



GRAHAM H.Y. CHAN & CO.

CERTIFIED PUBLIC ACCOUNTANTS
HONG KONG

TO THE SHAREHOLDERS OF
MEDTECH GROUP COMPANY LIMITED
(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 22 to 59 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 accounts which give a true and fair view. In preparing accounts 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 accounts 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 accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, 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 accounts are free from material misstatement. However, the accounting records of some subsidiaries which had been engaged in the business of distribution of computer components and were disposed of during the year (the "Disposed Group") for the period from 1 January 2002 up to the date of disposal have not been made available to the Company and us. The Company has consolidated the Disposed Group based on the unaudited management accounts for the six months period ended 30 June 2002. There was no other satisfactory audit procedure that we could adopt to ascertain whether there are any misstatements in the amounts included in the consolidated profit and loss account and whether the disclosures which have incorporated amounts in relation to the Disposed Group as included in notes to accounts are fairly stated.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the accounts concerning the basis adopted in the preparation of the Group's accounts. The Group's loss attributable to the shareholders was HK\$25,477,000 for the year ended 31 December 2002 and at that date its net current liabilities were approximately HK\$8 million. Subsequent to the balance sheet date, the Company has entered into a conditional placing agreement with a placing agent for the placing of 400,000,000 ordinary shares of HK\$0.01 each. The net proceeds of the placing of approximately HK\$3.9 million will be used as the Group's general working capital for operating activities. The accounts have been prepared on a going concern basis, the validity of which depends upon financial support from its creditors and shareholders. The accounts do not include any adjustments that would result from failure to obtain such supports. We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the accounts and our opinion is not qualified in this respect.

Qualified opinion arising from limitation of scope

Except for any adjustments which might have been found necessary had we been able to obtain sufficient evidence concerning the Disposed Group, in our opinion the accounts give a true and fair view of the state of affairs of the Group and the Company as at 31 December 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 Hong Kong Companies Ordinance.

In respect alone of the limitations on our work relating to the Disposed Group:

- we have not obtained all the information and explanation we considered necessary for the purpose of the audit; and
- we were unable to determine whether proper books of account had been kept.

Graham H.Y. Chan & Co.
Certified Public Accountants

Hong Kong, 28 April 2003