ERNST & YOUNG
安永會計師事務所

To the members
RNA Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 26 to 98 which have been prepared in accordance with accounting principles generally accepted in Hong Kong other than as set out below.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants (the "HKSA"). An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited as follows:

1. **Scope limitation – Recognition of sales and purchases of gold bullion, hedging gains, finance receivables and related interest income and the recoverability of the related receivables**

   During the year ended 30 April 2002, the Group recorded sales of gold bullion of HK$189,608,000 to a number of overseas incorporated companies and individuals, on credit, (the "Bullion Receivables") of which the corresponding purchases amounted to HK$190,804,000. The aforesaid sales and purchases and the gross loss arising thereon of approximately HK$1,196,000, together with related interest income of HK$1,288,000 arising on the overdue Bullion Receivables balances have been included in the Group's turnover, cost of sales, gross profit and interest income and, consequently, have been included in determining the Group's net loss for the year ended 30 April 2002. Due to the lack of adequate supporting documentation in connection with these sales and purchases, we have not been able to obtain sufficient reliable evidence we consider necessary to satisfy ourselves that such sales and purchases of gold bullion and the related interest income should be recognised in the consolidated profit and loss account, nor have we been able to satisfy ourselves that the Bullion Receivables so arising were fairly stated for the year ended and as at 30 April 2002.

   Any adjustments found to be necessary in relation to these transactions would have a consequential impact on the Group's net assets as at 30 April 2002 and the consolidated turnover, cost of sales and interest income, the net loss for the year then ended, and the related disclosures thereof in these financial statements.

1. **Scope limitation – Recognition of sales and purchases of gold bullion, hedging gains, finance receivables and related interest income and the recoverability of the related receivables** *(Continued)*

During the year, the Group entered into forward contracts with certain individuals (the "Hedging Receivables"). Included in the consolidated cost of sales for the year ended 30 April 2002, the Group recorded a total of HK$232,986,000 forward contract hedging gains in respect thereof. Hedging Receivables of the same amount were recorded during the year. These were recorded as being settled by the delivery of gold bullion of the same amount from these individuals.

Due to the lack of adequate supporting documentation in connection with the aforesaid hedging gains, we have not been able to obtain sufficient reliable evidence we consider necessary to satisfy ourselves that such forward hedging gains should be recognised in the consolidated profit and loss account.

Included in the consolidated long term receivables as at 30 April 2002 are overdue finance receivables (the "Finance Receivables") of HK$120,628,000 representing gold bullion finance provided to certain overseas companies in respect of which the source of gold bullion of HK$117,002,000 so financed was recorded as arising from the settlement of certain Hedging Receivables as noted above and the remaining balance of HK$3,626,000 from other sources.

As more fully explained in note 21 to the financial statements, the Group entered into a co-operative agreement (the "Agreement") subsequent to the balance sheet date on 11 March 2003, with one of the Bullion Receivables debtors (the "Agent") to jointly develop a gold mine in Mainland China (the "Gold Mine"). Pursuant to the terms of the Agreement, the Agent agreed to collect a total amount of HK$130 million per annum in connection with receivables of HK$877,608,000 (including the Bullion Receivables of HK$190,896,000 (as noted above) and the Finance Receivables of HK$120,628,000 (as noted above) on behalf of the Group over a period of nine consecutive years, otherwise all future profits generated from the Gold Mine could be used to offset these outstanding receivables. As a consequence thereof the Bullion Receivables and the Finance Receivables were classified as non-current assets (the "Long Term Receivables") in the consolidated balance sheet as at 30 April 2002.

At the date of approval of these financial statements, the gold mining processes in connection with the Gold Mine had yet to commence operations and no money had been collected from the Agent. In view of our inability to assess either the viability of the Gold Mine project, or to assess the ability of the Agent to procure the repayment to the Group, we have also been unable to obtain sufficient reliable information or to carry out alternative auditing procedures to satisfy ourselves as to the recoverability of Long Term Receivables as at 30 April 2002 and up to the date of this report. Any adjustments to the carrying amount of Long Term Receivables that might be found to be necessary would have a consequential impact on the Group's net assets as at 30 April 2002 and the loss for the year then ended.

2. Scope limitation – Recognition of sales and purchases of gold bullion and their recoverabilities ("Accounts Receivable")

During the year ended 30 April 2002 and as explained in point 1 of this report, part of the gold bullion recorded as been acquired as a result of the settlement of Hedging Receivables in the amount of HK$115,984,000 was recorded as being sold by the Group to a number of individuals for HK$116,296,000. In addition, the Group's records also reflect gold bullion sales of HK$114,045,000 to an individual in Hong Kong and certain Hong Kong incorporated companies. The corresponding recorded purchases so arising from such sales transactions amounted to HK$115,511,000. These sales as well as interest of HK$5,600,000 so arising on the overdue balance have been included in determining the Group's net loss for the year ended 30 April 2002. As at 30 April 2002, included in money loan and accounts receivable is a gross amount of HK$235,941,000 so arising. Included in the consolidated profit and loss account for the year ended 30 April 2002 is a provision of HK$76,800,000 against certain accounts receivable included in the foregoing HK$235,941,000.

Due to the lack of adequate supporting documentation in connection with these sales and the related purchases of gold bullion, we have not been able to obtain sufficient reliable evidence we consider necessary to satisfy ourselves as to whether such sales and purchases of gold bullion were fairly stated for the year ended 30 April 2002. As a result of this scope limitation, and in the absence of adequate evidence to assess the recoverability of the amounts due in respect thereof, we were unable to obtain sufficient evidence to ascertain that the accounts receivable so arising from these transactions as at 30 April 2002 were fairly stated.

Owing to the scope limitation noted above, we have also been unable to perform the necessary procedures we consider necessary to satisfy ourselves as to whether the provision of HK$76,800,000 determined by the directors is adequate but not excessive.

Any adjustments found to be necessary in relation to the above transaction would have a consequential impact on the Group's net assets as at 30 April 2002 and the loss for the year then ended.

3. Scope limitation – Recoverability of money loan receivables

Included in money loan and accounts receivable in the consolidated balance sheet as at 30 April 2002 is an amount due from two money loan debtors amounting to HK$44,032,000. We were unable to obtain sufficient evidence to assess the recoverability thereof. Any adjustments found to be necessary in relation to these money loan receivables would have a consequential impact on the Group's net assets as at 30 April 2002 and the loss for the year then ended.

4. Scope limitation – Carrying value of interests in certain associates

The Group has certain equity interests in associates, which, through contractual arrangements, hold various profit-sharing interests in a network of over 150 gold ornaments and jewellery retail outlets located throughout various cities in Mainland China. As at the balance sheet date, the Group's interests in these associates primarily represented goodwill arising on their acquisition amounting to HK$723 million (being the carrying value of goodwill of HK$1,498 million net of a current year provision for impairment of HK$700 million and accumulated amortisation charge of HK$75 million).

During the year, the Group recorded a share of results from these associates of HK$95 million in the consolidated profit and loss account which represented dividend distributions from these associates. The entire amount of these dividends was received by the Group during the year. We were unable to perform the procedures that we considered necessary to substantiate the correct amount of the Group's share of results from these associates for the year and consequently, its carrying value as at 30 April 2002.

4. Scope limitation – Carrying value of interests in certain associates *(Continued)*

As more fully explained in note 19 to the financial statements, the Group has also recorded an impairment provision of HK$700,000,000 against the goodwill arising on the acquisition of these associates. Due to unavailability of reliable financial information concerning the associates, we have not been able to perform the procedures we consider necessary to satisfy ourselves as to whether the impairment provision determined by the directors is appropriate.

Any adjustments to either the share of results from these associates, and/or the impairment provision on goodwill arising from the acquisition of these associates would have a consequential impact on the Group's net assets as at 30 April 2002 and its loss for the year then ended.

5. Scope limitation – Inventories

As set out in note 25 to the financial statements, certain inventories of the Group, aggregating HK$76,313,000, were pledged as security against promissory notes issued by a wholly-owned subsidiary of the Group to a financial creditor. These inventories, which were acquired in the prior year, continued to be pledged to the financial creditor up to the date of this report. During the audit, the directors have advised that there are no slow-moving or obsolescence problems affecting these inventories and, therefore, they should be stated at cost. However, we were unable to perform any necessary procedures so as to satisfy ourselves as to the directors' assessment.

In the absence of satisfactory evidence to support the directors' assessment, we have not been able to satisfy ourselves as to whether these inventories included in the consolidated balance sheet as at 30 April 2002 were fairly stated. Any adjustments found to be necessary in relation to these inventories would have a consequential impact on the Group's net assets as at 30 April 2002 and the net loss for the year then ended, and the related disclosures thereof in the financial statements.

6. Scope limitation – Provision for impairment of a subsidiary

Included in the profit and loss account of the Company for the year ended 30 April 2002 (see note 17 to the financial statements) is an impairment provision of HK$700,000,000 against an amount due from a subsidiary used for the purpose of financing the acquisition of certain associates (see also point 4 above). As a result of the scope limitations detailed in point 4 above, we have been unable to perform the procedures we consider necessary to satisfy ourselves as to whether the impairment provision determined by the directors against the carrying value of interests in subsidiaries as at 30 April 2002 is appropriate. Any adjustments that might have been found to be necessary would have a consequential impact on the Company's net assets as at 30 April 2002 and its loss for the year then ended as dealt with in these financial statements.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

QUALIFICATION ARISING FROM DISAGREEMENT ABOUT ACCOUNTING TREATMENT AND SCOPE LIMITATION ON FAIR VALUE OF LONG TERM INVESTMENTS

As more fully explained in note 20 to the financial statements, the Group's long term investments are not stated in the balance sheet at their fair values. Under the provisions of Hong Kong Statement of Standard Accounting Practice 2.124 "Accounting for investments in securities" ("SSAP 24"), such long term investments should be initially recorded at fair value at the date of acquisition of HK$71,745,000. However, the Group's long term investments are stated at HK$1,365,000 (representing the original recorded value of HK$117,810,000 less an impairment provision of HK$116,445,000) based on their ultimate realisation value on 4 April 2003 being substantially later than the 30 April 2002 balance sheet date. Accordingly, in our opinion the requirements of SSAP 24 have not been met. In view of the nature of such long-term investments we are unable to determine the fair value of long term investments at the balance sheet date, but it is probable that some or all of the provision for impairment losses recorded in the year ended 30 April 2002 would not have been necessary. The effect of any adjustments so arising would have been to reduce the Group's loss for the year and the accumulated losses at 30 April 2002 by an equivalent amount. Further, the investment should initially have been recorded on acquisition at the fair value of HK$71,745,000 instead of the amount of HK$117,810,000. Accordingly, the share premium account should have been reduced by HK$46,065,000 and the net loss for the year and the accumulated losses as at 30 April 2002 be reduced by the same amount.

FUNDAMENTAL UNCERTAINTY RELATING TO GOING CONCERN OF THE GROUP

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. As explained in note 2 to the financial statements, the directors are currently undertaking various measures including the proposed debt restructuring, an asset disposal plan and other various fund raising measures to relieve the Group from its current liquidity problem (the "Measures") as well as working on the recovery of certain receivables, further particulars of which are set out in points 1 to 3 of this report above. The financial statements have been prepared on a going concern basis, the validity of which depends on the successful completion of the Measures by the Group or the recovery of these receivables to meet its future working capital and financial requirements. The financial statements do not include any adjustments that would result from the failure to complete the Measures or the recovery of a commensurate portion of these receivables.

We consider that appropriate disclosures have been made in the financial statements but, because of the significant uncertainty relating to the successful completion of the Measures and the recovery of these receivables in the near future, we are unable to determine whether the going concern basis used in preparing the financial statements is appropriate. Accordingly, we have disclaimed our opinion.

DISCLAIMER OF OPINION

Because of the significance of each of (i) the possible effects of the scope limitations in evidence available to us, as set out in points 1 to 6 under the basis of opinion section of this report, and (ii) the fundamental uncertainty relating to the going concern basis, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 30 April 2002 and of the loss of the Group and the Company and the cash flows of the Group for the year then ended and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Had we not disclaimed our opinion we would have qualified our report as to our disagreement with the Group's accounting treatment under the heading "Qualification arising from disagreement about accounting treatment and scope limitation on fair value of long term investments" above.

In respect alone of the limitations on our work as set out in the basis of opinion section of this report:

(i) we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

(ii) we are unable to determine whether proper books of accounts have been kept.

Ernst & Young
Certified Public Accountants

Hong Kong
17 June 2003