

# RSM Nelson Wheeler

羅申美會計師行

Certified Public Accountants

TO THE SHAREHOLDERS OF  
**CHINA HEALTHCARE HOLDINGS LIMITED**  
(FORMERLY KNOWN AS TECHCAP HOLDINGS LIMITED)  
*(Incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 23 to 77 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 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, 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 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 circumstances of the Company and the Group, 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 because the accounting records of certain subsidiaries, engaged in the manufacturing, sourcing and distribution business of electronic parts and components (the "Disposed Group") and disposed of during the year, for the period from 1 April 2003 to 16 February 2004, the date of disposal, have not been made available to the Company and to us for our audit. The Company has consolidated the Disposed Group based on the unaudited financial statements for the period from 1 April 2003 to 31 January 2004 instead of the Disposed Group's results to the date of disposal. The Disposed Group comprises Honko International Holdings Limited and its subsidiaries and the consolidated Disposed Group's results during the year have been disclosed in note 5 to financial statements. There were no other satisfactory audit procedures that we could adopt to ascertain whether there are any misstatements in the amounts included in the consolidated income statement and whether the disclosures which have incorporated amounts in relation to the Disposed Group as included in notes to financial statements are fairly stated.

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.

### DISAGREEMENT ABOUT ACCOUNTING TREATMENT

Included in investments in securities and loan receivables of the Group as at 31 March 2004 are carrying amounts of unlisted investment in Hamilton Apex Technology Ventures, L.P. (the "Partnership"), amounting to HK\$21,026,000 and a secured term loan of HK\$21,026,000 which is secured by the borrower's investment in the Partnership. As more fully explained in notes 17(a) and 18(a) to the financial statements, both the Group and the borrower had failed to meet capital calls pursuant to the partnership agreements during the year ended 31 March 2003 and accordingly, the general partners declared that the Group and the borrower were in default. Among various default remedial actions as set out in the partnership agreement, the general partners can at their sole discretion declare, by notice of forfeiture to the Group and the borrower, that their interests in the Partnership are forfeited. Furthermore, the general partners have the right to seek for replacement investors until investments in the Partnership of the Group and the borrower are fully replaced and forfeited.

During the year ended 31 March 2003, the general partners have taken action to transfer a portion of each of the Group's and the borrower's investments in the Partnership with a capital value of approximately HK\$639,000 (equivalent to US\$82,000) to other investors, without paying any consideration to the Group and the borrower. In addition, each of the Group and the borrower also transferred another portion of their investments in the Partnership with a capital value of HK\$7,371,000 (equivalent to US\$945,000) to another investor at a consideration which may be less than the capital value and will only be received upon the liquidation of the Partnership.

Consequently we have been unable either to obtain sufficient information or to carry out any alternative auditing procedures to satisfy ourselves as to the value and ownership of the Group's interest in the Partnership included in the consolidated balance sheet as at 31 March 2004.

In our opinion, an impairment loss in respect of the Group's investment in securities of HK\$21,026,000 and a provision for the loan receivable of HK\$21,026,000 should be recognised in the financial statements to reduce the net assets of the Group as at 31 March 2004 and to increase the loss of the Group for the year ended by the same amount.

### QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE AND DISAGREEMENT ABOUT ACCOUNTING TREATMENT

Except for the limitations in evidence available to us in respect of the matter as mentioned in the section of "Basis of opinion" and the failure to recognise the impairment loss in respect of the investments in securities and make a provision for the loan receivable as mentioned in the section of "Disagreement about accounting treatment", in our opinion the financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31 March 2004 and of the results and cashflow of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

**RSM Nelson Wheeler**

*Certified Public Accountants*

Hong Kong, 27 July 2004