

REPORT OF THE AUDITORS



To the members
B-Tech (Holdings) Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 25 to 87 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. 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.

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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 follows:

Scope limitation arising from the prior year's audit scope limitation affecting opening balances

As detailed in our report dated 23 July 2001 on the Group's financial statements for the year ended 31 March 2001, the directors were unable to obtain sufficient reliable financial information for certain unlisted other investments, with a carrying value of approximately HK\$160 million as at 31 March 2001, for us to assess whether any adjustments might be necessary to the fair values of these investments as at 31 March 2001. During the current year ended 31 March 2002, the directors have fully written off the carrying amount of these investments and which has been charged to the current year's profit and loss account. (Further details of these investments and the current year's write-off are set out in note 19 to the financial statements.) There were no satisfactory audit procedures that we could adopt to obtain sufficient evidence to determine the fair values of these investments as at 31 March 2001. Accordingly, any adjustments found to be necessary in respect thereof would have a consequential effect on the net assets of the Group at 31 March 2001 and of its net loss for the current year and the prior year.

Fundamental uncertainties

In forming our opinion, we have considered the adequacy of the disclosures made in note 3 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. As explained in note 3 to the financial statements, prior to and subsequent to the balance sheet date, the directors initiated a number of measures to improve its financial/liquidity position and relieve its liquidity pressure for the foreseeable future. Subsequent to the balance sheet date, the Group successfully raised approximately HK\$100 million from a rights issue of the Company and is currently negotiating with a financial creditor for the settlement of certain loan payables amounted to approximately HK\$348 million as at 31 March 2002. The financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the Group's financial arrangements/plans as detailed in note 3 to the financial statements. The financial statements do not include any adjustments that may be necessary should the implementation of such measures become unsuccessful. We consider that appropriate estimates and disclosures regarding the above fundamental uncertainties have been made and our opinion is not qualified in this respect.

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.

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QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

Except for any adjustments that might have been found to be necessary in respect of the scope limitation 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 31 March 2002 and of the loss 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

26 July 2002