

# REPORT OF THE AUDITORS

## RSM Nelson Wheeler

羅申美會計師行

Certified Public Accountants

### **Auditors' report to the Shareholders of eForce Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 25 to 69 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 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 Statements of Auditing Standards 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 circumstances of the Group and of the Company, 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 set out below.

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## **(1) Impairment of interest in associates**

The Group's interest in associates included a 42.5% interest in Chinese 2 Linux (Holdings) Limited ("C2L") stated at a carrying value of HK\$15,886,209 as at 31 December 2004. C2L has incurred a loss of HK\$14,044,844 for the nine-month period ended 31 December 2004 and has net current liabilities of HK\$18,123,589 as at 31 December 2004. Accordingly, there is an indication that the interest in C2L may be impaired. The Group has estimated the future cash flows from the investment in C2L, but we were unable to obtain detailed documentation to assess the reasonableness of the cash flow forecast. There were no other satisfactory audit procedures that we could perform to assess the fair value of C2L, and hence to quantify the impairment loss, if necessary. Any adjustment to the carrying value of the interest in associates in respect of an impairment loss would have a consequential effect on the Group's net liabilities as at 31 December 2004 and its loss for the year then ended.

## **(2) Financial support from a substantial shareholder**

As explained in note 2(a) to the financial statements, the Company's directors consider that the Company and the Group are able to continue as a going concern and to meet their obligations when they fall due. This conclusion is based on the loan facilities totalling HK\$30 million made available to the Company from financial institutions (which is mentioned under "fundamental uncertainty" section below) and the continuing financial support from a substantial shareholder, Tees Corporation. However, the current financial statements of Tees Corporation were not made available to us. There were no other satisfactory audit procedures that we could adopt to verify whether Tees Corporation could provide adequate financial assistance to maintain the Company and the Group as a going concern in the foreseeable future.

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**

As mentioned above, the Company's directors consider that the Company and the Group are able to continue as a going concern and to meet their obligations when they fall due assuming the loan facilities totalling HK\$30 million are made available to the Company.

In forming our opinion, we have considered the adequacy of the disclosure made in note 2(a) to the financial statements concerning the ability of the Company and the Group to continue as a going concern. However, it is uncertain that the financial institutions will continue to provide financial support to the Company and the Group as they reserve the right to terminate the revolving loan facilities at any time by written notice to the Company.

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The financial statements do not contain any adjustments that would result from the failure of the Company and the Group to obtain adequate financial assistance 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.

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.

## **Disclaimer of opinion 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 paragraphs (1) and (2) of 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 December 2004 and of the Group's loss and cash flows for the year then ended. In all other respects, in our opinion, the financial statement have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitation on our work as set out in the basis of opinion section of this report, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

## **RSM Nelson Wheeler**

*Certified Public Accountants*

Hong Kong, 22 April 2005