



TSE SUI LUEN JEWELLERY (INTERNATIONAL) LIMITED

(Incorporated in Bermuda with limited liability)

Advised by

ANGLO CHINESE
CORPORATE FINANCE, LIMITED

CONNECTED TRANSACTIONS, PRACTICE NOTE 19 DISCLOSURE AND OTHER RESULTS OF AN INTERNAL REVIEW

The board of directors (the "Board") of Tse Sui Luen Jewellery (International) Limited (the "Company") announces that, following the Board's announcement on 31st December, 2002, the independent sub-committee of the Board (the "Committee") have completed their review into certain transactions in relation to the Company (the "Review"). The Review examined aspects of the business of the Company and its subsidiaries (the "Group"), in particular: the system of payments to third party agents for introducing customers to the Group, certain transactions involving the Chairman, Mr. Tse Tat Fung, Tommy ("Mr. Tse"), purchasing and personnel issues and continuing connected transactions and sub-licensing and consignment arrangements in the People's Republic of China ("PRC"). The Review was conducted with the assistance of the Company's financial advisers, its lawyers and KPMG Forensic.

Connected transactions are continuing between the Group, Mr. Qi Jian Hong (the "Intermediary") and certain PRC enterprises who are associates of the Intermediary within the meaning of the Listing Rules (the "Intermediary's Companies") referred to in the circulars to shareholders dated 14th August, 2000 and 8th August, 2002. Connected transactions are also continuing between TSLJ and TSL Trading and BTSL, two subsidiaries of the Group. These continuing connected transactions arise in the normal course of the Company's business, are negotiated on an arm's length basis and are considered by the Company to be fair and reasonable and in the interest of the Company and all its shareholders. These continuing connected transactions include sub-licensing, consignment and sale, commission and consultancy service arrangements in the PRC excluding Hong Kong Special Administrative Region, Macau Special Administrative Region, and Taiwan ("Mainland China").

The Company has requested a waiver from the Stock Exchange from the requirement to hold a general meeting of shareholders of the Company as required under the Listing Rules to approve the connected transactions since, amongst other things, Blink Technology Limited ("Blink Technology"), the controlling shareholder of the Company beneficially owned by Mr. Tse holding more than 50 per cent of the issued ordinary shares in the Company has given its written approval for the resolutions and this shareholder's interest in the transactions is identical to those of the independent shareholders.

The sub-licensing, consignment and sale commission and consultancy service arrangements, and the transactions between TSLJ and, or its subsidiaries and each of IAC and TSL China and, or its subsidiaries constitute continuing connected transactions for the Company under the Listing Rules.

The Company's failure to disclose these continuing connected transactions constitute breaches of paragraph 2(1) of the listing agreement and Chapter 14 of the Listing Rules.

According to paragraph 3.2.1 in PN19 of the Listing Rules, the Company had a general disclosure obligation, under paragraph 2(1) of its listing agreement with the Stock Exchange, on 31st March, 2001 when the aggregate amounts of trade receivables from the Intermediary's Companies exceeded 25 per cent of its audited consolidated net tangible assets. According to paragraph 3.2.2 of PN19, the Company also had general disclosure obligations, under paragraph 2(1) of its listing agreement with the Stock Exchange, on 30th April, 2001 when the aggregate amounts of trade receivables from the Intermediary's Companies first increased by 10 per cent or more its published audited consolidated net tangible assets.

The Company's failures to comply with the general disclosure requirements under PN19 constitute breaches of paragraph 2(1) of the listing agreement.

On 31st December, 2002, the Board of the Company announced that the Committee, comprising all the independent non-executive directors of the Company, had been established for the purposes of carrying out an internal Review into certain transactions in relation to the Company.

The Board is pleased to announce that the Review has now concluded and the purpose of this announcement is to summarise the main issues which were the subject matter of the Review and the principal decisions which have been made by the Board as a consequence.

The Review was conducted with the assistance of the Company's financial advisers, its lawyers and KPMG Forensic. The Review concentrated principally on two issues namely payments to agents in Hong Kong for introducing customers to the Company and certain transactions involving the Chairman, Mr. Tse.

After a careful and detailed review and consultation with the Company's legal and financial advisers, the Committee has decided to tighten internal controls and that otherwise no further action in response to the Review is necessary.

As referred to in the holding announcement dated 15th July, 2003, trading in the Company's shares has been suspended at the request of the Company with effect from 9:30 a.m. on Monday, 30th June, 2003 pending the release of this announcement. An application has been made to the Stock Exchange for resumption in trading of the shares with effect from 9:30 a.m. on Friday, 3rd October, 2003.

Shareholders of the Company and the public are advised to exercise caution when dealing in the securities of the Company.

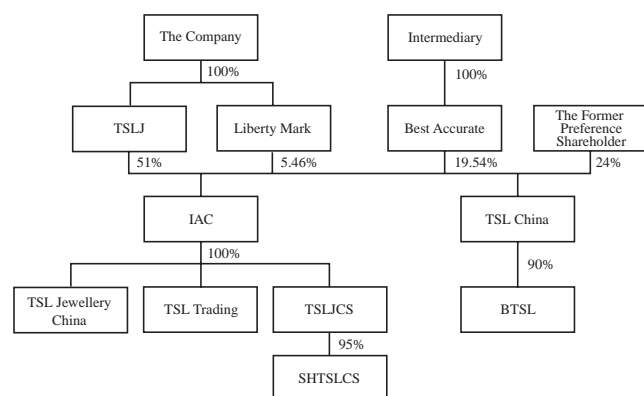
BACKGROUND

The Group is principally engaged in the manufacture, design, export and retailing of jewellery products. Its business in Mainland China is primarily undertaken by Infinite Assets Corp. ("IAC") and Tse Sui Luen Investment (China) Limited ("TSL China"). IAC and TSL China are investment holding companies and through their subsidiaries, are engaged in the sale of platinum and gem-set jewellery via retail outlets of licensees of Tse Sui Luen Jewellery (China) Limited ("TSL Jewellery China") in Mainland China. In addition, TSL China and its subsidiaries ("TSL China Group") also engage in the processing of platinum and gem-set jewellery for sale in Mainland China.

Before the completion of the repurchase and cancellation of the 22,220 6.5 per cent convertible non-voting redeemable preference shares in the Company (the "Preference Shares") took place on 31st August, 2002 (as announced on 2nd September, 2002) ("Completion"), each of IAC and TSL China was owned as to 77.5 per cent by the Company through its wholly owned subsidiaries, Tse Sui Luen Jewellery Company Limited ("TSLJ") and Liberty Mark Limited ("Liberty Mark"), and as to 22.5 per cent by Best Accurate International Limited ("Best Accurate"). Best Accurate is a company wholly-owned by the Intermediary who is a director of IAC, TSL China and Beijing Tse Sui Luen Jewellery Company Limited ("BTSL"), which is an indirect non-wholly owned subsidiary of TSL China.

Following Completion, each of IAC and TSL China is owned as to 56.46 per cent by the Company through TSLJ and Liberty Mark, as to 19.54 per cent by Best Accurate and as to 24 per cent by the former holder of the Preference Shares, The China Retail Fund, LDC.

The structure of the Company's business in Mainland China is set out below:



Keys:

IAC	-	Infinite Assets Corp.
SHTSLCS	-	Shanghai Tse Sui Luen Consultancy Service Limited
TSLJCS	-	Tse Sui Luen Jewellery Consultancy Service Limited
TSL China	-	Tse Sui Luen Investment (China) Limited
TSL Trading	-	Tse Sui Luen Jewellery Trading & Distribution Limited

The business in Mainland China represents a significant part of the Group's operations. Turnover from Mainland China accounts for approximately 19 per cent of the Group's consolidated turnover for the year ended 28th February, 2003. The approximate annual turnover of the Mainland China business expressed as a percentage of the Group's consolidated annual turnover for each of the six years ended 28th February, 2003 are as follows:

For the year ended	Mainland China business as a percentage of the Group's consolidated annual turnover
28th February, 1998	5 per cent
28th February, 1999	9 per cent
29th February, 2000	23 per cent
28th February, 2001	26 per cent
28th February, 2002	16 per cent
28th February, 2003	19 per cent

It was announced in a circular to shareholders dated 14th August, 2000 that a settlement had been agreed between the Company and the Intermediary and the PRC trading company in relation to transactions between them. In a further circular to shareholders dated 8th August, 2002, it was announced that the Company proposed to reorganise its share capital through a repurchase and cancellation of the Preference Shares and a reorganisation of and issue of new shares in IAC and TSL China through which the Company would conduct its business in the PRC.

The circulars set out the trading relationship between the Company and the Intermediary and it was in the nature of these arrangements that continuing connected transactions would arise. The position was discussed by the Company in the interim report for the six months ended 31st August, 2002 in which the amounts involved were stated together with the fact that these amounts were discloseable under Practice Note 19 of the Listing Rules. The interim report was published by the Company on the Stock Exchange's website on or about 30th November, 2002.

This announcement and the circular which will be sent to shareholders are intended to comply strictly with the Listing Rules in obtaining shareholder's approval for continuing connected transactions between members of the Group and the Intermediary's Companies through which most of the Group's business in the PRC has been and is expected to be conducted.

SUB-LICENSING, CONSIGNMENT AND SALE, COMMISSION AND CONSULTANCY SERVICE ARRANGEMENTS WITH THE INTERMEDIARY'S COMPANIES AND OTHER INTERCOMPANY TRANSACTIONS

TSL Jewellery China, a wholly owned subsidiary of IAC, has been granted by TSLJ non-exclusive use of certain trademarks in Mainland China. TSL Jewellery China has sub-licensing arrangements with the Intermediary's Companies. Under the sub-licensing arrangements TSL Jewellery China and the Intermediary's Companies that started in 1997, sale outlets of the Intermediary's Companies are allowed to operate under the trade name of "Tse Sui Luen" in Mainland China. There is no monetary consideration for the use of the trademarks.

Tse Sui Luen Jewellery Trading & Distribution Limited ("TSL Trading"), a wholly owned subsidiary of IAC and BTSL commenced consignment and sale arrangements with the Intermediary's Companies (which constituted connected transactions for the Group) in 1997 and March 2002, respectively.

Under the consignment arrangements between TSL Trading and BTSL (collectively "Consignors") and the Intermediary's Companies, Consignors would consign jewellery as finished goods to the Intermediary's Companies which would distribute the consigned finished goods to the Intermediary's shop outlets operating under the trade name of "Tse Sui Luen" in Mainland China. After the consigned finished goods are sold at the prices agreed between the Consignors and the Intermediary's Companies, the relevant entity within the Intermediary's Companies will provide the Consignors with details of the finished goods sold on a monthly basis. The Consignors will then record in their books trade receivables from the relevant entity within the Intermediary's Companies at the prices agreed between the Consignors and the Intermediary's Companies.

In November 2002 and June 2003, the Intermediary's Companies confirmed in writing the licensing and consignment terms for their previous transactions with TSL Trading and BTSL (the "Licensing and Consignment Terms"). Following the confirmed purchase by the Intermediary's Companies from BTSL and starting in the financial year ended 28th February, 2003, TSL Trading would charge the Intermediary's Companies a commission calculated as a percentage of the listed price depending on the nature of the products.

As referred to in the circular dated 8th August, 2002 issued by the Company, IAC and TSL China entered into a comprehensive services agreement with TSLJ and, or its subsidiaries pursuant to which TSLJ and, or its subsidiaries will provide production support, the procurement of raw materials and products and product design and development services to each of IAC and TSL China and any of their subsidiaries. The supply of raw materials and finished goods by TSLJ to IAC and TSL China and their subsidiaries constitute continuing connected transactions which require the approval of the independent shareholders of the Company.

TSL Trading and BTSL carried out the transactions under the consignment and sale arrangements, with the Intermediary's Companies as licensees in their normal course of business. There was no monetary consideration paid by either the Group or any of the Intermediary's Companies in respect of using the trademark licenses. Whilst TSL Trading/BTSL determined the basis of cost-plus pricing, the consideration for which the Intermediary's Companies used the trademark licenses was implicitly included in the sales prices of the jewellery products consigned to the Intermediary's Companies.

Since the financial year ended 28th February, 2002, Tse Sui Luen Jewellery Consultancy Service Limited ("TSLJCS") and Shanghai Tse Sui Luen Consultancy Service Limited ("SHTSLCS") provided consultancy services to retail outlets of the Intermediary's Companies in return for a fee. The consultancy service fees are charged at a progressive percentage of turnover of the relevant retail outlets if the turnover of the retail outlets to which the consultancy services are rendered exceed certain thresholds.

The above sub-licensing, consignment and sale, commission and consultancy service arrangements, and the transactions between TSLJ and, or its wholly-owned subsidiaries and each of IAC and TSL China and, or its subsidiaries constitute continuing connected transactions for the Company under the Listing Rules. The Company's failure to disclose these continuing connected transactions constitutes breaches of paragraph 2(1) of the listing agreement and Chapter 14 of the Listing Rules. The failure was unintentional and the Company has been distracted during the last few years by the extensive negotiation and finalisation of the restructuring agreement with its bank creditors, the settlement agreement with the Intermediary, the restructuring of its Mainland China operations, the repurchase and cancellation of the Preference Shares and other matters arising as a result of its difficult financial position. The Stock Exchange reserves its rights to take appropriate action against the Company and, or its directors.

The directors of the Company are aware of their obligations relating to connected transactions under the Listing Rules, and will use all reasonable endeavours to comply with such requirements where appropriate in future. Other internal controls that have been introduced include the appointment of Mr. Peter Van Weerdenburg as the Chief Executive Officer and a director of the Company.

PAST CONNECTED TRANSACTIONS

As mentioned above, the Intermediary's wholly owned company, Best Accurate, is a substantial shareholder of each of the Company's two subsidiaries, IAC and TSL China, and the Intermediary is a director of IAC, TSL China and BTSL. The Intermediary and Best Accurate are therefore connected persons of the Company under the Listing Rules. As a result of these relationships, the entering into of sub-licensing, consignment and sale, commission and consultancy service arrangements with the Intermediary's Companies constitute connected transactions of the Company under Chapter 14 of the Listing Rules. The supply of raw materials and finished goods by TSLJ to IAC and TSL China and their subsidiaries also constituted connected transactions under Chapter 14 of the Listing Rules.

Other than as disclosed above, the Intermediary, Best Accurate and the Intermediary's Companies are independent third parties not connected with the Company's directors including the independent non-executive directors (the "Directors"), chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates (as defined by the Listing Rules).

In the circular dated 14th August, 2000 issued by the Company relating to a settlement agreement dated 20th July, 2000 for the settlement of, amongst other things, trade receivables amounting to RMB30,929,969 (equivalent to HK\$28,231,078) due from one of the Intermediary's Companies to TSL Trading (the "Settlement Agreement"), the Company also disclosed the consignment arrangements with this Intermediary's Company. The Settlement Agreement was approved by the Company's independent shareholders at its special general meeting held on 30th August, 2000. As announced by the Company on 30th November, 2001, the last condition of the Settlement Agreement, being the consent to the Settlement Agreement from the bank creditors of the Group, was fulfilled and completion of the Settlement Agreement took place on the same date.

The amounts of the consignments and sales to the Intermediary's Companies, under the sub-licensing, consignment and sale, commission arrangements and consultancy service agreements for each of the six years ended 28th February, 2003 are shown in Table 2 below:

Table 2

For the period/ year ended	Total sales by TSLJ to IAC, TSL China and their subsidiaries (HK\$'000)	Total sales to the Intermediary's Companies (HK\$'000)	Consultancy service fee received (HK\$'000) (Note)	Commission received (HK\$'000) (Note)	Total transactions with the Intermediary's Companies (HK\$'000)
28th February, 1998	83,183	41,566	N/A	N/A	41,566
28th February, 1999	132,740	40,573	N/A	N/A	40,573
29th February, 2000	194,895	62,283	N/A	N/A	62,283
28th February, 2001	211,072	52,175	N/A	N/A	52,175
28th February, 2002	224,100	154,611	941	N/A	155,552
28th February, 2003	108,405	178,092	1,958	8,469	188,519

Note: The consultancy service fee and commission arrangements with the Intermediary's Companies commenced during the financial year ended 28th February, 2002 and 28th February, 2003, respectively.

CONTINUING CONNECTED TRANSACTIONS

The connected transactions under the sub-licensing, consignment and sale, commission and consultancy service fee agreements between TSL Jewellery China, TSL Trading, BTSL, TSLJCS, SHTSLCS and, or other subsidiaries of IAC and, or TSL China, and the Intermediary's Companies will continue in the future. TSLJ will also continue to provide raw materials and finished goods to TSL Trading and BTSL in the future. Based on its past and projected revenues from the Intermediary's Companies, the Company has estimated that the aggregate amounts of respective transactions with the Intermediary's Companies for each of the three financial years ending 29th February, 2004, 28th February, 2005 and 28th February, 2006, respectively are not expected to exceed the following amounts (the "Cap Amounts" or individually "Cap Amount"):

For the year Ending	Total sales by TSLJ to IAC, TSL China and their subsidiaries (HK\$'000)	Total sales to the Intermediary's Companies (HK\$'000)	Consultancy service fee received (HK\$'000)	Commission received (HK\$'000)	Total transactions with the Intermediary's Companies (HK\$'000)
29th February, 2004	200,000	210,000	4,000	21,000	235,000
28th February, 2005	230,000	250,000	5,000	24,000	279,000
28th February, 2006	300,000	320,000	6,000	31,000	357,000

Since transactions contemplated under the sub-licensing, consignment and sale, commission and consultancy service agreements with the Intermediary's Companies are expected to continue and take place repeatedly from time to time in the future, it would be costly and impractical for the Company to make a disclosure and seek its shareholders' approval on each occasion in accordance with Chapter 14 of the Listing Rules. Accordingly, the Company has applied to the Stock Exchange for a waiver from strict compliance with the normal disclosure and shareholders' approval requirements under Chapter 14 of the Listing Rules on the following conditions:

- the supply of raw materials and finished goods; sub-licensing, consignment and sale; commission and consultancy service agreements with the Intermediary's Companies in the future shall be entered into:
 - in the ordinary and usual course of business of the Group;
 - either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than those available to independent third parties; and
 - in accordance with the Licensing and Consignment Terms and on any further terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole;
- the aggregate amount of the supply of raw materials and finished goods; consignments and sale to; commission received and consultancy service fee from the Intermediary's Companies at the end of each of the three financial years ending 29th February, 2004, 28th February, 2005 and 28th February, 2006 shall be within the respective Cap Amounts;
- the independent non-executive directors of the Company shall review the continuing connected transactions annually and confirm in the Company's next annual report and in each annual report, thereafter, that these transactions were conducted in the manner as stated in conditions (1) and (2) above;
- the Company's auditors shall review the continuing connected transactions annually and confirm in a letter to the Directors (a copy of which shall be provided to the Listing Division of the Stock Exchange) stating whether the continuing connected transactions:
 - have received the approval of the Board;
 - have been entered into in accordance with the Licensing and Consignment Terms;
 - are in accordance with the pricing policy of the Company; and
 - have exceeded the relevant Cap Amount;
- details of the continuing connected transactions in each financial year as specified under Rule 14.25(1)(A) to (D) of the Listing Rules shall be disclosed in the annual report of the Company for that financial year;
- in the event of any subsequent change of major term(s) relating to the supply of raw materials and finished goods and in the license agreement, Licensing and Consignment Terms and the commission agreements and the consultancy service fee agreement, the Company shall take immediate steps to ensure full compliance with the relevant requirements under the Listing Rules, unless a separate waiver is obtained from the Stock Exchange;
- the Company has given an undertaking to the Stock Exchange that they shall provide or procure their subsidiaries to provide, the auditors of the Company with full access to the relevant books and records for the purpose of the auditors' review of the continuing connected transactions referred to in paragraph (4) above; and
- the Intermediary's Companies have given an undertaking to the Company that they shall provide or procure their subsidiaries to provide, the auditors of the Company with all the relevant information necessary for the purpose of the auditors' review of the continuing connected transactions referred to in paragraph (4) above.

If the relevant Cap Amount is exceeded or if any terms of the supply of raw materials and finished goods by TSLJ to TSL Trading and BTSL, licensing and consignment arrangements with the Intermediary's Companies are altered in any material respect or if the Company enters into other agreements with the Intermediary's Companies in the future, the Company shall comply with the provisions of Chapter 14 of the Listing Rules governing connected transactions unless it applies for and obtains a separate waiver from the Stock Exchange, if required.

In the opinion of the Directors, including the independent non-executive Directors, the sub-licensing, consignment and sale, commission and consultancy service agreements with the Intermediary's Companies have been entered into in the ordinary course of business of the Company, on an arm's length basis and on normal commercial terms which are fair and reasonable so far as the interests of independent shareholders of the Company are concerned.

REASONS FOR THE TRANSACTIONS

As shown in the section headed "BACKGROUND" above, the Company's business in Mainland China represents a significant part of the Company's operations. The Directors expect that the Company's business in Mainland China will remain the main source of revenue and cash flow in the future, and that the supply of raw materials and finished goods by TSLJ to IAC, TSL China and their subsidiaries, the sub-licensing, consignment and sale, commission and consultancy service agreements with the Intermediary's Companies will remain a crucial part of this business. The Directors also expect that the Company's profitability and liquidity would be adversely affected should the sub-licensing and consignment arrangements be terminated.

Taking into account the interests of the Company's shareholders as a whole, the Directors consider that the past connected transactions and the continuing connected transactions with the Intermediary's Companies are bona fide in the commercial interests of the Company and its shareholders, taken as a whole.

SHAREHOLDERS' APPROVAL

Under Chapter 14 of the Listing Rules, the Stock Exchange will normally require, amongst other things, that the continuing connected transactions are conditional on approval by the independent shareholders of the Company in a general meeting, and that the circular to be issued by the Company to its shareholders includes a letter from an independent expert to opine on whether the transactions are fair and reasonable so far as the independent shareholders of the Company are concerned.

By a written approval dated 29th July, 2003, Blink Technology Limited ("Blink Technology"), a company beneficially owned by Mr. Tse the Chairman, which beneficially owns marginally over 50 per cent of the share capital in the Company, has approved, ratified and confirmed the past connected transactions. By the same written approval, Blink Technology has also approved, ratified and confirmed the continuing connected transactions subject to the conditions (as detailed in the section headed "CONTINUING CONNECTED TRANSACTIONS" above) for which the Company has applied for a waiver from strict compliance with Chapter 14 of the Listing Rules. Blink Technology's shareholding interest in the Company exceeded 50 per cent of the share capital in the Company since 29th April, 2000.

Blink Technology is interested in the transactions solely by virtue of its shareholding in the Company. Accordingly, the interest of Blink Technology in the transactions is the same as those of the other shareholders of the Company, and Blink Technology has the right to attend and vote at a general meeting of the shareholders of the Company held to approve the transactions, should such general meeting be convened.

The Company has applied to the Stock Exchange for additional waivers from compliance with the requirements of holding such a general meeting under Chapter 14 of the Listing Rules. The Company's justification for the application of the waiver to hold a general meeting to approve the transactions is that:

- the transactions do not involve any issue of securities by the Company or its subsidiaries;
- no shareholder is required to abstain from voting if the Company convenes a general meeting for the approval of the transactions;
- the written shareholder's approval has been obtained from a shareholder of the Company (i.e. Blink Technology) which holds more than 50 per cent in the Company's issued ordinary shares giving the right to attend and vote at that general meeting to approve the transactions; and
- the same result of approving resolutions can be achieved by obtaining the written shareholder's approval that will avoid incurring additional cost and time for the Company to hold a general meeting to approve the connected transactions.

CIRCULAR FOR THE CONNECTED TRANSACTIONS

A circular of the Company containing, amongst other things, details of the consignment arrangements with the Intermediary's Companies will be despatched to the shareholders as soon as practicable.

PRACTICE NOTE 19 ("PN19") DISCLOSURE

According to paragraph 3.2.1 in PN19 of the Listing Rules, the Company had a general disclosure obligation, under paragraph 2(1) of its listing agreement with the Stock Exchange, on 31st March, 2001 when the aggregate amounts of trade receivables from the Intermediary's Companies exceeded 25 per cent of its audited consolidated net tangible assets. According to paragraph 3.2.2 of PN19, the Company also had general disclosure obligations, under paragraph 2(1) of its listing agreement with the Stock Exchange, on 30th April, 2001 when the aggregate amounts of trade receivables from the Intermediary's Companies first increased by 10 per cent or more of its published audited consolidated net tangible assets. The Company was required to inform its shareholders or the public by publishing in the newspapers, by means of paid announcements, the details of the trade receivables from the Intermediary's Companies including details of the balances, the nature or events or transactions giving rise to the amounts, the identity of the Intermediary's Companies, any rates of interest due, repayment terms and any collateral on the following dates.

Date	Latest published audited net tangible assets (HK\$ million)	Account receivable from the Intermediary's Companies (HK\$ million)	Disclosure requirement pursuant to Practice Note 19 Paragraph
31st March, 2001	207.4	54.6	3.2.1
30th April, 2001	207.4	76.8	3.2.2
30th June, 2001	113.3	94.2	3.2.2
31st July, 2001	113.3	109.1	3.2.2

Furthermore, as the aggregate amount of trade receivables from the Intermediary's Companies continued to exceed 25 per cent or more of the Company's net tangible assets shown in its then latest published audited consolidated financial statements, the Company was also required by paragraph 3.8 in PN19 to include the aforesaid details of such trade receivables in its interim and annual report as follows:

Period	Latest published audited net tangible assets (HK\$ million)	Account receivable from the Intermediary's Companies (HK\$ million)
Six months ended 31st August, 2001	113.3	109.0
Year ended 28th February, 2002	62.9	73.1
Six months ended 31st August, 2002	62.9	69.6
Year ended 28th February, 2003	33.2	42.1

The Company has complied with the requirements under paragraph 3.8 of PN19 in the interim report for the six months ended 31st August, 2002 and the annual report for the year ended 28th February, 2003. It has been reported in the interim report for the six months ended 31st August, 2002 and the annual report for the year ended 28th February, 2003 that, as a result of the sub-licensing and consignment arrangements between the Group and the Intermediary's Companies, trade receivables of approximately HK\$69,550,000 and HK\$42,134,000 were due from the Intermediary's Companies as at 31st August, 2002 and 28th February, 2003, respectively. These receivables respectively represented approximately 110.6 per cent and 126.8 per cent of the Group's audited consolidated net tangible assets as at 28th February, 2002 and 28th February, 2003. The Company has also reported that these receivables arose in the Group's normal and ordinary course of business and is unsecured, interest free with credit terms of 75 days.

The Company's failures to comply with the general disclosure requirements under PN19 constitute breaches of paragraph 2(1) of the listing agreement. These failures were unintentional and arose due to an incorrect interpretation by the Company of the term "advance to an entity" contained in the practice note. In addition, the Company has been distracted during the last few years by the extensive negotiation and finalisation of the restructuring agreement with its creditor banks, the settlement agreement with the Intermediary, the restructuring of its Mainland China operations, the repurchase and cancellation of the Preference Shares and other matters arising as a result of its difficult financial position. The Stock Exchange reserves its rights to take appropriate action against the Company and, or the Directors.

OTHER RESULTS OF THE REVIEW

As is common in the retail jewellery business in Hong Kong, third party agents introduce tourists to retail showrooms in Hong Kong in return for a sales commission calculated by reference to the amount of sales generated by the tourists which have been introduced. The Company relies upon such a system to introduce customers to its showrooms in Hong Kong. This system was examined by KPMG Forensic in the context of the Review and during that process certain internal controls weaknesses in particular in connected with payments were identified. The areas identified in the Review relate to, amongst other things, the manner in which payments to agents are contracted and effected that may not be satisfactorily controlled. In light of the identification of these issues, the Board has introduced new stringent internal controls in relation to these payments so that there is now a full audit trail in relation to the payments made to agents. Specifically, save for token payments to guides and bus drivers, all payments to the agents are supported by written receipts acknowledge by the recipients. The Company notes that notwithstanding the historic weaknesses in the system, there is no evidence that it resulted in any losses or liabilities. Nonetheless, an international accounting firm is advising the Company in relation to the question of whether any specific tax issues have arisen out of the historic payment system. It is presently the view of the Board that as such payments are a normal and necessary part of its day-to-day business, no liability has arisen as a result of the payments made.

The Committee has also considered carefully that aspect of the Review which examined certain transactions involving Mr. Tse. These comprised payments totalling HK\$600,000 to Mr. Tse between July and November 2002 by a third party business promoter, Mr. Cheung and receipt by Mr. Tse between March and July 2002 of sums totalling the equivalent of HK\$1,821,954. The examination of these payments had been initiated by the Committee as a result of disclosures made to the Board in December 2002 by Mr. Tse.

During the course of the Review, Mr. Tse explained that the payments to him by Mr. Cheung constituted a personal loan and that they did not emanate from Company funds. Mr. Cheung supports Mr. Tse's statements in this regard. In relation to the receipt of the equivalent of HK\$1,821,954, Mr. Tse has explained that, following the approval of the bonus pool by the Company's remuneration committee in March 2002, he requisitioned these monies from Company funds with the intention of paying them as a bonus to Mr. Wong, an employee of a subsidiary of the Company. Mr. Tse states that he was unable to formally offer the bonus to Mr. Wong until December 2002. When Mr. Wong was formally made the offer of the bonus, he declined to receive it. Mr. Tse has informed the Committee that as a consequence of Mr. Wong's decision not to accept the bonus he decided to return the monies concerned to the Company. These were returned in full in January 2003. In light of the issues arising from the bonus payment to Mr. Wong, the Company has introduced new internal controls in relation to salary/bonus payments made to employees such that all bonus payments are acknowledged by the beneficiaries within a specified period of time and all material salary/bonus payments made by cheque or in cash will be authorised by Mr. Peter Van Weerdenburg, the Chief Executive Officer of the Company.

The Committee has considered with the Company's financial advisers and its lawyers whether the Company should take any action in relation to the matters described above. The Committee has concluded that in circumstances where there is no clear evidence either that the Company has suffered any losses or that there has been any wrongdoing, no further action is required by the Company.

The Company notes that Mr. Peter Van Weerdenburg was appointed Chief Executive Officer following identification of the transactions under review and that he has since joined the Board. Mr. Tse remains an Executive Director and its Executive Chairman.

As referred to in the holding announcement dated 15th July, 2003, trading in the Company's shares has been suspended at the request of the Company with effect from 9:30 a.m. on Monday, 30th June, 2003 pending the release of this announcement. An application has been made to the Stock Exchange for resumption in trading of the shares with effect from 9:30 a.m. on Friday, 3rd October, 2003.

Shareholders of the Company and the public are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Tse Tat Fung, Tommy
Chairman

Hong Kong, 2nd October, 2003