INTERIM DIVIDEND

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

BUSINESS REVIEW AND PROSPECTS

Turnover for the six months ended 31 August 2002 was HK$470.0 million (2001: HK$ 465.5 million). The loss for the period decreased to HK$14.4 million (2001: HK$ 21.5 million). Following the successful restructuring of the preference share capital completed on 31 August 2002, there was an exceptional income from reversal of the default interest of HK$6.6 million and reduction of restructuring cost charged to the profit and loss account amounting to HK$4.9 million during the period under review.

The net effect of the redemption of the preference shares (net of related expenses, the reversal of the accrued preference shares dividend and the loss on dilution of interest in subsidiaries) amounting to HK$197.1 million has been directly credited to reserves.

During the period under review, retail markets in Hong Kong, Taiwan and Malaysia continued to be affected by the uncertain outlook for the global and local economies. Showroom operations benefited from the relaxed policy towards inbound tourists from the Mainland China but competition remained keen. Business in the Mainland China improved satisfactorily. Despite the less favourable operating environment, we have managed to improve the value of our products and services offered to our customers and to reduce administrative expenses.

The preference share capital was successfully redeemed on 31 August 2002. The China Retail Fund has become a strategic investor in our PRC operation. The last major part of the financial restructuring of the Group has been completed. We can now devote all of our management effort and resources to further strengthening the competitiveness of our jewellery business. The following specific positive actions have been taken thus far:

- The total bank indebtedness has been reduced by HK$10.6 million to HK$271.0 million since 28 February 2002. Gearing (being ratio of total bank indebtedness less cash and bank balances to net assets value) maintained at a steady level of 3.64 times (2001: 3.65 times). Up to the date of this announcement, the total bank indebtedness has been further reduced by HK$12.7 million to HK$258.3 million.

BUSINESS REVIEW AND PROSPECTS *(continued)*

- Two stores in Hong Kong will be reopened after renovation in December 2002 to enhance our services to our customers. The renovated stores will provide a comfortable shopping environment and a wider selection of contemporary jewellery pieces to our customers.

- In November 2002, we had the honour to be awarded "Superbrands" status by Superbrands Ltd. The selection criteria of the award consists of goodwill, customer loyalty and overall market acceptance. We shall continue to commit to our corporate values: progressive, quality and professionalism and to deliver the brand value to our customers.

- As at 31 August 2002, the total number of employees of the Group was approximately 1,000. Headcount increased mainly in the sales and marketing operations. More resources have also been allocated to the manufacturing side of the business.

- Continuous improvement of our cost structure is under way and business processes are critically evaluated and streamlined.

During the period under review, the transactions of the Group were mainly denominated in local currencies and US dollars. The impact of the fluctuation of foreign exchange rates of these currencies was insignificant to the Group.

As at 31 August 2002, the Group had consigned finished goods amounting to HK$109,880,000 to a 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 HK$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.

Subject to the foregoing, during the period under review, human resources policies, capital structure, exposure to foreign exchange risk, financial policies, contingent liabilities and charges on group assets do not materially differ from the information disclosed in the last annual report.