

R E P O R T O F T H E A U D I T O R S

**ARTHUR ANDERSEN****Arthur Andersen & Co**21st Floor Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong**Auditors' Report to the Shareholders of
PEARL ORIENTAL CYBERFORCE LIMITED***(Incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 34 to 84 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 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 the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

We planned and performed 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. 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

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the possible outcome of (i) the negotiations with the group's bankers for rescheduling the repayment terms of certain of the group's bank borrowings, and (ii) the intended disposal of certain of the group's properties. The financial statements have been prepared on the going concern basis, the validity of which depends upon future funding being available, and the success of the intended disposal of certain of the group's properties and the group's future operations. The financial statements do not include any adjustments that would result from the failure to reschedule the repayment terms of certain of the group's bank borrowings or the intended disposal of certain of the group's properties or should the group's future operations not be successful. Details of the circumstances relating to this fundamental uncertainty are described in Note 1.a to the financial statements. We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the financial statements and our opinion therefore is not qualified in this respect.

OPINION

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 31st December, 2000 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.

ARTHUR ANDERSEN & CO

Certified Public Accountants

Hong Kong, 20th April, 2001.