

# Report of the Auditors

## **JOHNNY CHAN & CO. LIMITED** 陳建恒會計師事務所有限公司

### **TO THE SHAREHOLDERS OF SEN HONG RESOURCES HOLDINGS LIMITED**

*(incorporated in Hong Kong with limited liability)*

We have audited the financial statements on pages 19 to 61 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **Respective responsibilities of directors and auditors**

The Companies Ordinance requires the directors to prepare 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 Company's circumstances, 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 regarding Tianyee Communications Corp., a Taiwan subsidiary, was limited. As explained in Note 14 to the financial statements, neither the audited accounts nor the management accounts of the Taiwan subsidiary for the year ended 31 December 2002 were available to us for examination. Accordingly, we were unable to obtain sufficient information and explanations to satisfy ourselves regarding the write-off of the net assets of the Taiwan subsidiary totalling US\$1,105,288 and to evaluate any possible existence of litigation that may result from the contractual or contingent liabilities.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matters set out above. Any adjustments to the above figures would affect the net assets of the Group and the Company as at 31 December 2002 and the loss and cash flows of the Group for the year then ended.

## Report of the Auditors

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.

### **Qualified opinion from limitation of audit scope**

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the written off of the Taiwan subsidiary, in our opinion the financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31 December 2002 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

In respect alone of the limitation on our work relating to the written off of the Taiwan subsidiary:

- 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 account had been kept.

**Johnny Chan & Co. Limited**  
*Certified Public Accountants*

17 April 2003

**Chan Kin Hang Johnny**  
Practising Certificate number P00932