安永會計師事務所

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

We have audited the financial statements on pages 26 to 58 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 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 because in our audit of the Group's financial statements for the year ended 31 March 2000, we did not receive a sufficient number of replies to confirmations requested from the Group's creditors on the balances outstanding as at 31 March 2000 and, given the unreconciled discrepancies noted in certain of the replies received and the lack of other satisfactory procedures which we could adopt to confirm that all liabilities as at 31 March 2000 were properly recorded, we disclaimed our opinion on the financial statements in respect of the year ended 31 March 2000 on account of, inter alia, this scope limitation. Consequently, in view of the impracticability of performing additional procedures in respect thereof during the audit for the year ended 31 March 2001, we have been unable to ascertain whether the opening balances of trade payables, retention money payables, other payables, deposits received and accruals, gross amounts due to contract customers and accumulated losses as at 31 March 2000 are fairly stated. Any adjustments found to

BASIS OF OPINION (Continued)

be necessary to any of the above balances at 31 March 2000 would have a consequential effect on the profit of the Group for the year ended 31 March 2001.

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.

Disagreement about accounting treatment

As set out in note 25 to the financial statements, the net liabilities of the Company and the Group discharged under the schemes of arrangement of the Company and certain of its subsidiaries (the "Schemes") were accounted for as a general reserve movement and recorded as part of the shareholders' equity for the year. We consider that any gain arising in respect of the net liabilities discharged should be accounted for in the profit and loss account for the year as required by statement 2.01 "Framework for the preparation and presentation of financial statements" and statement 2.102 "Net profit or loss for the period, fundamental errors and changes in accounting policies" issued by the Hong Kong Society of Accountants. If this accounting treatment had been followed, the profit for the year ended 31 March 2001 of the Company and the Group would have been increased by approximately HK$490,659,000, and the accumulated losses and general reserve of the Company and the Group as at 31 March 2001 would have been reduced by the same amount, being the amount accounted for by the directors directly to the general reserve.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE AND DISAGREEMENT ABOUT ACCOUNTING TREATMENT

Except for any adjustments that might have been found to be necessary had the above limitation and the disagreement about accounting treatment not existed, 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 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 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.

Ernst & Young
Certified Public Accountants

Hong Kong
19 July 2001