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TO THE PROVISIONAL LIQUIDATORS AND SHAREHOLDERS OF
WAH LEE RESOURCES HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 16 to 37 which have been prepared in accordance with accounting principles generally accepted in Hong Kong other than as set out below solely for the purpose set out in note 1 to the financial statements.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The 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 set out below.

1. On 14 November 2001, we were engaged by the joint and several provisional liquidators of the Company (the "Provisional Liquidators") to perform an audit of the financial statements for the year ended 30 June 2001 prepared in accordance with an undertaking provided by the Company to The Stock Exchange of Hong Kong Limited as set out in the circular of the Company dated 22 October 2001. We have not been required by the Provisional Liquidators to perform any audit procedures in respect of the opening net liabilities at 1 July 2000.

BASIS OF OPINION (continued)

2. As explained by the Provisional Liquidators in note 2(b) to the financial statements, the Provisional Liquidators have found that accounting records have been mislaid and accordingly have encountered the limitations referred to below in preparing the financial statements:

   (i) Turnover includes recorded sales of approximately HK$2.9 million in respect of which the Provisional Liquidators were unable to locate either sales invoices or supporting delivery documentation. Accordingly, the Provisional Liquidators have been unable to satisfy themselves as to whether these sales are fairly stated in the financial statements.

   (ii) Loss before taxation has been arrived at after charging/crediting the following amounts in respect of which the Provisional Liquidators were unable to locate third party supporting documentation:

   - cost of sales of approximately HK$2.9 million;
   - other revenue of approximately HK$0.5 million;
   - provision for bad and doubtful debts of approximately HK$13.0 million in respect of amount transferred to or for the benefit of Liuzhou Wuling Holdings Limited as further explained in note 20 to the financial statements;
   - administrative expenses of approximately HK$11.7 million; and
   - provision for taxation written back of approximately HK$9.8 million.

   Accordingly, the Provisional Liquidators have been unable to satisfy themselves as to whether these amounts are fairly stated in the financial statements.

3. As explained by the Provisional Liquidators in note 2(c) to the financial statements, the Provisional Liquidators were unable to obtain sufficient evidence to satisfy themselves as to whether:

   - debts receivable of approximately HK$15.7 million recorded in the books of account are recoverable; and
   - the Group has title to property, plant and equipment recorded in the books of account at approximately HK$25.6 million.

   In respect of the above amounts, provision has been made for the debts and the property, plant and equipment have been written off. However, in view of the lack of evidence available, the Provisional Liquidators have been unable to satisfy themselves regarding the appropriateness of this provision and write off.

BASIS OF OPINION (continued)

4. As explained by the Provisional Liquidators in note 2(d) to the financial statements, in the absence of any financial information concerning certain subsidiaries during the year, the Provisional Liquidators have formed the opinion that the Group is no longer able to exercise effective control over these subsidiaries and, accordingly, their aggregate recorded carrying amount in the sum of approximately HK$3.6 million has been written off.

5 As explained by the Provisional Liquidators in note 2(e) to the financial statements, the Provisional Liquidators were unable to satisfy themselves as to the completeness of other payables and accrued charges and borrowings of approximately HK$9.8 million and HK$203.0 million, respectively, as at 30 June 2001. Accordingly, they have been unable to satisfy themselves as to whether these amounts are fairly stated in the financial statements.

6. As explained by the Provisional Liquidators in note 2(f) to the financial statements, the financial statements have been prepared based on the available books and records maintained by the Company and its subsidiaries. However, in view of the lack of evidence available, the Provisional Liquidators are unable to represent that all transactions entered into by the Company and its subsidiaries prior to their appointments are reflected in the books and records and in the financial statements.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matters set out in paragraphs 1 to 6 above. Any adjustments to the above figures would as appropriate affect the net liabilities of the Company and of the Group as at 30 June 2001 and the loss of the Group for the year then ended.

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 preparing the financial statements, we have considered the adequacy of the disclosure in note 2(a) to the financial statements which explains that as a result of severe working capital difficulties, the operations of the Group were significantly curtailed during the year. On 2 August 2001, the Company entered into conditional agreements with a new investor and the trustee for the convertible bondholders of the Company (collectively referred to as the "Restructuring Agreements").

Against this background, the Provisional Liquidators have prepared the financial statements on a going concern basis on the basis that the terms set out in the Restructuring Agreements will be implemented in full on completion and, in particular, that the proposed subscription of 5,500,000,000 new ordinary shares of the Company by Sourcebase Developments Limited ("Sourcebase") for a consideration of HK$55.0 million will be completed, that the creditors' indebtedness of the Company, including convertible bonds and amounts due to all other creditors of the Company as at 16 February 2001 will be discharged in full by way of a cash payment of HK$72.5 million on a pro-rata basis, and that Sourcebase will provide and procure the provision of working capital facilities to the Company such that the Group will have sufficient working capital for its operations for 12 months after the completion of the Restructuring Agreements. The financial statements do not include any adjustments that would result from the failure to fully impletment the Restructuring Agreements. We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

QUALIFICATIONS ARISING FROM DISAGREEMENT ABOUT THE EXTENT OF DISCLOSURE

As explained in notes 2(g) to the financial statements, the following required disclosures have not been made in the financial statements:

(i) Details of related party disclosures as required by Statement of Standard Accounting Practice ("SSAP") 20 "Related Party Disclosures";

(ii) Details of deferred taxation disclosures as required by SSAP 12 "Accounting for Deferred Tax";

(iii) Details of diluted loss per share as required by SSAP 5 (Revised) "Earnings Per Share";

(iv) Details of segment information, directors' and employees' emoluments, pension schemes and analysis of borrowings as required by Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; and

(v) Details of analysis of finance costs, share option scheme, contingencies and commitments as required by the Companies Ordinance.

DISCLAIMER OF OPINION

Because of the significance of the possible effect of the limitations in evidence available to us referred to in the basis of opinion section of this report, 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 at 30 June 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 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; and

- we were unable to determine whether proper books of accounts have been kept.

Without qualifying our opinion, we draw attention to note 2(h) to the financial statements which explains that the comparative figures have been extracted from the available books and records of the Group. However, the Provisional Liquidators have been unable to satisfy themselves that the comparative figures at 30 June 2000 shown in the balance sheets of the Group and of the Company on pages 17 and 18 respectively, and in the consolidated income statement and the consolidated cash flow statement for the year then ended on pages 16 and 19, respectively, are free from material misstatement.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

3 December 2001