

RSM! Nelson Wheeler

羅申美會計師行

Certified Public Accountants

TO THE SHAREHOLDERS OF
CHINA HEALTHCARE HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 26 to 73 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 the Companies Act 1981 of Bermuda, 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. 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. 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.

DISAGREEMENT ABOUT ACCOUNTING TREATMENT

Included in investments in securities and loan receivables of the Group as at 31 March 2005 are carrying amounts of unlisted investment in Hamilton Apex Technology Ventures, L.P. (the "Partnership"), amounting to HK\$21,026,000 and a secured term loan of HK\$21,026,000 which is secured by the borrower's investment in the Partnership. As more fully explained in notes 18 and 19 to the financial statements, both the Group and the borrower had failed to meet capital calls pursuant to the partnership

agreements and accordingly the general partners declared that the Group and the borrower were in default. Among various default remedial actions as set out in the partnership agreement, the general partners can at their sole discretion declare, by notice of forfeiture to the Group and the borrower, that their interests in the Partnership are forfeited. Furthermore, the general partners have the right to seek for replacement investors until investments in the Partnership of the Group and the borrower are fully replaced and forfeited.

As disclosed in notes 18 and 19 to the financial statements, the general partners had taken action to transfer a portion of each of the Group's and the borrower's investments in the Partnership with a capital value of HK\$639,000 (equivalent to US\$82,000) to other investors, without paying any consideration to the Group and the borrower. In addition, each of the Group and the borrower also transferred another portion of their investments in the Partnership with a capital value of HK\$7,371,000 (equivalent to US\$945,000) to another investor at a consideration which may be less than the capital value and will only be received upon the liquidation of the Partnership.

Except for the above, no further information is available to the Group relating to the investments in securities. Consequently we have been unable either to obtain sufficient reliable information or to carry out any alternative auditing procedures to satisfy ourselves as to the value and ownership of the Group's interest in the Partnership included in the consolidated balance sheet as at 31 March 2005.

In our opinion, full provision for impairment loss in respect of the Group's investments in securities of HK\$21,026,000 and full provision for the loan receivable of HK\$21,026,000 should be recognised in the financial statements to reduce the net assets of the Group as at 31 March 2005 and to increase the loss of the Group for the year then ended by the same amounts.

QUALIFIED OPINION ARISING FROM DISAGREEMENT ABOUT ACCOUNTING TREATMENT

Except for the failure to recognise the impairment loss in respect of the investments in securities and make a provision for the loan receivable as mentioned in the section of "Disagreement about accounting treatment", in our opinion the financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31 March 2005 and of the results and cashflow of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants

Hong Kong, 27 July 2005