



Auditors' report to the shareholders of
Tse Sui Luen Jewellery (International) Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 31 to 99 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

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, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those financial 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, except that the scope of our work was limited as explained below.

An audit includes 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 and performed 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 because the Group has recorded selling expenses of HK\$292 million for the year ended 28 February 2003 of which HK\$22 million was payable to business promoters. Management have been unable to provide sufficient audit evidence as to the nature of the amounts payable to business promoters during the year ended 28 February 2003. Consequently, we were unable to satisfy ourselves as to whether such transactions were properly reflected in the financial statements.

致謝瑞麟珠寶(國際)有限公司各股東
 核數師報告書
 (於百慕達註冊成立的有限公司)

本核數師(以下簡稱「我們」)已審核刊於第31至第99頁按照香港公認會計原則編製的財務報表。

董事及核數師的責任

貴公司董事的責任乃須編製真實和公允的財務報表。在編製這些財務報表時，董事必須貫徹採用合適的會計政策，作出審慎及合理的判斷和估計，並說明任何重大背離適用會計準則的原因。

我們的責任是根據我們審核工作的結果，對這些財務報表作出獨立意見，並向股東報告。

意見的基礎

我們是按照香港會計師公會頒布的《核數準則》進行審核工作。但基於下列原因，我們的工作範圍受到一定限制。

審核範圍包括以抽查方式查核與財務報表所載數額及披露事項有關的憑證，亦包括評估董事於編製財務報表時所作的主要估計和判斷、所釐定的會計政策是否適合貴公司及貴集團的具體情況，以及有否貫徹運用並足夠披露這些會計政策。

我們在策劃和進行審核工作時，是以取得一切我們認為必須的資料及解釋為目標，使我們能獲得充分的憑證，就財務報表是否存在重大的錯誤陳述，作合理的確定。然而，我們所獲提供的憑證有限，因為貴集團截至2003年2月28日止年度所錄得的2.92億港元銷售費用當中，應付業務推廣人款項佔2,200萬港元，但管理層未能夠就截至2003年2月28日止年度應付業務推廣人款項的性質提供足夠的審核證明。因此，我們未能證實財務報表是否能夠適當反映這些交易。

BASIS OF OPINION (continued)

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.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the continued support of the Group's bankers. At 28 February 2003 the Group's outstanding Hong Kong bank borrowings amounted to HK\$249 million. Pursuant to a restructuring agreement dated 3 August 2000 ("the Restructuring Agreement"), the Group is required to make minimum fixed repayments of HK\$24 million on an annual basis. Furthermore, the Group is required to dispose of its non-core assets to reduce 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 HK\$150 million. As part of the Restructuring Agreement, the majority participating lenders may give 14 days' notice to terminate the Restructuring Agreement. The financial statements have been prepared on a going concern basis, the validity of which depends upon the ongoing support of the Group's bankers. The financial statements do not include any adjustments that would result from a failure to obtain such support. Details of the circumstances relating to this fundamental uncertainty are described in note 1(b) on the financial statements. We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the financial statements and our opinion is not qualified in this respect.

QUALIFIED OPINION ARISING FROM THE LIMITATION OF AUDIT SCOPE

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the matter referred to above, in our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 28 February 2003 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitation on our work relating to the matter referred to above, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and we were unable to determine whether proper books of account had been kept.

KPMG
Certified Public Accountants
Hong Kong, 29 July 2003

意見的基礎 (續)

在提出意見時，我們亦已衡量財務報表所載資料在整體上是否足夠。我們相信，我們的審核工作已為下列意見建立合理的基礎。

基本不明朗因素

在作出意見時，我們已考慮財務報表內就貴集團的往來銀行所提供的持續支持。於2003年2月28日，貴集團未償還的香港銀行貸款合共249,000,000港元。根據於2000年8月3日簽訂的重組協議（「重組協議」），貴集團每年最少須定額償還24,000,000港元。此外，貴集團須出售非核心資產以償還銀行貸款。重組協議為期五年零三個月或直至銀行貸款減至150,000,000港元為止（以較早日期為準）。根據重組協議的部分條文，債務重組大部分之債權人可發出14天通知而終止該重組協議。本財務報表是根據持續經營基準編製，其有效性視乎貴集團的往來銀行所提供的持續支持。本財務報表並無包括因未能取得有關支持而作出的任何調整。有關這項基本不明朗因素的詳情，已載於本財務報表附註1(b)內。我們認為於本財務報表內，已就基本不明朗因素作出適當的披露，故此，我們在這方面並無作出保留意見。

審核範圍受到限制而提出的有保留意見

除我們就上述事項取得足夠憑證，致使我們可能需要作出任何調整外，我們認為，上述的財務報表均真實和公允地反映貴公司及貴集團於2003年2月28日的財政狀況和貴集團截至該日止年度的虧損及現金流量，並已按照香港《公司條例》的披露要求適當地編製。

單就上文提及審核工作範圍所受到的限制而言，我們並未取得一切我們認為進行審核所必須的資料和解釋，故我們未能確定貴集團是否有妥善編存賬冊。

畢馬威會計師事務所
執業會計師
香港，2003年7月29日