

RESULTS FOR THE YEAR

I-China Holdings Limited (the "Company") and its subsidiaries (the "Group") recorded an audited consolidated turnover and net loss of HK\$3,437,000 (2001: HK\$5,580,000) and HK\$222,307,000 (2001: HK\$261,301,000) respectively for the year ended 31st March 2002.

OPERATIONS REVIEW

A. Seapower Resources International Limited ("SRI") group

On 31st December 2001, joint and several provisional liquidators (the "Provisional Liquidators") were appointed to the SRI Group. The key focus of the Provisional Liquidators was to carry on, stabilise and enhance the current operations of the SRI Group. Trading in the shares of SRI has been suspended since 28th December 2001.

B. Fleet Management

As reported in its last Annual Report, the Group had taken action to re-engineer its Fleet Management business and improve its efficiency. In addition, with over 20 years of operational experience in the car-rental business and the substantial expertise and clientele, this division continued to generate a small positive cashflow from its operation.

C. Disposal of Non-core Properties

During the year under review, the Group has disposed of its non-core properties to reduce the gearing.

LIQUIDITY AND CAPITAL RESOURCES

The Group had current assets and current liabilities of HK\$10,320,000 and HK\$667,208,000 respectively as at 31st March 2002. The Group's total bank and other borrowings amounted to HK\$538,808,000 as at 31st March 2002.

The Company has conducted a reduction of capital by cancelling HK\$0.09 per share paid up capital so that the nominal value of each share is reduced from HK\$0.10 to HK\$0.01. The reduction took effect on 11th December 2001, the date upon which all conditions had been fulfilled.

In view of the current level of operations and the financial position of the Group, trading in the Company's shares has been suspended since 15th January 2002.

PROSPECTS AND OUTLOOK

The Directors will continue to find potential investors to inject additional funds into the Group and search for new business opportunities so that the Company can carry out a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to warrant the resumption of trading of the Company's shares on The Stock Exchange of Hong Kong Limited.

In addition, the Company will continue to explore with its bankers and financial institutions, including China Merchants Bank for ways to restructure, where possible, all the outstanding debts of the Group.

In respect of the SRI Group, the Provisional Liquidators continue to negotiate with potential investors for the restructuring of the SRI Group. The Company will monitor the situation and continue to assess the impact of the financial position of SRI on the operations and financial position of the Group.

EMPLOYEES

In view of the Group's current financial position, the Group reduced its number of staff to cut the operating costs and administrative overhead. However, compensations were paid to those staff in accordance with relevant laws and regulations upon termination of their employment. There were no disputes between the Group and its former staff as a result of the termination of their employment.

EXPLANATION OF THE BOARD OF DIRECTORS TO THE MATTERS MENTIONED IN THE REPORT OF THE AUDITORS

The auditors have audited the financial statements for the year ended 31st March 2002 and issued an audit report with a disclaimer opinion on the financial statements. Based on the practical conditions experienced by the Company, the Board of Directors considers that the qualification is understandable. In respect of the matters mentioned in the report of the auditors, the Board of Directors set out their comments as follows:

- (a) The Company has made repeated requests to obtain statements from banks and financial creditors to ascertain the amounts of proceeds from the disposal of the Group's investments properties, land and buildings and the balance of outstanding bank and other borrowings. However, the requested information has not been received from these banks and financial creditors up to the date of this annual report.
- (b) No financial information of SRI as at 31st March 2002 has been available to assess the carrying amounts of the Group's investment in the associated company mainly because SRI is still under restructuring.

Accordingly, in the opinion of the Directors, proper books of account had been kept by the Group as the information requested by the auditors was not available mainly because of the above circumstances.

APPRECIATION

On behalf of Shareholders and Directors, I wish to record my heartfelt thanks to the Group's management and staff for their contribution. I would also like to express appreciation to our customers, suppliers, bankers and shareholders for their continuous support.

Shirley Choi Siu Lui

Chairman

Hong Kong, 30th August 2002