



## Auditors' Report

### **RSM! Nelson Wheeler**

羅 申 美 會 計 師 行

Certified Public Accountants

TO THE SHAREHOLDERS OF

**WEALTHMARK INTERNATIONAL (HOLDINGS) LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements on pages 22 to 62 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

#### Respective responsibilities of directors and auditors

The Directors of the Company 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, 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 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 as follows:

*(1) Completeness of books and records*

As more fully explained in note 1 to the financial statements, due to the seizure of a substantial part of the books and records of the Group by the Independent Commission Against Corruption and the significant staff and management turnover within the Group towards the end of the financial year, certain underlying books and records of the Group were either lost, or could not be located. Accordingly, we have not been provided with adequate information and documents to satisfy ourselves as to the accuracy, completeness, classification and disclosures in respect of the following amounts included in the financial statements recorded by the Group:

**Included in consolidated income statement**

- Turnover of approximately HK\$235,719,000
- Cost of sales of approximately HK\$265,510,000
- Taxation credit of approximately HK\$1,733,000
- Loss attributable to shareholders of approximately HK\$104,390,000

**Included in consolidated balance sheet**

- Inventories of approximately HK\$24,104,000
- Trade receivables of approximately HK\$20,623,000
- Tax recoverable of approximately HK\$1,464,000
- Trade payables of approximately HK\$3,241,000
- Other payables of approximately HK\$22,590,000
- Provision for taxation of approximately HK\$7,702,000

*(2) Inventories*

At 31 December 2004, the Group had inventories of approximately HK\$24,104,000. We have been unable either to obtain sufficient financial information, or to carry out alternative audit procedures that we considered necessary to confirm the ownership and valuation of inventories. Any adjustment to the valuation of inventories would have a consequential effect on the net liabilities of the Group as at 31 December 2004 and the loss attributable to shareholders of the Group for the year ended 31 December 2004.

*(3) Trade receivables*

At 31 December 2004, included in trade receivables are amounts due from four customers totalling approximately HK\$42,000,000 against which full provision for doubtful debts has been made. We have been unable either to obtain sufficient financial information, or to carry out alternative audit procedures that we considered necessary to confirm the existence, completeness and accuracy of these amounts. As a result, we are unable to satisfy ourselves that the carrying amounts of the debts are fairly stated and whether the provision for doubtful debts is appropriate.



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### *(4) Ownership in Glory Bright Electronics (Macau) Company Limited*

According to the interim report of the Group for the six months ended 30 June 2004, the Group acquired a 51% equity interest in a subsidiary, namely Glory Bright Electronics (Macau) Company Limited ("Glory Bright") in August 2004. Although the Group entered into a sale and purchase agreement with the registered shareholders of Glory Bright on 6 August 2004 to acquire the aforesaid interest at a consideration of approximately HK\$15,000, the legal title of the 51% equity interest in Glory Bright had not been transferred to the Group as at the balance sheet date. No audited or management financial statements of Glory Bright for the year ended 31 December 2004 have been made available to us. The financial statements of Glory Bright have not been consolidated. We are unable to determine whether Glory Bright is a subsidiary of the Company. In addition, we are unable to assess whether there is any financial impact arising from Glory Bright on the Group for the year ended 31 December 2004.

### *(5) Events after the balance sheet date*

Certain underlying books and records of the Group have not been fully updated subsequent to the balance sheet date. We have not been able to obtain the latest management financial statements of the Group to complete our review of subsequent events from the balance sheet date up to the date of this report. Such procedures might have resulted in the identification of adjustments to the amounts reported in and/or disclosed as notes to the financial statements.

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Any adjustments that might have been found to be necessary in respect of the matters set out in points 1 to 5 above would have a consequential effect on the net liabilities of the Group as at 31 December 2004, the loss attributable to shareholders 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 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 relating to going concern**

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation of financial statements made by the directors. The financial statements have been prepared on a going concern basis, the validity of which depends upon the ability of the Group to attain profitable and positive cash flow operations and/or obtaining third party financing to meet its future working capital and financial requirements. The financial statements do not include any adjustments that would result from a failure to attain profitable and positive cash flow operations. Details of the circumstance relating to this fundamental uncertainty are described in note 1 to the financial statements. We consider that the fundamental uncertainty has been adequately disclosed in the financial statements but the fundamental uncertainty relating to whether the going concern basis is appropriate is so extreme that we have disclaimed our opinion.



## Qualified opinion: Disclaimer on view given by financial statements

Because of the significance of the possible effect of the limitation in evidence available to us and the fundamental uncertainty in relation to going concern, 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 of the Group as at 31 December 2004 and of the loss and cash flows of the Group for the year then ended and as to whether the financial statements 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:

- (i) We have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- (ii) We are unable to determine whether proper books of account had been kept.

**RSM Nelson Wheeler**  
*Certified Public Accountants*  
Hong Kong

28 April 2005