

AUDITORS' REPORT



CCIF

CCIF CPA LIMITED

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10 Hysan Avenue
Causeway Bay Hong Kong

**Auditors' report to the shareholders of
Goldwiz Holdings Limited**

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 24 to 94 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 financial statements and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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 Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public 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.

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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 below:

1) As explained in note 2(b)(i) to the financial statements that due to significant staff and management turnover of Goldwiz Shenzhen and Goldwiz Tongling, the current board of directors were unable to access the complete set of underlying books and records together with the supporting documents of these subsidiaries for the year. Accordingly, the directors of the Company were unable to provide sufficient documentary evidences regarding the treatment of various balances of the Group and of the Company as at 31 March 2006 and for the year then ended as follows:

a) *Deconsolidation of a subsidiary, Goldwiz Shenzhen*

As explained in note 2(b)(ii) to the financial statements, the results of Goldwiz Shenzhen have not been consolidated in the income statement for the period from 1 April 2005 to 11 January 2006 being the immediate date before loss of control, and its financial statements were deconsolidated from the consolidated financial statements with effect from 1 April 2005. Accordingly, the consolidated income statement included a loss of approximately HK\$103,965,000 arising on deconsolidation of Goldwiz Shenzhen and the consolidated balance sheet included the initial measurement of the available-for-sale securities at nil. We were unable to ascertain with reasonable accuracy the impact on the results of the Group caused by the exclusion of this former subsidiary from the consolidated financial statements, and as to whether the loss on deconsolidation and the initial measurement of available-for-sale securities in respect of Goldwiz Shenzhen were fairly stated in the financial statements.

b) *Reclassification of an associate, Goldwiz Tongling*

As explained in note 2(b)(iii) to the financial statements, the results of Goldwiz Tongling have not been accounted for using the equity method for the period from 1 April 2005 to 7 April 2005 being the immediate date it ceased to be an associate and became a subsidiary of the Group, and have not been consolidated for the period from 8 April 2005 being the date it became a subsidiary of the Group to 11 January 2006 being the immediate date before loss of control in the financial statements. Goldwiz Tongling was immediately reclassified from interest in an associate to available-for-sale securities with initial measurement at HK\$57,898,000 with effect from 1 April 2005. The consolidated income statement included a loss from such a reclassification of Goldwiz Tongling at nil. We were unable to satisfy ourselves as to whether the initial measurement of the available-for-sale securities in respect of Goldwiz Tongling and the loss from such a reclassification were fairly stated in the financial statements.

c) *Pencester and Best News*

As explained in note 2(b)(iv) to the financial statements, due to unable to access their complete set of underlying books and records together with the supporting documents of Goldwiz Tongling, the results, cash flows, assets and liabilities of Pencester and Best News were not consolidated into the financial statements of the Group. The investments in Pencester and Best News were accounted for by the Group as available-for-sale securities. We were unable to obtain sufficient appropriate audit evidence to determine the appropriateness of the treatment and to ascertain with reasonable accuracy the impact on the financial statements of the Group caused by non-consolidation of Pencester and Best News in the financial statements.

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2) As explained in note 2(c) to the financial statements, as most of the former directors of the Company, former senior management and former accounting personnel of the Group have left the Group, the current board of directors were unable to locate sufficient documentary information to satisfy themselves regarding the treatment of various balances of the Group as at 31 March 2006 and for the year then ended as follows:

a) *Share of losses of associates*

As explained in note 21(b) to the financial statements, during the year the Group disposed of its 27.66% equity interest in Quaypoint and the transaction was completed on 24 January 2006. After that date, the Group no longer had significant influence over the management of Quaypoint, and the Group was unable to obtain the financial information for the period from 1 January 2006 to 23 January 2006 being the immediate date before the disposal of Quaypoint. Accordingly, the results of Quaypoint for this period have not been accounted for in the consolidated income statement using the equity method. We were unable to obtain audit evidence to ascertain the share of losses of associates HK\$7,657,000 were fairly stated in the financial statements.

b) *Loss of disposal of an associate*

Due to the scope limitation as set out in paragraph 2(a) above, we were unable to determine whether the net loss of HK\$8,136,000 on disposal was fairly stated in the financial statements.

We were unable to carry out alternative audit procedures to satisfy ourselves as to the matters set out in paragraph 1 to 2 above.

Any adjustments that might have found to be necessary in respect of the matters set out above would have a consequential effect on the financial positions of the Company or the Group as at 31 March 2006, the net loss and cash flows of the Group for the year then ended and the related disclosures in the financial statements.

In forming our opinion we also evaluated 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

1) *Going concern basis*

In forming our opinion, we have considered the adequacy of the disclosures made in note 2(a) to the financial statements concerning the adoption of the going concern basis, being the basis on which the financial statements have been prepared. As explained in note 2(a) to the financial statements, the Company and the Group are currently undertaking a number of measures to relieve the current profitability and liquidity problem of the Company and of the Group, although, as explained in note 43(a) to the financial statements, (i) the equity interest in a major subsidiary of the Group was under receiverships, and (ii) the holder of the note payable has instructed its lawyer to proceed with the issuance of a winding up petition against the Company. The financial statements have been prepared on a going concern basis, the validity of which depends upon the favourable outcome of these measures.

The financial statements do not contain any adjustments that would result from the failure of the Company and the Group to obtain adequate financial resources to enable it to continue as a going concern. These would include any adjustments to write down the Company's and the Group's assets to their recoverable amounts, to provide for any liabilities which may arise on cessation of business and to reclassify non-current assets as current assets.

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We consider that appropriate disclosure concerning the fundamental uncertainty has been made, but the fundamental uncertainty is so extreme that we are unable to form an opinion as to whether the Company and the Group can continue as a going concern. Additionally, we are unable to quantify the adjustments that would be required if these financial statements were not to be prepared on a going concern basis.

2) *Contingent liabilities in respect of guarantees*

As explained in note 41 to the financial statements, the Company and a subsidiary, Goldwiz Electric Trading, were alleged to have provided certain guarantee to the bankers of Goldwiz Shenzhen ("Bank Creditors"). On 16 January 2006, writs of summons were served against the Company and the subsidiary, as guarantors for outstanding loan and interest amounted to approximately HK\$132,855,000 (the "Alleged Amount"), owing to the Bank Creditors. As at the balance sheet date, the Alleged Amount has not been recorded in the books of the Group as liabilities, as the directors of the Company are of the opinion, with the advices from a legal adviser, that the Company and the Group have no legal obligation to pay the Alleged Amount.

We consider that appropriate disclosure concerning the contingent liabilities in respect of guarantees have been made, but the fundamental uncertainty is so extreme that we are unable to form an opinion as to whether the Company and the Group have obligation to pay the Alleged Amount and whether the Alleged Amount should be provided for in the financial statements.

Qualified opinion: Disclaimer on view given by the financial statements

Because of the significance of the possible effect of the limitation in evidence available to us as set out in the basis of opinion section of this report and because of the fundamental uncertainty as referred above, 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 the Group as at 31 March 2006 and of the Group's loss and cash flows 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.

CCIF CPA Limited

Certified Public Accountants

Hong Kong, 6 November 2006

Chan Wai Dune, Charles

Practising Certificate Number P00712