt of goods:

	At 31 August 2011 HK\$'000 (unaudited)	At 28 February 2011 HK\$'000 (audited)
0 to 30 days	134,122	53,795
31 to 60 days	90,695	85,235
61 to 90 days	74,467	48,144
Over 90 days	121,500	150,676
Total trade payables	420,784	337,850
Other payables and accruals	247,465	216,399
	668,249	554,249

11. Share capital

	At 31 August 2011		At 28 February 2011	
	No. of shares '000 (unaudited)	Amount HK\$'000 (unaudited)	No of shares '000 (audited)	Amount HK\$'000 (audited)
Authorised				
Ordinary shares of HK\$0.25 each	1,500,000	375,000	1,500,000	375,000
Issued and fully paid:				
Ordinary shares				
At beginning/end of the period/year	210,336	52,584	210,336	52,584

12. Pledge of assets

- (a) As at 31 August 2011, debentures have been executed by the Group in favour of its banker charging, by way of fixed and floating charges, all of the undertakings, properties and assets of the Company and of its 11 subsidiaries as security for, *inter alia*, all obligations and liabilities, actual or contingent, from time to time owing by the Group to the banker. Rental revenue of the Group was also charged in favour of the Group's banker.

12. Pledge of assets (continued)

- (b) As at 31 August 2011, 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 2011, the Debts amounted to HK\$182,779,000 (at 28 February 2011: HK\$136,833,000).

13. Connected and material related party transactions

- (a) At 31 August 2011 and 28 February 2011, the outstanding loan due to Partner Logistics Limited ("Partner Logistics") were fully paid. During the period, interest expense paid to Partner Logistics amounted to HK\$Nil (2010: HK\$43,000). 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 HK\$227 million (2010: HK\$132 million), and sold raw materials to Rosy Blue HK amounting to HK\$31,000 (2010: HK\$Nil).

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 HK\$117 million (2010: HK\$82 million). EF and BTSL are subsidiaries of the Company.

13. Connected and material related party transactions (continued)

(a) (continued)

Rosy Blue HK and Rosy Blue SH are subsidiaries of Prime Investments S.A., 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.

(b) Remuneration for key management of the Group is as follows:

	Six months ended 31 August	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Salaries and other short-term employee benefit	3,290	4,104
Retirement scheme contributions	12	24
	3,302	4,128

14. Commitments

- (a) There were no capital commitments outstanding at 31 August 2011 and 28 February 2011 not provided for in the consolidated financial statements.
- (b) At 31 August 2011, the total future minimum lease payments under non-cancellable operating leases are as follows:

	At 31 August 2011 HK\$'000 (unaudited)	At 28 February 2011 HK\$'000 (audited)
Within 1 year	91,863	104,582
After 1 year but within 5 years	89,454	108,565
	181,317	213,147

15. Review of unaudited interim financial report

The unaudited interim financial report for the six months ended 31 August 2011 has been reviewed by the audit committee of the Company.

16. Approval of interim financial report

The interim financial report was approved by the Board on 31 October 2011.

aura

Yearning transforms into love when we finally...
encounter our true soulmate.

Strong arms that form a gentle embrace to...
shield us from the world.

Celebrate love at its most truly touching...
in our designers' stunning **Aura** collection.

A captivating collage of 18K white and yellow gold
and brown diamonds.

This is emotion in its purest, most desirable form.

Naturally, from TSL Jewellery



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 2011 (2010: 2.7 HK cents per ordinary share) to shareholders whose names appear on the Register of Members of the Company on Thursday, 24 November 2011. The interim dividend will be paid on Tuesday, 10 January 2012.

Closure of Register of Members

The Register of Members of the Company will be closed from Tuesday, 22 November 2011 to Thursday, 24 November 2011, both days inclusive, during which period no transfer of shares will be registered. 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 Monday, 21 November 2011.

Business Review and Prospects

Financial results

Consolidated turnover for the first half of the 2011/2012 financial year increased by 45% from HK\$1,080 million to HK\$1,563 million. Profit attributable to equity holders of the Company grew from HK\$81.5 million to HK\$88.5 million. Comparing with the profit of last year (excluding the write-back of over-provision for tax disputes) of HK\$34.9 million, the profit attributable to shareholders has increased by 1.5 times from the same period of last year.

The improvement in the Group's result for the first half was mainly attributable to the strong retail market in Hong Kong, the synergy of new stores in Hong Kong and Macau as well as the continuous improvement of efficiency of the operation.

Earnings per share was 42 HK cents (2010: 39 HK cents per share).

Business Review and Prospects (continued)

Review and prospects

Retail markets in Hong Kong and Macau are benefited from the strong purchasing power of tourists from Mainland China. The rising gold price of around US\$500/oz during the period under review has reinforced the sentiment of buying 24-karat gold products, thereby leading to a more than 60% growth of sales volume for the category. A new store was open in Sino Centre in Mong Kok of Hong Kong in early August 2011, which coupled with the new stores opened last year, are all well complement to our existing store portfolio to achieve the economies of scale. Turnover in the region has grown by around 60% from last year, resulting in the increase in the profit during the period under review.

The turnover in Mainland China grew by 25% from last year and the profit remained stable. The economic growth of Mainland China has slowed down while all luxury retailer businesses have placed their development focus on the Mainland China in recent years, hence the competition in terms of market share and resources has become increasingly rigorous. The Group continues to invest in this growing market and has opened 19 shops, including a street store in Nanjing Xi Lu, the premier shopping area of Shanghai, in adjacent to other international luxury brands.

With the participation of the world's renowned micro-sculptor Mr. Willard Wigan, the exhibitions in Hong Kong and Shanghai have successfully exemplified the "Trend-setting Craftsmanship" of the Group's exclusive product, Estrella diamond. We have also held a fall/winter new product launch in mid October to allow our customers experience the charm of our new products. These events were all well received by our customers and widely covered by the media. The Group will continue to invest in the brand to further strengthen its competitiveness and brand awareness.

Our service culture is well recognised by the industry and in the region, and we are honoured to be awarded with "Customer Service Excellency Award of 2011" of Federation of Asia-Pacific Retailers Associations. We will continue to strive for excellent customer service to provide our customers with a pleasant TSL shopping experience.

Business Review and Prospects (continued)

The demand for luxury and jewellery products, particularly from tourists from Mainland China, has remained robust despite the fact that recent stock market volatility and the unsettled national debt crisis in Europe and United States have added uncertainties to the business outlook. The Group will keep on reviewing and expanding its store portfolio to further improve the coverage and efficiency of its network in Mainland China and Hong Kong.

Finance

Capital expenditure for the period was incurred mainly by store renovation and expansion, totaling to approximately HK\$23.8 million, which was funded largely by internal resources and borrowings.

As of 31 August 2011, the Group's total borrowings increased to HK\$262 million from HK\$216 million as of 28 February 2011. The Group's cash and bank balance as of 31 August 2011, was HK\$100 million, while undrawn banking facilities was HK\$36 million. Our debt-to-equity ratio (ratio of total borrowings to total equity) slightly increased from 23% to 26%.

Employees

As of 31 August 2011, the Group's total complement of employees was approximately 3,700, with increase mainly in sale and marketing departments to cope with the expansion of the Group.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 August 2011.

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 2011, 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

Name of Director	Ordinary shares of HK\$0.25 each						Approximate percentage of total issued share capital
	Personal interest	Family interest	Corporate interest	Derivative interest (share options)	Short interest	Other interest	
Yau On Yee, Annie	100,000	152,960,914 <i>(Note)</i>	–	–	–	–	72.77%
Erwin Steve Huang	100,000	–	–	–	–	–	0.05%
Lai Tsz Mo, Lawrence	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 2011, 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 Listing Rules, to be notified to the Company or the Stock Exchange.

Ribbon Dance

Nothing sends spirits spinning more gracefully than the unforgettable sight...

...of an artist delicately caressing subtle eddies and swirls from a vibrantly coloured ribbon.

Blending 18k white gold, orange sapphires and white diamonds to truly dazzling effect...

Let's invite you to celebrate your love in the front row seat at our **Ribbon Dance**.

Naturally, from TSL Jewellery



Other Information (continued)

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

As at 31 August 2011, 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:

Name	Capacity	Ordinary shares of HK\$0.25 each					
		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 (<i>Note 1</i>)	Beneficial owner	152,960,914	72.72%	-	-	-	-
Blink Technology Limited (<i>Note 1</i>)	Deemed interest	-	-	-	-	152,960,914	72.72%
Tse Tat Fung, Tommy (<i>Note 1</i>)	Deemed interest	-	-	-	-	152,960,914	72.72%
Prime Investments S.A. (<i>Note 2</i>)	Deemed interest	-	-	-	-	152,960,914	72.72%
Rosy Blue Investments S.à.r.l. (<i>Note 2</i>)	Deemed interest	-	-	-	-	152,960,914	72.72%
Harshad Ramniklal Mehta (<i>Note 2</i>)	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 Rammiklal Mehta. By virtue of the SFO, each of Prime Investments S.A., Rosy Blue Investments S.à.r.l. and Mr. Harshad Rammiklal Mehta, is deemed to be interested in all the shares held by Partner Logistics Limited.

Other than as disclosed above, as at 31 August 2011, 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. Cheung Tse Kin, Michael has resigned as an executive director of the Company with effect from 4 June 2011.

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

With effect from 1 April 2011, the monthly remuneration of Mr. Lai Tsz Mo, Lawrence, an executive director and Chief Financial Officer of the Group, has been revised to HK\$120,000.

Other Information (continued)

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").

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.

Other Information (continued)

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 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 2011, there was no outstanding share option under the 2003 Share Option Scheme. No share options were granted, exercised, cancelled or lapsed during the year.

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 2011.

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 2011, save for code provision A.2.1 as disclosed below, the Company has applied the principles and complied with all 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. During the period ended 31 August 2011, the roles of the Chairman and the Chief Executive Officer of the Company were 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 consolidated financial statements and interim report for the six months ended 31 August 2011, 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 2011.

By Order of the Board
Yau On Yee, Annie
Chairman

Hong Kong, 31 October 2011



