

Report of the Auditors



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Auditors' Report to the Shareholders of

THE SUN'S GROUP LIMITED

(Formerly known as Pearl Oriental Cyberforce Limited and Pearl Oriental Holdings Limited; incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 26 to 74 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

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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.

*Report of the Auditors (Cont'd)***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 judgements 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 relating to going concern basis of presentation

In forming our opinion, we have considered the adequacy of the disclosures made in Note 2 to the financial statements concerning the group's default on repayment of its bank borrowings totalling approximately HK\$1,169 million as at 31st December, 2001, and whether the group's bankers will support the group and the group's debt restructuring proposals will be accepted by its bankers and can be successfully implemented, whether the group will be able to obtain new financing to meet its financial obligations as they fall due, and whether the group's properties can be realised at their book carrying value, among other things. The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available and the success of the group's future operations. The financial statements do not include any adjustments relating to the recoverability and classification of the asset carrying amounts or the amount and classification of liabilities that would result from the failure to obtain such funding and should the group's future operations not be successful. We consider that appropriate disclosures have been made. However, we consider this fundamental uncertainty to be so extreme that we have

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disclaimed our opinion in respect of the appropriateness of the going concern basis of preparation of the financial statements.

Qualified opinion : Disclaimer on view given by financial statements

Because of the fundamental uncertainty relating to the group's ability to continue as a going concern, 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 31st December, 2001 and of the loss and cash flows of the group for the year then ended. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ARTHUR ANDERSEN & CO

Certified Public Accountants

Hong Kong, 17th May, 2002.