

Report of the Auditors

Grant Thornton 均富會計師行

To the members of

Soundwill Holdings Limited

金朝陽集團有限公司

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 24 to 76 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. However, the evidence available to us was limited as explained below.

We were appointed as auditors to the Company on 6 March 2003. The outgoing auditors who reported on the Company's and the Group's financial statements in respect of the previous year ended 31 December 2001 qualified their opinion on those financial statements because of the limitation in evidence available

Report of the Auditors

to them in connection with the assessment of the carrying amount of goodwill of HK\$151,172,000 at 31 December 2001. The goodwill arose from the acquisition of a subsidiary engaged in the manufacturing and trading of telecommunication related-equipment prior to the year ended 31 December 2001. In the current year, the Group has written off the balance of goodwill of HK\$151,172,000. There were no satisfactory audit procedures we could adopt to satisfy ourselves that the carrying amount of goodwill brought forward at 1 January 2002 was fairly stated. Any adjustments found to be necessary in respect of the carrying amount of goodwill at 1 January 2002 may have a consequential effect on the net assets of the Company and the Group at 31 December 2001 and the Group's results for the years ended 31 December 2001 and 2002.

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 the Company's and the Group's affairs as at 31 December 2002 and of the cash flows of the Group for the year then ended, and except for any adjustments that might have been found to be necessary had we been able to satisfy ourselves as to the carrying amount of goodwill at 31 December 2001 as mentioned above, give a true and fair view of the loss 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.

Grant Thornton

Certified Public Accountants

Hong Kong, 16 April 2003