

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

TO THE SHAREHOLDERS OF SOUTH SEA PETROLEUM HOLDINGS LIMITED
(formerly Sen Hong Resources Holdings Limited)

(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 17 to 61 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Hong Kong 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, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purposes. 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed 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 the former subsidiaries, Weston Technologies Corp., Best Partner Worldwide Limited, SBT (Holdings) Company Limited, and Shenyang SBT Technology Development Company Limited was limited. The results of these former subsidiaries for the period from 1 January 2004 to 30 September 2004 were consolidated in the financial statements based on the unaudited management accounts. As explained in note 14 to the financial statements, no audited financial statements of these subsidiaries at 30 September 2004, the date of dilution of interests, were available to us for examination. Accordingly, we were unable to obtain sufficient information and explanations to satisfy ourselves regarding the gain on dilution of interests totalling US\$681,000, loss of these former subsidiaries for the period from 1 January 2004 to 30 September 2004 totalling US\$351,000 and minority's share of loss totalling US\$125,000 of these former subsidiaries.

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 2004 and the profit 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.

QUALIFIED OPINION ARISING 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 dilution of interests in the above former subsidiaries, 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 2004 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

In respect alone of the limitation on our work relating to the results and the gain on dilution of interests of the abovementioned former subsidiaries:

- 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

25 April 2005

Chan Kin Hang Johnny

Practising Certificate number P00932