MANAGEMENT DISCUSSION AND ANALYSIS

The Directors of Goldwiz Holdings Limited hereby present the Group's annual report incorporated with the audited financial statements for the financial year ended 31 March 2006.

FINAL RESULTS

The turnover of the Group for the financial year was approximately HK$134.0 million (2005: HK$282.8 million) which represented a decrease of 52.6% as compared to that of last year. The gross profit was approximately HK$38.7 million (2005: HK$76.3 million), representing a decrease of 49.3% as compared to last year's figure. The consolidated net loss attributable to shareholders of the Group for the year was approximately HK$152.7 million (2005: HK$41.8 million). Loss per share for the year was 14.38 cents as compared with that of 3.94 cents of the preceding year. The loss incurred by the Group in the financial year was primarily due to the net effect of loss on deconsolidation of deconsolidated subsidiaries of approximately HK$104.0 million, impairment loss of goodwill of HK$53.4 million, share of loss of an associate of approximately HK$7.7 million, loss on disposal of an associate of approximately HK$8.1 million, provision for bad and doubtful debts of approximately HK$12.4 million, impairment loss on available-for-sale of securities of approximately HK$77.7 million and waiver of amount due to a shareholder of approximately HK$114.3 million.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2006.

OPERATIONS REVIEW

The Group was principally engaged in the hotel operations, design, development and distribution of hi-tech electronic products, trading of electronic products related materials and investment holding during the financial year.

Hotel operations

Harbour Plaza Kunming (the "Hotel") maintained a stable performance during the year with a turnover of approximately HK$56.0 million (2005: HK$52.7 million) which represented about 41.8% (2005: 18.6%) of the Group's total turnover. Profit from operation of the Hotel for the year increased by 39.7% from HK$13.1 million to HK$18.3 million as compared with preceding year. At 31 March 2006, the Hotel recorded a surplus on revaluation on hotel properties of approximately HK$3.2 million, after adjustment of the appreciation of Renminbi by 2%. During the year, bookings from the overseas tourist markets, especially those from US, Europe, Japan and South East Asia, remained relatively steady comparing to its previous year's booking. Despite of the keen competitions due to a number of hotels established in Kunming recently, the Hotel, which is still managed by Harbour Plaza Management Limited, shall continue to focus on key feeder-market cities such as Beijing, Shanghai, Guangzhou, Hong Kong and overseas markets to identify and to establish a strong corporate client base.

Electronic materials

Turnover of electronic materials production and trading during the year was HK$78.0 million (2005: HK$58.6 million), representing 58.2% (2005: 20.7%) of the Group's total turnover. Due to rising material cost and the fierce competition in the copper clad laminate industry, this business unit recorded an operation loss of HK$12.2 million during the year. The operation was suspended since January 2006.

Hi-tech electronic products

During the year, the Intermediate People's Court of Jin Hua, Zhejiang Province, the PRC ("Jin Hua Court") issued a civil judgement to Goldwiz Huarui (Shenzhen) Electronic Material Co Ltd ("Goldwiz Shenzhen"), a non-wholly owned subsidiary established in the PRC, to freeze certain assets of Goldwiz Shenzhen. Since then, the Group was unable to exercise control over the financial and operating decisions of Goldwiz Shenzhen and was not able to access certain underlying books and records together with the supporting documents of Goldwiz Shenzhen, hence the results of Goldwiz Shenzhen had not been consolidated for the year. Loss on deconsolidation of deconsolidated subsidiary amounted to approximately HK$104.0 million and impairment loss on goodwill amounted to approximately HK$53.4 million were recorded in the financial statements during the year. After considerable review and discussion, the management plans to redirect the investment into other areas.

Strategic investment

For the six months ending 31 December 2005, The Quaypoint Corporation Limited ("Quaypoint") (formerly known as "Techwayson Holdings Limited") recorded an unaudited consolidated turnover of approximately RMB132.4 million (equivalent to HK$127.1 million) (2005: RMB99.5 million (equivalent to HK$93.9 million)) and loss attributable to shareholders of approximately RMB13.4 million (equivalent to HK$12.9 million) (2005: RMB1.3 million) (equivalent to HK$1.2 million). The increase in loss attributable to shareholders was mainly due to the effect of keen competition and change in market demand, coupled with its management restructuring in its subsidiaries in the PRC. During the year, the Group shared a loss of HK$7.7 million (2005: HK$4.8 million) from Quaypoint.

In view of the low liquidity of the securities of Quaypoint and its unsatisfactory business performance, and the urgency of the Group to seek finance in order to settle the secured indebtedness, the Group disposed of its investments in Quaypoint on 24 January 2006 at a consideration of approximately HK$21.3 million in order to settle the indebtedness and obtain some working capital. The disposal resulted in a loss of disposal of approximately HK$8.1 million.

FINANCIAL REVIEW

Liquidity and financial resources

At 31 March 2006, the Group had cash and bank balances of HK$27.7 million (2005: HK$46.3 million). The gearing of the Group was 420.7% (2005: 244.9%) which was calculated based on the total liabilities over total equity.

At 31 March 2005, the total borrowings of the Group were approximately HK$162.2 million which consisted of bank loans of HK$141 million and a renewed six-month term loan of HK$21.2 million. Majority of the borrowings were secured by corporate guarantee given by the Company and/or a subsidiary and certain bank loans and the six-month term loan were also secured by the pledging of certain assets of the Group. The loans were primarily borrowed to finance the business operations and general working capital of the Group. During the year ended 31 March 2006, the bank loans of HK$141 million was disposed upon the deconsolidation of Goldwiz Shenzhen and the renewed six-month term loan was repaid in full. At 31 March 2005, the current liabilities of the Group included an outstanding amount of HK$39.5 million in respect of the secured promissory note and the principal amount of HK$155 million of the expired convertible note (collectively as the "Notes"). During the year, the Company received a letter from the holder of the Notes regarding the revised repayment schedule of which the Company has to repay the outstanding amount under the Notes on or before 23 December 2005. Since then, the Company had fully settled the final instalment of the promissory note and repaid HK$26 million under the convertible note to the holder of the Notes. At 31 March 2006, the outstanding principal amount of Notes was amounted to HK$129 million.

Charge on assets

(a) At 31 March 2006, the entire equity interests of the Group in Risdon Limited ("Risdon") (together with the shareholder's loan due from Risdon to Pacific Peace Investments Limited ("Pacific Peace"), an indirectly wholly-owned subsidiary of the Company) and Harbour Plaza Kunming Co. Ltd., the wholly-owned subsidiary of Risdon, were pledged to secure against the Company's obligations under the non-transferable promissory note dated 24 July 2002 and the expired convertible note dated 8 November 2002 in relation to the acquisition of the entire equity interest in Risdon by the Company from Hutchison Hotels Holding (International) Limited.

(b) In January 2006, the Shenzhen Municipality Intermediate People's Court, Guangdong Province, the PRC had granted an Asset Preservation Order (the "Order") to freeze (i) the entire equity interests of Harbour Plaza Kunming Co Ltd; and (ii) certain fixed assets, with carrying amount of approximately HK$267.8 million as at 31 March 2006, of Harbour Plaza Kunming Co Ltd for the purpose of protecting the interest of a bank as a lender of a sum of RMB50 million to Goldwiz Shenzhen. The Order was withdrawn in July 2006.

(c) At 31 March 2005, (i) first floating charges over all undertaking assets and property of the Company and one of its subsidiaries, (ii) share mortgage over all the issued shares in that subsidiary, (iii) assignment of shareholders' loan owed by the Group to the Company's major shareholder and (iv) personal guarantee from a director of the Company were pledged with a financial institution to secure against the relevant subsidiary's obligation under the six-month term loan agreement and its supplemental agreement. The charges were released upon the repayment of the six-month term loan.

Exposure to fluctuations

As the Group's earnings and borrowings are primarily denominated in Hong Kong dollars or Renminbi, it has no significant exposure to foreign exchange rate fluctuation.

Contingent liabilities

As at 31 March 2006, the Group and the Company had contingent liabilities amounting to approximately HK$132.9 million (2005: HK$162.2 million) due to the provision of corporate guarantee in connection with the borrowings granted to Goldwiz Shenzhen by Bank of China, Shenzhen Branch ("BOC") and China Everbright Bank, Shenzhen Branch ("CEB") on the PRC. During the year, a writ of summons was served by BOC and CEB in respect of the borrowings together with interest thereon of approximately HK$84.6 million and HK$48.3 million respectively. With the advices from a legal adviser, the Company has adequate reasons to defense against the guarantee clause imposed on the Company and hence the Company is unlikely to have legal and financial obligation to pay the borrowings for Goldwiz Shenzhen.

DECONSOLIDATION OF SUBSIDIARIES

As disclosed in the announcement of the Company made on 4 January 2006, the operations of the factory of Goldwiz Huarui (Tongling) Electronic Material Co Ltd ("Goldwiz Tongling"), a non-wholly owned subsidiary established in the PRC, have been suspended since mid-December 2005 due to critical liquidity problem. On 12 January 2006, a civil judgement is issued by the Intermediate People's Court of Jin Hua, Zhejiang Province, the PRC ("Jin Hua Court") to the Group that certain assets of Goldwiz Tongling and Goldwiz Shenzhen were frozen by Jin Hua Court. The operations of Goldwiz Tongling and Goldwiz Shenzhen were suspended since then. With the lost of control on the management of these two companies, the Group had deconsolidated the result of Goldwiz Shenzhen and reclassified the investment in Goldwiz Tongling to investments in available-for-sale securities during the year, resulted in a loss on deconsolidation of subsidiary of approximately HK$104 million, impairment loss on amounts due from deconsolidated subsidiaries of approximately HK$1 million and impairment loss on available-for-sale of securities of approximately HK$78.8 million.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

By considering the Company's significant net current liabilities and net liabilities position, the directors have devoted their effort to improve the liquidity of the Company. The directors and members of the senior management of the Company have embarked on various methods of fund raising. On 16 June 2006, the Company entered into a letter of intent (the "LOI") with Sunderland Properties Limited ("Sunderland") in relation to the grant of an exclusive right to Sunderland for a period of 3 months (the "Exclusive Right") to arrange and procure two additional underwriters to underwrite a rights issue exercise for the Company to raise funds in the approximate amount of HK$318 million before expenses and to assist the Company in negotiating the settlement plan with the Company's creditors. According to the LOI, the Exclusive Right granted was expired on 16 September 2006. Sunderland has issued a letter on 6 November 2006, which was accepted by the Company, to confirm the extend of the Exclusive Right to 31 December 2006.

Due to Deconsolidation of Subsidiaries, (Goldwiz Tongling and Goldwiz Shenzhen) mentioned as above, the principally activities of the Group for the next financial year is expected to be hotel operations.

On 1 June 2006, receivers were appointed by Hutchison Hotels Holdings (International) Limited ("HHHIL") with regards to the assets charged by a wholly owned subsidiary of the Company, Pacific Peace in favour of HHHIL that included but not limited to (i) a share mortgage over all the issued shares in the Company's wholly owned subsidiary which holds the entire interest in Harbour Plaza Kunming Co., Ltd. for the hotel operations of Risdon Limited ("Risdon"), incorporating an assignment of the shareholder's loan due from Risdon and (ii) a mortgage over 100% of Risdon's equity interest in the Harbour Plaza, pursuant to the share mortgage deed dated 8 November 2002 entered into between Pacific Peace and HHHIL ("Share Mortgage").

On 28 July 2006, the Company received a statutory demand from HHHIL demanding payment of approximately HK$141,439,000 together with interest due from the Company to HHHIL within 21 days after the date of service of the statutory demand on the Company.

On 21 August 2006 after the expiry of the 21 days period prescribed in the statutory demand, Hutchison International Limited ("HIL") issued a letter to the Company that HIL has instructed its lawyer to proceed with the issuance of a winding up petition against the Company. On the same date, the receivers issued a letter to the Company that the receivers would sell the assets charged under the Share Mortgage by way of tender and the preparation work for the tender exercise was in the final stage and it was expected to commence in the near future.

Further details are set out in the announcements dated 8 June 2006, 27 July 2006, 31 July 2006 and 28 August 2006 issued by the Company.

Sunderland has issued settlement proposals to HHHIL on 12 June 2006, 21 July 2006, 31 July 2006, 24 August 2006, 19 September 2006, 5 October 2006 and 21 October 2006, respectively.

In Sunderland's settlement proposal dated 21 October 2006, Sunderland offered HK$70 million payment in cash after the signing of Sale & Purchase Agreement ("S&P") between HHHIL and Sunderland of the overdue convertible note (the "Overdue Note"). And the outstanding balance of the Overdue Note, which is guaranteed by a bank, shall be paid within six months after the signing of the S&P.

On 3 November 2006, HHHIL replied that "given the fact that the Overdue Note was already well past due, and given their security position, HHHIL expected full and upfront (i.e. in one tranche) recovery in cash of entitlements under the Overdue Note and its underlying security."

The directors of the Company and Sunderland is still trying to approach HHHIL and the receiver to settle relevant matters.

EMPLOYEES

As at 31 March 2006, the Group employed about 463 employees, of which 450 are the employees of the Harbour Plaza Kunming Co. Ltd. (the "Hotel Company") under the management of Harbour Plaza Hotel Management Limited. The employees of the Hotel Company are rewarded on a performance related basis within the general framework of the hotel's salary and bonus system which is reviewed annually. The remuneration policy and package including basic salaries, medical coverage, insurance plan and discretionary bonus are subject to periodical review of the respective management. In addition, training and development programs are provided on an ongoing basis to employees of the Group to raise productivity and to maintain a high standard of service for the hotel. The Group does not have any share option scheme.

SHARES TRADING

Trading in the shares of the Company on the Stock Exchange was suspended at the request of the Company with effect from 9:36 a.m. on 3 January 2006 pending an announcement in relation to price sensitive information and will remain suspended until the publication of further announcement on the latest development including, amount others, the production and liquidity position of the Group.