

**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 41 to 115 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 solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 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.

**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41至第115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

貴公司的董事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，對這些財務報表提出獨立意見，並按照百慕達1981年《公司法案》第90條的規定，僅向整體股東報告。除此以外，我們的報告書不可用作其他用途。我們概不就本報告書的內容，對任何其他人士負責或承擔法律責任。

意見的基礎

除了我們的工作範圍如下文所述受到限制外，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。

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。

BASIS OF OPINION (Continued)

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 as explained in note 5(a)(ii) on the financial statements, during the year ended 29 February 2004, certain subsidiaries of the Group received from the Inland Revenue Department (“IRD”) additional assessments relating to certain offshore income and agents commission payments and promoter fees arising in prior years in respect of which the IRD have challenged the tax treatments adopted by the subsidiaries. In the event that the subsidiaries are not successful in defending the tax treatments adopted, the Group may be subject to significant additional tax liabilities and penalties as described in note 5(a)(ii). The Group has made a provision for income tax amounting to HK\$13 million during the year. We were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the level of this income tax provision. There were no satisfactory audit procedures that we could adopt to obtain sufficient evidence regarding this income tax provision. Any adjustment to the figure may have a consequential significant effect on the profit for the year and net assets at 29 February 2004.

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 note 1 (b)(i) on the financial statements concerning the continued support of the Group’s lenders and the proposed debt restructuring and debt conversion. At 29 February 2004, the Group’s outstanding borrowings owing to these lenders amounted to HK\$247 million.

意見的基礎 (續)

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，因為根據財務報表附註5(a)(ii)所述，在截至2004年2月29日止年度內，貴集團若干附屬公司收到稅務局就以往年度的若干離岸收入及代理佣金支出與業務推廣費用發出的補加評稅通知書，稅務局並且就此質疑有關附屬公司所採用的稅務處理方法。如果這些附屬公司就所採用的稅務處理方法提出的抗辯不獲接納，貴集團或須額外承擔附註5(a)(ii)所述的大額稅務負債和罰款。在本年度內，貴集團已就所得稅提撥13,000,000港元的準備。我們無法實施必須的審核程序，以便充分確定上述所得稅準備是否足夠，亦無法採用其他完滿的審核程序，以便就上述所得稅準備獲取充分的憑證。如果有關數額有所調整，則最終可能會嚴重影響本年度的盈利額和於2004年2月29日的資產淨值。

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。

基本不肯定因素

在提出意見時，我們已衡量財務報表附註1(b)(i)所披露有關貴集團的債權人持續給予支持，以及有關債務重組和債務轉換建議的資料是否足夠。於2004年2月29日，貴集團尚欠這些債權人的借款為247,000,000港元。

BASIS OF OPINION *(Continued)*

Fundamental uncertainty *(Continued)*

The financial statements have been prepared on a going concern basis, the validity of which depends upon the ongoing support of the lenders and the agreement to the revised debt restructuring and debt conversion. 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)(i) on the financial statements and we draw your attention to this note. 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 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 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 29 February 2004 and of the Group's profit 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.

意見的基礎 *(續)*

基本不肯定因素 *(續)*

財務報表是按照持續經營基準編製；這個基準是否合理，取決於債權人是否持續給予支持，以及是否就修訂後的債務重組和債務轉換安排達成協議。財務報表並不包括如不再獲得有關支持而須作出的任何調整。有關這個基本不肯定因素的詳情載於財務報表附註1(b)(i)，謹請閣下省閱該附註的內容。我們認為，財務報表已充分計及和披露此基本不肯定因素，故我們在這方面並無保留意見。

因審核範圍受到限制而產生的保留意見

除卻我們如能就上述事項獲得充分的憑證而應已作出的任何必要調整外，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2004年2月29日的財政狀況和貴集團截至該日止年度的盈利及現金流量，並已按照香港《公司條例》的披露規定適當地編製。

純粹就上文所述我們在工作上受到的限制而言，我們並未獲得我們認為審核工作所必須的一切資料及解釋。

**QUALIFIED OPINION ARISING FROM
LIMITATION OF AUDIT SCOPE** *(Continued)*

Without further qualifying our opinion, we draw your attention to possible adjustments in certain corresponding amounts for the year ended 28 February 2003. Our audit opinion on the financial statements of the Group for the year ended 28 February 2003 was qualified as a result of a limitation of audit scope relating to the selling expenses of HK\$292 million of which HK\$22 million was payable to business promoters. Management was unable to provide sufficient audit evidence as to the nature of the amounts payable to business promoters during the year ended 28 February 2003, we did not obtain 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, 23 June 2004

**因審核範圍受到限制而產生的保
留意見** *(續)*

雖然我們沒有提出進一步保留意見，但請注意，截至2003年2月28日止年度的若干相應數額可能需要作出調整。我們曾因為審核範圍受到限制而對貴集團截至2003年2月28日止年度的財務報表提出保留意見，原因是在292,000,000港元的銷售費用中，應付業務推廣人款項佔了22,000,000港元。然而，管理層未能就截至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憑證，我們也未獲取我們認為審核工作所必須的一切資料及解釋，故無法確定是否已妥善編存賬冊。

畢馬威會計師事務所

執業會計師
香港，2004年6月23日