

Report of the Auditors



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AUDITORS' REPORT TO THE SHAREHOLDERS OF TELECOM PLUS HOLDINGS LIMITED (FORMERLY KNOWN AS CHUN TAI HOLDINGS LIMITED)

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 17 to 48 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 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 circumstances of the Company and of the Group, 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 set out below.

Report of the Auditors

The financial statements of the Group and the Company for the year ended 31 March 2000 were audited by other auditors who have disclaimed an opinion for reasons which included the significance of the possible effects of several limitations on the scope of their audit which were detailed in their report dated 11 December 2000. Because of the inadequacy of the Group's and the Company's prior years' accounting records, we were unable to obtain sufficient evidence to verify the opening balances of the assets and liabilities of the Group as at 1 April 2000. There were no other satisfactory audit procedures that we could adopt to confirm that the opening balances of assets and liabilities of the Group were properly recorded. The books and records in respect of all the disposed subsidiaries of the Company, namely Chun Tai Toys (China) Limited, Chun Tai Industries Limited, Zhong Shan Chun Yuan Electronic Co., Limited and Chun Hui Electronic (Zhong Shan) Co., Limited (collectively referred to as the "Disposed Subsidiaries") and Zhongshan Modern Colour Printing and Packaging Products Factory Company Limited ("Zhongshan Modern") have not been made available to us either because the production facilities of the Group were under seizure by Mainland China court orders as security for unsettled claims found against the Disposed Subsidiaries, or because they have not been properly prepared. Because of this limitation we are not able to satisfy ourselves as to the appropriateness of (i) the gain on disposal of subsidiaries of approximately HK\$149,060,000 for the year ended 31 March 2001; and (ii) the loss on the write-off of net assets of Zhongshan Modern of approximately HK\$386,000 for the year ended 31 March 2001.

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

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 matters set out above, in our opinion the financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31 March 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitation on our work relating to the opening balances of the assets and liabilities of the Group and the Company, the gain on Disposed Subsidiaries and the net assets of Zhongshan Modern:

- 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.

ARTHUR ANDERSEN & CO
Certified Public Accountants

Hong Kong,
16 July 2001.