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 reviewed by KPMG in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the Hong Kong Society of Accountants ("HKSA"). KPMG's independent review report to the board of directors is included on page 16.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited ("the Listing Rules"), including compliance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the HKSA.

The financial information relating to the financial year ended 28 February 2002 included in the interim financial report does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 17 June 2002. However, they have drawn the attention of the Company's shareholders to the fundamental uncertainty relating to the going concern. Statutory financial statements for the year ended 28 February 2002 are available from the Company's registered office.

The accounting policies and method of computation used in the preparation of the interim financial report are consistent with those used in the annual financial statements for the year ended 28 February 2002 except for the adoption of revised accounting standards in Hong Kong as described in note 3.

2. Going concern

On 3 August 2000, the Company entered into a restructuring agreement with the Group's bankers ("the Restructuring Agreement") regarding the repayment of all Hong Kong bank borrowings, totalling approximately $399 million ("the Bank Borrowings"). The Restructuring Agreement applies for a period of five years and three months or up to an earlier date when the Bank Borrowings are reduced to $150 million. The Group is required to make minimum fixed repayments of $24 million on an annual basis. Furthermore, the Group is required to dispose of its non-core assets to reduce the Bank Borrowings. The Group has paid $132 million to its bank creditors since the date of the Restructuring Agreement. As at 31 August 2002, the Bank Borrowings amounted to $267 million. As part of the Restructuring Agreement, the majority participating lenders may give 14 days' notice to terminate the Restructuring Agreement.

2. Going concern *(continued)*

The directors are currently negotiating to dispose of certain of the Group's property interests. The directors believe that the ongoing support of the Group's bankers will continue and the measures to be taken under the Restructuring Agreement will enable the Group to continue in operational existence in the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the interim financial report on a going concern basis, notwithstanding the Group's financial position as at 31 August 2002. Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments have not been reflected in the interim financial report.

3. Adoption of revised accounting standards in Hong Kong

The following revised SSAPs issued by the HKSA, which became effective for accounting period beginning on or after 1 January 2002, were adopted for preparation of the Group's interim financial report for the six months ended 31 August 2002:

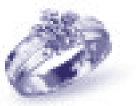
– SSAP 1 (revised) "Presentation of financial statements"
– SSAP 15 (revised) "Cash flow statements"

(a) Adoption of SSAP 1 (revised) "Presentation of financial statements"

In order to comply with the revised requirements of SSAP 1 (revised), the Group presents the new statement "Consolidated statement of changes in equity" which replaces the "Consolidated statement of recognised gains and losses" included in previous financial statements. The new statement reconciles movements of key components of the shareholders' funds, including share capital, reserves and accumulated losses, from the beginning to the end of a period.

(b) Adoption of SSAP 15 (revised) "Cash flow statements"

The format of the "Condensed consolidated cash flow statement" has been revised to follow the new requirements of SSAP 15 (revised).

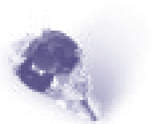


4. Segmental information

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

	People's Republic of China ("PRC") (including Hong Kong) Six months ended 31 August		Others Six months ended 31 August		Inter-segment elimination Six months ended 31 August		Consolidated Six months ended 31 August	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**412,156**	398,237	**57,834**	67,223	**–**	–	**469,990**	465,460
Inter-segment revenue	**6,196**	3,330	**–**	–	**(6,196)**	(3,330)	**–**	–
Other revenue from external customers	**6,431**	9,883	**1,678**	1,509	**–**	–	**8,109**	11,392
Total	**424,783**	411,450	**59,512**	68,732	**(6,196)**	(3,330)	**478,099**	476,852
Segment results	**2,698**	(8,710)	**(5,050)**	2,573			**(2,352)**	(6,137)
Finance costs							**(7,406)**	(11,851)
Cost of financial restructuring							**(1,205)**	(6,141)
Write back of default interest for unpaid dividend of preference shares							**6,576**	–
(Loss)/gain on disposal and revaluation of properties							**(1,806)**	3,966
Gain on disposal of associate and investment							**414**	2,991
Provision for diminution in value of investments in securities							**(1,052)**	(441)
Provision for other receivables							**(3,276)**	(2,100)
Share of loss of associate							**–**	(2)
Taxation							**(456)**	(374)
Minority interests							**(3,849)**	(1,397)
Loss for the period							**(14,412)**	(21,486)

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



5. Loss from ordinary activities before taxation

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

	Six months ended 31 August	
	2002	2001
	$'000	*$'000*
Interest on borrowings	**7,406**	11,851
Depreciation	**6,648**	8,764
Loss on sale of fixed assets	**110**	256
Unrealised loss on other securities carried at fair value	**1,052**	441
Impairment loss on properties held for sales	**1,085**	–
Provision for loss on leasing of property	**–**	6,100
Provision for sales return	**–**	3,000
Provision for other receivables	**3,276**	2,100
Loss/(gain) on disposal and revaluation of properties	**1,806**	(3,966)
Gain on disposal of associate and investment	**(414)**	(2,991)

6. Taxation

Taxation in the consolidated profit and loss account represents:

	Six months ended 31 August	
	2002	2001
	$'000	*$'000*
Hong Kong taxation	**456**	374

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16% (2001: 16%) to the profits for the six months ended 31 August 2002.

No provision has been made for other overseas profits tax as the Group sustained a loss for taxation purposes during the period.

7. Dividends

Dividends represent accrued dividends on 22,220 6.5% convertible non-voting redeemable preference shares of US$1,000 each.

The board resolved not to pay an interim dividend for ordinary shares for the six months ended 31 August 2002 (2001: Nil).

8. Loss per share

(a) Basic loss per share

The calculation of loss per share is based on the loss for the period of $14,412,000 (2001: $21,486,000) adjusting for the dividend for preference shares of $5,665,000 (2001: $5,618,000) and 391,889,263 ordinary shares (2001: 391,889,263 ordinary shares) in issue during the period.

(b) Diluted loss per share

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

9. Properties held for sale

Properties held for sale are stated at the estimated net realisable value.

10. Inventories

	At 31 August 2002	At 28 February 2002
	$'000	*$'000*
Raw materials	**33,189**	35,733
Work in progress	**31,271**	32,669
Finished goods	**180,840**	164,074
Finished goods – consigned outward	**109,880**	108,277
	355,180	340,753

As at 31 August 2002, the Group had consigned finished goods amounting to $109,880,000 to the licensee, Beijing Zhong Shang Tse Sui Luen Economic and Trading Company Limited ("Zhong Shang"), established in the PRC. The licensee is responsible for distributing the consigned finished goods to the shop outlets operating under the trade names of "Tse Sui Luen" in the PRC. As at 31 August 2002, the Group had an amount due from the licensee amounting to $69,550,000. Since the Group cannot supervise the activities of the licensee, the directors consider that it is possible that the Group may not be able to recover possession of all or certain of these consigned finished goods in the event that the licensee is unable to meet its financial obligations. The directors are not aware of any circumstances that lead the Group to believe that the licensee is unable to meet its financial obligations.

Included in raw materials and finished goods are inventories of $12,693,000 (at 28 February 2002: $8,340,000) and $75,960,000 (at 28 February 2002: $142,445,000) respectively, stated net of a general provision made in order to state these inventories at the lower of their cost and estimated net realisable value.

11. Trade and other receivables

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

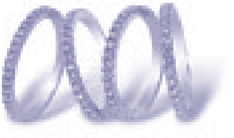
	At 31 August 2002 $'000	At 28 February 2002 $'000
0 to 30 days	**25,038**	38,778
31 to 60 days	**12,857**	17,662
61 to 90 days	**14,205**	12,638
Over 90 days	**40,356**	23,141
Total debtors	**92,456**	92,219
Other receivables, deposits and prepayments	**24,593**	27,609
	117,049	119,828

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

12. Trade and other payables

Included in trade and other payables are creditors with the following ageing analysis:

	At 31 August 2002 $'000	At 28 February 2002 $'000
0 to 30 days	**21,349**	33,827
31 to 60 days	**13,472**	20,641
61 to 90 days	**12,259**	30,550
Over 90 days	**107,875**	58,301
Total creditors	**154,955**	143,319
Other payables and accruals	**62,385**	75,835
	217,340	219,154



13. Share capital

Issued and fully paid:

	At 1 March 2002		Redemption of preference shares		At 31 August 2002	
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount
	'000	*$'000*	*'000*	*$'000*	*'000*	*$'000*
Ordinary shares of $0.25 each	391,889	97,972	–	–	391,889	97,972
6.5% convertible non-voting redeemable preference shares of US$1,000 each	22	171,916	(22)	(171,916)	–	–
		269,888				97,972

The preference shares are entitled to cumulative dividend and rank in priority to the ordinary shares in the Company as to dividends and return of capital. The preference shares are convertible into ordinary shares of the Company at any time after the second anniversary of 28 February 1998 (the "Issue Date") up to the fourth anniversary of the Issue Date, and the number of the Company's ordinary shares to be allotted and issued to the holders upon full conversion will be equal to the principal amount of the preference shares divided by the initial conversion price of $2.25, subject to adjustment. All the preference shares in issue on the maturity date, the fourth anniversary of the Issue Date, will be redeemed by the Company. Pursuant to the deeds entered into by the Company and the preference shareholder on 28 February 2002, 22 March 2002, 19 April 2002 and 31 May 2002, the maturity date of the preference shares was extended to 24 March 2002, 21 April 2002, 2 June 2002 and 22 June 2002 respectively.

13. Share capital *(continued)*

On 17 June 2002, the Group entered into conditional agreements with the preference shareholder for the redemption of preference shares without cash payment. Pursuant to these agreements, Infinite Assets Corp. ("IAC") and Tse Sui Luen Investment (China) Limited ("TSL China"), both are subsidiaries of the Company, agreed to issue 66,521 new ordinary shares of $1 at par and 1,647 new ordinary shares of US$1 at par respectively to the preference shareholder in lieu of cash payment for the redemption of the preference shares. The shares allotted to the preference shareholder represent 24% interest in the respective enlarged issued share capital of IAC and TSL China. The redemption of the Company's preference shares and the subscription of IAC's and TSL China's new shares were completed on 31 August 2002. Upon the completion of the agreements, the preference shareholder released the Company from all obligations and liabilities whatsoever under or in relation to the preference shares, including all damages, losses, claims, liabilities accrued or incurred prior to the completion.

At 31 August 2002, the outstanding options of the Company were:

			Number of options outstanding	
Date of option granted	**Period during which options exercisable**	**Exercise price**	**At 31 August 2002**	**At 28 February 2002**
21 July 1997	21 January 1998 to 21 July 2002	$2.79	–	4,305,000
15 September 1999	15 March 2000 to 19 August 2003	$0.25	26,590,000	26,590,000

14. Reserves

	Share premium $'000	Special reserve $'000	Capital reserve $'000	Land and buildings revaluation reserve $'000	Exchange reserve $'000	Capital redemption reserve $'000	Accumulated losses $'000	Total $'000
At 1 March 2002	86,037	336,362	98,141	22,967	(7,755)	13,119	(755,864)	(206,993)
Deficit on revaluation of land and buildings	–	–	–	(531)	–	–	–	(531)
Revaluation reserve realised on disposal of property	–	–	–	(121)	–	–	121	–
Exchange differences on translation of financial statements of subsidiaries	–	–	–	–	1,222	–	–	1,222
Exchange reserve realised on deemed disposal of subsidiaries	–	–	–	–	(44)	–	–	(44)
Loss for the period	–	–	–	–	–	–	(14,412)	(14,412)
Dividends *(Note 7)*	–	–	–	–	–	–	(5,665)	(5,665)
Redemption of preference shares *(Note 13)*	–	–	–	–	–	171,916	–	171,916
Increase in share of minority interests in net tangible assets of subsidiaries	–	–	–	–	–	(3,097)	–	(3,097)
Expenses for redemption of preference shares	–	–	–	–	–	(11,066)	–	(11,066)
Write back of accrued dividend of preference shares	–	–	–	–	–	–	39,374	39,374
At 31 August 2002	86,037	336,362	98,141	22,315	(6,577)	170,872	(736,446)	(29,296)
At 1 March 2001	86,037	336,362	98,141	22,481	(4,452)	13,119	(708,302)	(156,614)
Surplus on revaluation of land and buildings	–	–	–	486	–	–	–	486
Exchange differences on translation of financial statements of subsidiaries	–	–	–	–	(3,303)	–	–	(3,303)
Loss for the year	–	–	–	–	–	–	(36,325)	(36,325)
Dividends *(Note 7)*	–	–	–	–	–	–	(11,237)	(11,237)
At 28 February 2002	86,037	336,362	98,141	22,967	(7,755)	13,119	(755,864)	(206,993)

15. Pledge of assets

Under the Restructuring Agreement as disclosed in note 2, debentures have been executed during the six months ended 31 August 2002 by the Group in favour of its bankers charging, by way of fixed and floating charges, (i) all of the undertakings, properties and assets of the Company and 28 of its subsidiaries; and (ii) the capital contribution to a subsidiary of the Group and all the benefits accruing of the pledged equity interest, as security for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to the bankers. Rental revenue of the Group is also charged in favour of the Group's bankers.

16. Connected and material related party transactions

During the period, a subsidiary of the Company sold goods amounting to $94,274,000 (2001: $14,963,000) to Zhong Shang. For the six month ended 31 August 2001, the subsidiary also sold goods to Zhong Shang Department Store Company Limited ("Zhong Shang Department Store") amounting to $60,900,000. The transactions were carried out by way of a cost-plus pricing arrangement in the normal course of business of the subsidiary. Zhong Shang and Zhong Shang Department Store were licensees distributing the consigned finished goods to shop outlets operating under the trade names of "Tse Sui Luen" in the PRC. There was no monetary consideration paid by either the Group or the licensees in respect of using the trademark licensees.

Zhong Shang and Zhong Shang Department Store are companies controlled by Mr. Qi Jian Hong who is a director and substantial shareholder of two subsidiaries of the Company and also a director of certain wholly owned subsidiaries of the two subsidiaries. The distribution and licensing transactions between the subsidiary and Zhong Shang which created the trade receivable, therefore, also constitute connected transactions under the Listing Rules.

The trade receivables arising from the above-mentioned transactions were:

	At 31 August 2002	At 28 February 2002
	$'000	*$'000*
Due from Zhong Shang	**69,550**	73,114
Due from Zhong Shang Department Store	**–**	–
	69,550	73,114

17. Comparative figures

Certain comparative figures in the interim financial report have been restated to reflect the adoption of revised accounting standards in Hong Kong as set out in note 3.

18. Approval of interim financial report

The interim financial report was approved by the board on 30 November 2002.