

To the members

Soundwill Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 23 to 75 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 judgements made by the directors in the preparation of the financial statements, 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 financial statements are free from material misstatement. Included in the balance sheet is goodwill of HK\$151,172,000, which arose from the acquisition of a subsidiary engaging in manufacturing and trading of telecommunication-related equipment. The directors are of the opinion that the recoverable amount of the goodwill exceeds its carrying amount in the balance sheet, based on a business valuation performed by a firm of professional valuers. As the business of the subsidiary is still at its start-up stage and is yet to generate significant revenue, we have not been able to assess whether the bases and assumptions used by the valuers, which include a receptive market for the subsidiary's products and growing market share, are reasonable. There were no other satisfactory audit procedures that we could adopt to confirm that carrying amount of goodwill was accurately stated. Any adjustments to the above figure may have a consequential significant effect on the net loss for the year ended 31 December 2001 and net assets as at that date.

Basis of opinion (Continued)

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 refinancing and restructuring of the Group's existing bank borrowings. The financial statements have been prepared on a going concern basis, the validity of which depends upon the continued provision of funding by the Group's bankers. The financial statements do not include any adjustments that would result from a failure to obtain such funding. Details of the circumstances relating to the refinancing and restructuring of the Group's existing bank borrowings are described in note 1 to the financial statements. We consider that appropriate disclosures have been made in the financial statements and our opinion is not qualified in this respect.

Qualified opinion arising from limitation of audit scope

Except for any adjustments that might have been found necessary had we been able to assess the reasonableness of the bases and assumptions used for the valuation of goodwill, 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 31 December 2001 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.

Moores Rowland

Chartered Accountants

Certified Public Accountants

Hong Kong, 16 April 2002