

AUDITORS' REPORT

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

執業會計師
香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

TO THE SHAREHOLDERS OF SILVERNET GROUP LIMITED

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 22 to 71 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 judgments made by directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and 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 explained below.

AUDITORS' REPORT

As disclosed in note 10 to the financial statements, the consolidated income statement includes turnover and loss from the discontinued retailing business of approximately HK\$105,393,000 and HK\$16,943,000 respectively for the period from September 1, 1999 to date of discontinuance based on unaudited management accounts.

Accordingly, we were unable to satisfy ourselves as to whether either such amounts or the resulting gain on disposal of the discontinued retailing business were fairly stated. Any adjustments found to be necessary would affect only the classification of the consolidated income statement.

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.

Qualified opinion arising from limitation of audit scope

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at December 31, 2000. Except for any adjustments that might have been found to be necessary to the classification of the consolidated income statement had we been able to obtain sufficient evidence concerning the discontinued retailing business, in our opinion the financial statements give a true and fair view of the loss and cash flows of the Group for the period from September 1, 1999 to December 31, 2000 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 relating to the discontinued retailing business:

- 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.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, April 20, 2001