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Deloitte
Touche
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TO THE SHAREHOLDERS OF I-CHINA HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 21 to 46 which have been prepared in accordance with accounting principles generally accepted in Hong Kong other than as set out below.

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 financial statements and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, 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 Society of Accountants ("HKSA"), 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. Our report on the financial statements of the Group for the year ended 31st March, 2003 was disclaimed in view of the pervasive nature of the limitations on the scope of our audit as explained in our audit report dated 29th January, 2004.

   The Provisional Liquidators were unable to obtain sufficient documentary information to satisfy themselves that the following balances as at 31st March, 2003 included in the balance sheets of the Group and the Company were free from material misstatement:

   The Group

   — Short-term receivables of HK$6,483,000;
   — Other receivables of HK$2,861,000;

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- — Bank balances and cash of HK$931,000;
- — Bank and other borrowings of HK$141,231,000;
- — Amounts due to associates of HK$1,513,000; and
- — Amounts due to directors of HK$7,663,000.

The Company

- — Other receivables of HK$53,000;
- — Bank balances and cash of HK$5,000; and
- — Amounts due to directors of HK$7,361,000.

Any adjustments found to be necessary to the opening net liabilities of the Group and the Company would have a consequential effect on the opening reserves of the Group and the Company as at 1st April, 2003 and on the loss of the Group for the year ended 31st March, 2004. Also the comparative figures to the balance sheets of the Group and the Company as at 31st March, 2003 shown on pages 22 and 23 respectively may not be comparable with the figures as at 31st March, 2004. Similarly, the comparative figures to the consolidated income statement for the year ended 31st March, 2003 shown on page 21 may not be comparable with the figures for the year ended 31st March, 2004.

2. As explained in note 2(b) to the financial statements, the financial statements were prepared based on the limited books and records and other latest information provided by the Provisional Liquidators to the directors after their appointment on 23rd April, 2004. The directors have used their reasonable endeavours to assess all the available financial and business records of the Group. The information available to the directors was limited. As a result, the directors are unable to represent that all transactions entered into by the Company and its subsidiaries are reflected in the books and records and in the financial statements. Accordingly, the directors were unable to satisfy themselves as to the completeness of identification and the appropriateness of disclosure in respect of the potential claims, the commitments, the contingent liabilities and the pledge of assets in the financial statements as at 31st March, 2004.

3. As explained in note 2(b)(i) to the financial statements, there is insufficient information for the directors to satisfy themselves that all the amounts included in the consolidated income statement for the year ended 31st March, 2004 were free from material misstatement. As a result, the directors were unable to satisfy themselves as to the reliability of the related disclosure in the financial statements.

4. As explained in note 2(b)(ii) to the financial statements, the directors were unable to obtain sufficient documentary evidence to satisfy themselves as to the validity of the movement of property, plant and equipment as disclosed in note 14 to the financial statements. Accordingly, the directors were unable to satisfy themselves as to whether the carrying amounts of property, plant and equipment as at 31st March, 2004 were free from material misstatement.

5. As explained in note 2(b)(iii) to the financial statements, the directors were unable to assess whether any allowance for doubtful debt is required in respect of short-term receivables of HK$6,483,000. Accordingly, the directors were unable to satisfy themselves as to whether these amounts in the consolidated balance sheet as at 31st March, 2004 were free from material misstatement.

6. As explained in note 2(b)(v) to the financial statements, the directors were unable to obtain sufficient documentary evidence to satisfy themselves as to the validity of the amounts due from former associates/associates of the Group of HK$31,000. Accordingly, the directors were unable to satisfy themselves as to whether these amounts in the consolidated balance sheet as at 31st March, 2004 were free from material misstatement.

7. As explained in note 2(b)(vi) to the financial statements, the directors were unable to obtain bank statements or other documentary evidence in respect of bank balances and cash of the Group and the Company of HK$1,021,000 and HK$5,000 respectively. Accordingly, the directors were unable to satisfy themselves as to whether these amounts in the balance sheets of the Group and the Company as at 31st March, 2004 were free from material misstatement.

8. As explained in note 2(b)(vii) to the financial statements, the directors were unable to obtain sufficient documentary evidence to satisfy themselves as to the validity of other payables of the Group and the Company of HK$172,865,000 and HK$167,087,000 respectively. Accordingly, the directors were unable to satisfy themselves as to whether these amounts in the balance sheets of the Group and the Company as at 31st March, 2004 were free from material misstatement.

9. As explained in note 2(b)(viii) to the financial statements, the directors were unable to obtain sufficient documentary evidence in respect amounts due to former associates/associates of the Group and the Company of HK$10,350,000 and HK$5,401,000 respectively. Accordingly, the directors were unable to satisfy themselves as to whether these amounts in the balance sheets of the Group and the Company as at 31st March, 2004 and the related interest expenses of the Group of HK$66,000 for the year ended 31st March, 2004 were free from material misstatement.

10. As explained in note 2(b)(ix) to the financial statements, the directors were unable to obtain sufficient documentary evidence to satisfy themselves as to the validity of amounts due to subsidiaries of the Company of HK$9,347,000. Accordingly, the directors were unable to satisfy themselves as to whether these amounts in the balance sheet of the Company as at 31st March, 2004 were free from material misstatement.

11. As explained in note 2(b)(x) to the financial statements, the directors were unable to obtain sufficient documentary evidence in respect of amounts due to former directors of the Group and the Company of HK$7,663,000 and HK$7,361,000 respectively. Accordingly, the directors were unable to satisfy themselves as to whether these amounts in the balance sheets of the Group and the Company as at 31st March, 2004 were free from material misstatement.

12. As explained in note 2(b)(xi) to the financial statements, the directors were unable to obtain sufficient documentary evidence to satisfy themselves as to the validity of taxation payables of the Group and the Company of HK$1,142,000 and HK$383,000 respectively. Accordingly, the directors were unable to satisfy themselves as to whether these amounts in the balance sheets of the Group and the Company as at 31st March, 2004 were free from material misstatement.

13. As explained in note 2(b)(xii) to the financial statements, the directors were unable to obtain sufficient documentary evidence in respect of bank and other borrowings of the Group and the Company of HK$552,613,000 and HK$411,383,000 respectively. Accordingly, the directors were unable to satisfy themselves as to whether these amounts in the balance sheets of the Group and the Company as at 31st March, 2004 and the related interest expenses of the Group of HK$47,146,000 for the year ended 31st March, 2004 were free from material misstatement.

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14. As explained in note 2(b)(xiii) to the financial statements, the directors were unable to determine the appropriate amount to be transferred from the asset revaluation reserve account to deficit account as a result of the realisation of asset revaluation reserve upon disposal of the properties held by associates during the year ended 31st March, 2002. Accordingly, the directors were unable to satisfy themselves as to whether the asset revaluation reserve of the Group of HK$223,734,000 and the deficit of the Group of HK$1,181,104,000 as at 31st March, 2004 in the consolidated balance sheet were free from material misstatement.

15. As explained in note 2(b)(xiv) to the financial statements, the directors were unable to obtain sufficient documentary evidence to determine whether the Group and the Company have any deferred tax assets and liabilities that should be recognised in the financial statements following the adoption of Statement of Standard Accounting Practice ("SSAP") 12 (Revised) "Income taxes" issued by the HKSA. Accordingly, the directors were unable to satisfy themselves as to the completeness of deferred tax assets and liabilities that should be recognised in the financial statements as at 31st March, 2004 and whether prior period adjustment is required.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matters set out in paragraphs 1 to 15 above. Any adjustments to the above figures would as appropriate affect the net liabilities of the Group and of the Company as at 31st March, 2004 and the loss and cash flows 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.

Qualifications arising from disagreement about the accounting treatment and about the extent of disclosure

(1) The Group has the policy of including land and buildings in the balance sheet at valuation. However, as explained in note 14 to the financial statements, no valuation was performed as at 31st March, 2004 and the directors have not assessed whether the carrying amount differs materially from that which would be determined using fair value at the balance sheet date. This is not in accordance with the Group's accounting policy and SSAP 17 "Property, plant and equipment" issued by the HKSA which requires that when the item of property, plant and equipment is stated at valuation, revaluations should be made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. In the absence of a valuation being made of the Group's land and buildings, it is not practicable to quantify the effect of this departure on the amounts shown in the consolidated balance sheet for land and buildings.

(2) The Group has the policy of providing depreciation and amortisation to write off the valuation of leasehold land over the terms of the relevant leases and buildings over the shorter of the terms of the relevant leases or 50 years. However, no depreciation and amortisation was provided during the year. This is not in accordance with the Group's accounting policy and SSAP 17. If depreciation and amortisation were to be provided, the loss for the year and the net liabilities of the Group as at 31st March, 2004 would be increased by approximately HK$111,000.

(3) As explained in note 2(b)(iv) to the financial statements, the directors were unable to obtain sufficient documentary evidence to satisfy themselves as to the validity of trade and other receivables of the Group and the Company of HK$2,885,000 and HK$53,000 respectively nor to assess whether any allowance for doubtful debt is required to be made in respect of these receivables. In any case, in our opinion, these amounts are long outstanding and full allowance should be made against such receivables as at 31st March, 2004.

(4) As explained by the directors in note 2(b)(xv) to the financial statements, due to the limited books and records available to the directors, the following required disclosures have not been made in the financial statements:

- — Details of reconciliation between taxation for the year and taxation calculated based on the accounting loss per the income statement as well as the amounts of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset or liability is recognised in the balance sheet as required by SSAP 12 (Revised);

- — Details of operating lease commitments as required by SSAP 14 "Leases";

- — The carrying amount of land and buildings had the land and buildings are carried at cost less accumulated depreciation and amortisation as required by SSAP 17;

- — Details of related party disclosures as required by SSAP 20 "Related party disclosures";

- — Details of the retirement benefits scheme as required by SSAP 34 "Employee benefits";

- — Details of the aged analysis of trade receivables as required by Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited; and

- — Details of analysis of secured borrowings, pledge of assets, contingencies and commitments as required by the Hong Kong Companies Ordinance.

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, 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 31st March, 2004 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; and

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 19th May, 2004