

德勤·關黃陳方會計師行

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**Deloitte
Touche
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To the shareholders of

I-CHINA HOLDINGS LIMITED**(FORMERLY KNOWN AS SEAPOWER INTERNATIONAL HOLDINGS LIMITED)**

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 24 to 70 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 to you.

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 judgments 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 of 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 the auditors' report of Seapower Resources International Limited ("SRI"), in which the Group has a 36% interest, is qualified in respect of limitations in scope relating to a loss on disposal of a subsidiary of approximately HK\$3 million and related provision on the outstanding receivable arising from the disposal of approximately HK\$27 million and in respect of the revaluation of properties held for development of approximately HK\$54 million.

Basis of opinion (continued)

Accordingly, we were unable to satisfy ourselves as to whether the Group's share of post-acquisition net assets of SRI of HK\$126,918,000 as at 31st March, 2001 and the Group's share of results of HK\$87,138,000 for the year then ended are fairly stated in the consolidated 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 uncertainties relating to litigation and to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements which explains the current liquidity difficulties of the Group and which also explains that the Group is currently engaged in litigation with China Merchants Bank ("CMB") and Peregrine Brokerage Limited ("Peregrine").

All the Group's principal borrowings, including those from CMB and Peregrine, have become due for repayment. Against this background, the Directors are in the process of exploring with the Group's bankers and other lenders (together the "Financial Institutions") ways to restructure the Group's borrowings. As mentioned in note 41(c) to the financial statements, it is the intention of the Group to dispose certain assets (the "Disposals") and apply the proceeds from the Disposals to reduce the amounts due to secured lenders, to acquire certain assets and to provide general working capital for the Group.

Provided that the Financial Institutions, including CMB and Peregrine, continue to support the Group until such time as agreement can be reached for the restructuring of the Group's borrowings and provided that there are no significant cash outflows arising from the proceedings in the litigation with CMB, the Directors consider that after taking into account the anticipated proceeds from the Disposals, the Group will have sufficient financial resources to meet in full its financial obligations as they fall due for the foreseeable future.

The financial statements have been prepared on a going concern basis, the validity of which depends upon sufficient future funding being available. The financial statements do not include any adjustments that may result from the failure to obtain such funding. We consider that appropriate disclosures have been made. However, in view of the extent of the uncertainties relating to the future support of the Financial Institutions for the Group and the litigation with CMB, we disclaim our opinion in respect of the fundamental uncertainties relating to litigation and to the going concern basis.

Chairman's Statement

Disclaimer of opinion

Because of the significance of the possible effect of the limitations in evidence available to us as set out in the basis of opinion section of this report and because of the significance of the fundamental uncertainties relating to litigation and to the going concern basis, 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 March 31, 2001 or 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 limitations on our work 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 for our audit.

**Deloitte Touche Tohmatsu***Certified Public Accountants*

Hong Kong, 26th July, 2001