Report of the Auditors

TO THE SHAREHOLDERS OF GREAT WALL CYBERTECH LIMITED
(Provisional Liquidators Appointed)
(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 16 to 40 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 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, that judgement and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) 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 judgements 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 evidence available to us was limited as set out below.

1. Our report on the accounts of the Group for the nine-months ended 31 December 2002 was disclaimed in view of the pervasive nature of the limitations on the scope of our audit resulting from the inability of the Directors to locate sufficient documentary information. It was explained by the Directors that due to liquidation of certain significant subsidiaries or their immediate holding companies and the seizure of the major assets and production facilities of certain significant subsidiaries under the court orders and most of the accounting personnel of the Group have left, the Directors have been unable to obtain sufficient documentary information. Accordingly, we were unable to form an opinion as to whether the net liabilities of the Company and the Group as at 31 December 2002 and the results of the Group for the nine-month ended 31 December 2002 were fairly stated. Any adjustments to the opening balances as at 1 January 2003 would affect the net liabilities of the Company and the Group as at 31 December 2003 and the results of the Group for the year ended 31 December 2003. Also the comparative figures in respect of the net liabilities of the Company and of the Group as at 31 December 2002 and the results of the Group for the nine-months ended 31 December 2002 may not be comparable with the figures for the current year.

2. As explained by the Directors in note 3 (iii) to the accounts, the underlying books and records of a subsidiary, Great Wall France SA ("GW France"), have not been made available to the management of the Company as GW France went into liquidation pursuant to a France court order in 2004. Consequently, the operations of GW France so consolidated are based on its unaudited management accounts for the year ended 31 December 2003, since the unaudited management accounts are the only financial information made available to the Directors. We have been unable to obtain adequate audit evidence to satisfy ourselves as to the reliability of the amounts consolidated in respect of GW France during the year ended 31 December 2003 and the related balances as at 31 December 2003, as included in the consolidated accounts. In particular, we have been unable to perform any satisfactory audit procedures to substantiate the transactions entered into by GW France during the year ended 31 December 2003 and the assets and liabilities of GW France as at 31 December 2003; and to determine as to whether all appropriate disclosures have been included in the accounts in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and Statements of Standard Accounting Practice ("SSAPs") issued by HKICPA. The results of GW France consolidated in the Group's accounts and assets and liabilities as at 31 December 2003 are summarised in note 3(iii) to the accounts.

3. As explained by the Directors in note 3(ii) & (iv) to the accounts that due to liquidation of certain significant subsidiaries or their immediate holding companies and the seizure of the major assets and production facilities of certain significant subsidiaries under the court orders and most of the accounting personnel of the Group have left, the Directors have been unable to obtain sufficient documentary information to satisfy themselves regarding the treatment of various balances of the Group and the Company as at 31 December 2003 and have formed the opinion as follows:

   (a) As further explained by the Directors in note 3(iv)(a) to the accounts, the Directors were unable to obtain sufficient documentary evidence to support the Group's and the Company's other payables and accruals of approximately HK$307,557,000 (2002: HK$305,343,000) and HK$291,827,000 (2002: HK$292,267,000) respectively, including the liabilities under indemnities given to subsidiaries not consolidated of approximately HK$291,130,000 (2002: HK$291,130,000). Accordingly the Directors were unable to satisfy themselves as to whether these amounts are fairly stated in the accounts.

   (b) As further explained by the Directors in note 3(iv)(b) to the accounts, the Directors were unable to satisfy themselves as to whether the amounts due to subsidiaries not consolidated of approximately HK$219,752,000 (2002: HK$222,305,000) and HK$5,983,000 (2002: HK$8,086,000) included in the Group's and the Company's balance sheet respectively as at 31 December 2003 are fairly stated in the accounts.

   (c) As further explained by the Directors in note 3(iv)(c) to the accounts, the accounts have been prepared based on the available books and records maintained by the Company and its subsidiaries. However, in view of the lack of evidence available, the Directors were unable to represent that all transactions entered into by the Company and its subsidiaries for the year ended 31 December 2003 have been properly reflected in the books and records and in the accounts. In this context, the Directors are also unable to represent as to the completeness and correctness of the disclosures of directors' and employees' emoluments in note 8, taxation in note 9 and inventories in note 17 to the accounts.

   (d) The Directors have formed the opinion that the amounts due from subsidiaries not consolidated to the Group of approximately HK$1,584,758,000 (2002: HK$1,578,703,000) and amounts due from subsidiaries to the Company of approximately HK$1,285,670,000 (2002: HK$1,285,670,000) included in the Group's and the Company's balance sheet respectively as at 31 December 2003 cannot be recovered. Accordingly, the Directors have made provisions against these amounts. However, we were unable to obtain sufficient information and explanations regarding the basis upon which the Directors have determined the amount of such provisions. Accordingly, we were unable to satisfy ourselves as to whether the provisions against these amounts were appropriate and the amounts due from these subsidiaries, after net of provisions, are fairly stated at the balance sheet date.

In addition, for the same reasons stated above, we have not been able to obtain all necessary information for us to complete our review of subsequent events from the balance sheet date up to the date of this report. Such procedures might have resulted in the identification of adjustments to the amounts reported in and/ or disclosed as notes to the accounts of the Group as at 31 December 2003.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matters set out in paragraphs 2 and 3 above. Any adjustments to the above figures would as appropriate affect the net liabilities of the Company and the Group as at 31 December 2003 and the loss of the Group for the year ended 31 December 2003.

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

FUNDAMENTAL UNCERTAINTY RELATED TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures in note 3(i) to the accounts concerning the adoption of the going concern basis on which the accounts have been prepared. As explained in note 3(i) to the accounts, the Company has experienced financial difficulties and is currently negotiating with a potential investor for the purpose of restructuring of the Company's indebtedness and revitalising the Group's financial position and business. The accounts have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the measures to be implemented and in process by the Group to improve the financial position and business of the Group. The accounts do not include any adjustments that would result from the failure of these measures. We consider that the appropriate disclosures have been made but, because of the significant uncertainties relating to the outcome of the restructuring proposal are so extreme, we are not able to determine whether the going concern basis used in preparing these accounts is appropriate. Accordingly, we have disclaimed our opinion.

QUALIFICATION ARISING FROM DISAGREEMENT ABOUT ACCOUNTING TREATMENT

1. As detailed in note 15(a) to the accounts, the consolidated accounts do not include the results of certain subsidiaries, which are in the course of liquidation or their immediate holding companies are in the course of liquidation or their major assets and production facilities located in the People's Republic of China were seized under court orders as security for unsettled claims, up to the respective dates of appointment of liquidators as ordered by the courts. This treatment is not in accordance with the requirements of SSAP 32 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" issued by the HKICPA and the Hong Kong Companies Ordinance. In our opinion, there is insufficient information concerning these subsidiaries in the accounts to give a true and fair view of the results and cash flows of the Group for the year ended 31 December 2003. It is not practicable to quantify the effect of the departure from this requirement.

2. As detailed in note 15(b) to the accounts, the accounts of the Group do not consolidate the accounts of certain subsidiaries. This treatment is not in accordance with the requirements of SSAP 32 and the Hong Kong Companies Ordinance. In our opinion, there is insufficient information concerning these subsidiaries in the accounts to give a true and fair view of the state of affairs of the Group as at 31 December 2003 and of the results and cash flows of the Group for the year ended 31 December 2003. It is not practicable to quantify the effect of the departure from this requirement.

3. As explained in note 3(iv)(e) to the accounts, the accounts do not contain a cash flow statement. This is not in accordance with the requirements of SSAP 15 "Cash flow statements". In our opinion, information about the Group's cash flows is necessary for a proper understanding of the Group's state of affairs and loss for the year ended 31 December 2003. It is not practicable to quantify the effect of the departure from this requirement.

QUALIFICATION ARISING FROM DISAGREEMENTS ABOUT THE EXTENT OF DISCLOSURES

As explained in note 3(iv)(d) to the accounts, due to limited books and records available to the Directors, the following disclosures have not been made in the accounts:

1. Disclosures in respect of subsidiaries excluded from consolidation as required by SSAP 32 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries";

2. Disclosures in respect of finance lease obligations as required by SSAP 14 (Revised) "Leases";

3. Details of the share option scheme as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules");

4. Details of the retirement benefit scheme and the employee benefits as required by SSAP 34 "Employee benefits";

5. Segment information disclosures as required by SSAP 26 (Revised) "Segment Reporting" and the Listing Rules;

6. Details of analysis of pledge of assets as required by the Hong Kong Companies Ordinance;

7. Details of deferred taxation as required by SSAP12 (Revised) "Income Taxes";

8. Details of related party disclosures as required by SSAP 20 "Related Party Disclosures";

9. Details of the Group's credit risk and ageing of debtors and creditors as required by the Listing Rules; and

10. Details of contingent liabilities and commitments as required by the Hong Kong Companies Ordinance and relevant SSAPs.

DISCLAIMER OF OPINION

Because of the significance of each of (i) the possible effect of the limitations in evidence available to us as set out in the basis of opinion section of this report; (ii) the fundamental uncertainty relating to the going concern basis and (iii) the non-compliance of certain disclosure requirements as mentioned above, we are unable to form an opinion as to whether the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2003 and of the loss of the Group for the year then ended and as to whether the accounts 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:

- We have not obtained all the information and explanations that we consider necessary for the purpose of our audit; and

- We were unable to determine whether proper books of accounts have been kept.

TING HO KWAN & CHAN
Certified Public Accountants

Hong Kong
5 November 2004