



To the members
Great Wall Cybertech Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 24 to 79 which have been prepared in accordance with accounting principles generally accepted in Hong Kong, other than as set out below.

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 as follows:

Scope limitation

(i) Qingyuan Rowa Electronics Company Limited (“Qingyuan Rowa”)

(a) Interest in an associate

Included in the consolidated balance sheet of the Group as at 31 March 2002 is interest in Qingyuan Rowa, of approximately HK\$127,917,000 in respect of which a provision for impairment of HK\$127,917,000 has been made. We have been unable either to obtain sufficient reliable financial information, or to carry out alternate auditing procedures to satisfy ourselves as to the appropriateness of the provision made.

(b) Trade receivable from an associate

Included in the consolidated balance sheet of the Group as at 31 March 2002 is a trade receivable from Qingyuan Rowa of approximately HK\$691,860,000 (gross), in respect of which provisions of HK\$271,390,000 and HK\$71,000,000 have been made in the current year and prior year, respectively. We have been unable either to obtain sufficient reliable financial information, or to carry out alternate auditing procedures to satisfy ourselves as to the appropriateness or adequacy of the provision made.

(c) Share of results of an associate

The Group has not equity accounted for its share of the results of Qingyuan Rowa for the year ended 31 March 2002 as required by the Hong Kong Statement of Standard Accounting Practice 2.110 “Accounting for investments in associates” (“SSAP 10”). We have been unable either to obtain sufficient reliable financial information, or to carry out alternate auditing procedures to quantify the financial impact on the consolidated balance sheet and consolidated profit and loss account for the year arising from the non-compliance with SSAP 10.

(ii) Interests in property development projects

- (a) Included in the consolidated balance sheet of the Group as at 31 March 2002 is an other receivable of approximately HK\$15,502,000 (approximately RMB16,665,000) of which approximately HK\$8,991,000 was included in non-current assets, being the balance of the proceeds due in respect of the disposal of the Group's interest in a property development project. This balance is receivable by four half-yearly instalments, the last instalment of which falls due on 31 December 2003. As at the date of the directors' report, only HK\$930,000 (RMB1,000,000) of the HK\$4,651,000 (RMB5,000,000) instalment falling due on 30 June 2002 had been settled by the purchaser. We have been unable either to obtain sufficient reliable financial information, or to carry out alternate auditing procedures to satisfy ourselves as to the recoverability of the remaining outstanding balance totalling approximately HK\$14,572,000 (approximately RMB15,665,000).
- (b) Included in the consolidated balance sheet of the Group as at 31 March 2002 is interest in a property development project aggregating approximately HK\$44,323,000 (gross) in respect of which a provision for impairment of HK\$9,000,000 has been made. We have been unable either to obtain sufficient reliable financial information, or to carry out alternate auditing procedures to satisfy ourselves as to the adequacy of the provision made.

Any adjustments that might have been found necessary in respect of each of (i) and (ii) above would have a consequential impact on the net assets of the Group at 31 March 2002 and the net loss attributable to shareholders 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 for our opinion.

Fundamental uncertainty relating to going concern of the Group

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of their preparation by the directors. As explained in note 1 to the financial statements, these financial statements have been prepared on a going concern basis, the validity of which is dependent on the continued financial support of the Group's bankers and trade creditors which would include, inter alia, the satisfactory resolution of a number of lawsuits against the Group brought by certain trade creditors, the Group's bankers not demanding for the repayment of current and overdue bank loans, and the successful attainment of profitable and positive cash flow operations. The financial statements do not include any adjustments that would result from the lack of continued financial support of the Group's bankers and trade creditors. We consider that appropriate disclosures have been made, but the fundamental uncertainty relating to whether the going concern basis is appropriate is so extreme that we have disclaimed our opinion.

Disclaimer of opinion

Because of the significance of each of (i) the possible effects of the scope limitation in the evidence available to us as set out in the basis of opinion section of this report; and (ii) the fundamental uncertainty relating to the going concern basis, 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 of the Group as at 31 March 2002 and 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 limitations on our work as set out in the basis of opinion section of this report:

- (i) we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- (ii) we were unable to determine whether proper books of accounts have been kept.

ERNST & YOUNG

Certified Public Accountants

Hong Kong

15 October 2002