

AUDITORS' REPORT
TO THE SHAREHOLDERS OF VISION TECH INTERNATIONAL HOLDINGS LIMITED
(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

We have audited the financial statements on pages 5 to 31 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.

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 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 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 judgments 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 were limited in the following aspects : -

- (1) The financial statements for the year ended 31 March 2002 were audited by another firm of accountants. We are required to satisfy ourselves as to the adequacy of the figures brought forward as at 1 April 2002 and the comparative figures included in the financial statements. The work we normally carry out to enable us to confirm the adequacy of these figures includes a review of prior year audit files. We were unable to review the audit files of the previous auditors for the year ended 31 March 2002. In addition, we have not been able to carry out alternative audit procedures covering the year 31 March 2002 to enable us to obtain details on the figures brought forward as at 1 April 2002 in these financial statements.
- (2) The approval document and business licence issued by the appropriate authorities in the Peoples' Republic of China ("PRC"), of the Group's subsidiary, namely 順德正野電器有限公司 ("正野") was not available for inspection in respect of the proof of the legality of ownership although an agreement was entered on 15 July 2002 by the Company's subsidiary, namely Chong Sun Securities Limited ("Chong Sun") for acquisition of 51% interests in 正野 and Chong Sun applied to 佛山市順德區經濟貿易局 on 1 March 2004 for approval of acquisition of such interests. However we have obtained a legal opinion from a solicitor in the PRC that the acquisition of such interests is legal and will be approved by the appropriate PRC authorities.

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BASIS OF OPINION (Cont'd)

- (3) In relation to 正野, we have been unable to obtain sufficient documentary information to satisfy ourselves regarding the treatment of various balances of the Group as at 31 March 2003 as follows:
- (i) We were initially appointed auditors on 17 October 2003 which was subsequent to the end of the Group's financial year. In consequence we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the quantities and condition of inventories appearing in the consolidated balance sheet at approximately \$3,234,000. There were no other satisfactory audit procedures that we could adopt to obtain sufficient evidence regarding the existence and valuation of inventories. Any adjustment to the figure may have a consequential significant effect on the loss for the year and net assets at 31 March 2003.
 - (ii) In the absence of independent confirmations from the banks in PRC, we are unable to verify the correctness of bank deposits and bank loans amounting to approximately \$67,990,000 and \$66,458,000 respectively.
- (4) We have been unable to obtain satisfactory documentary evidence to support Directors emoluments of \$Nil as included in the consolidated income statement.
- (5) According to an independent confirmation from a bank, a bank balance and relevant bank transactions have not been reflected in the books and records in the Company's financial statements. Accordingly, we are uncertain whether there are other bank balances which might have been revealed.
- (6) As explained by directors in note 2(a)(ii) to the financial statements, there were no proper books and records kept by a subsidiary, namely Yue Hong Enterprises Limited. We were unable to determine whether the results of the company should be included in the consolidated financial statements.
- (7) As explained by the directors in note 2(a)(iii) to the financial statements, one of the subsidiaries is involved in a High Court proceeding. However, the directors were unable to provide any information in respect of the proceeding and they were unable to determine the amount of liability that might arise therefrom. The same qualification was made in the auditors' report on the preceding year's financial statements.

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BASIS OF OPINION (Cont'd)

- (8) According to Public announcement made on 3 September 2001 and 24 December 2001, Excellent State Limited which was incorporated in Hong Kong and Global Mission Holdings Limited which was incorporated in British Virgin Islands are the subsidiaries of the Group. However in the absence of supporting documentation to verify the existence and ownership, the results of these companies are not included in the consolidated financial statement.
- (9) We were not appointed auditors of the company until 17 October 2003 and in consequence it was not possible for us to observe the counting of the physical inventories included in the preceding year's financial statements at approximately \$3,801,000. We were unable to satisfy ourselves as to the inventory quantities at 31 March 2002 by other audit procedures. The auditors' report on the preceding year's financial statements was qualified in that respect. Any adjustment to opening inventories as at 1 April 2002 would have a consequential effect on the loss for the year ended 31 March 2003.
- (10) As explained by directors in note 2(a)(iv) to the financial statement, the financial statements have been prepared based on the available books and records maintained by the Company and its subsidiaries. However, in view of the lack of evidence available, the directors were unable to represent that all transactions entered into by the Company and its subsidiaries for the year ended 31 March 2003 have been reflected in the books and records in the financial statements. In this context, the directors are unable to verify the completeness of the disclosure of related party disclosure.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matters set out in the above paragraphs. Any adjustment to the above figures would affect the net assets of the Group and the Company as at 31 March 2003 and the loss and cash flows of the Group for the year then ended.

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 of our opinion.

QUALIFICATIONS ARISING FROM DISAGREEMENT ABOUT THE EXTENT OF DISCLOSURE

As explained in note 2(a)(vi) to the financial statements, the following required disclosures have not been made in the financial statements:

- (i) details of deferred taxation disclosures as required by SSAP 12 "Accounting for Deferred Tax";
- (ii) details of operating leases disclosures as required by SSAP 14 (Revised) "Leases"; and
- (iii) details of discontinuing operations disclosures as required by SSAP 33 "Discontinuing operations".

FUNDAMENTAL UNCERTAINTY RELATING TO GOING CONCERN BASIS

In forming our opinion we have considered the adequacy of the disclosures made in note 2(c) to the financial statements in respect of the fundamental uncertainties relating to the going concern basis for the preparation of financial statements.

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FUNDAMENTAL UNCERTAINTY RELATING TO GOING CONCERN BASIS (CONTINUED)

The financial statements have been prepared on a going concern basis, the validity of which depends upon the availability of financial support from ultimate holding company to support working capital of the Group. The financial statements do not include any adjustments that would result from a failure to obtain such financial support. We consider that appropriate disclosures have been made, but the inherent uncertainties surrounding the circumstances under which the Group might successfully continue to adopt the going concern basis are so extreme that we have disclaimed our opinion.

DISCLSIMER OPINION

Because of the significant disagreement of the extent of disclosure, fundamental uncertainty relating to the appropriateness of the going concern basis and of the significance of the possible effect of the limitations in evidence available to us referred to in the basis of opinion section of this report, 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 Company and the Group as at 31 March 2003 or of the loss and 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.

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

- 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.

WONG LAM LEUNG & KWOK C.P.A. LIMITED
Certified Public Accountants
Hong Kong

Ma Shuk Fong
Practising Certificate Number : P02311

Ref: V058/VM/738/486