

Chairman's Statement



On behalf of the Board of Directors (the "Board") of GeoMaxima Energy Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group"), I am pleased to report to shareholders the annual results of the Group for the year ended 31 December 2002.

RESULTS

The turnover for the year ended 31 December 2002 was approximately RMB180 million (2001: approximately RMB203 million). The profit attributable to shareholders was approximately RMB57.9 million (2001: approximately RMB43.7 million). Basic earnings per share and diluted earnings per share were RMB1.92 cents and RMB1.77 cents respectively (2001: RMB1.58 cents and RMB1.53 cents respectively).

DIVIDEND

The Board resolved not to declare a dividend for the year ended 31 December 2002.

OUTLOOK

The Group, is principally engaged in energy related businesses and has accomplished satisfactory results by investing in the energy sector with emphasis on transportation and storage of petroleum, supply and sales of natural gas and liquefied petroleum gas ("LPG") since 2001.

Year 2002 was another year of consolidation of the Group's business. Xinjiang Xingmei Oil Pipeline Company Limited ("Xingmei") remains the growth engine of the Group. The oil exploration and transportation business was at one point disrupted by floods in the summer when most of the highways were damaged. Nevertheless, Xingmei is able to foster a better relationship with SINOPEC since Xingmei's pipeline becomes the only means of transport for oil extracted from Tahe Oil Field. While China is heavily dependent on imported oil for its domestic consumption and international crude oil price is breaking new records amid the America and Iraq confrontation, we believe that oil exploration activities in the area will remain strong. Thus Xingmei's earnings in the future will remain robust.

In Korla of Xinjiang Autonomous Region, the Group acquired another 40% effective equity interest of Lejion Gas Company Limited ("Lejion") in April, 2002. The West-to-East Pipeline Project is an evidence of China's determination to develop the western and northern parts of China. The kick-off of these projects attracts billions of foreign capital investment, together with derived demand for hotel, catering and transportation services in the area. Lejion enjoys an excellent position to capture the growth of these servicing industries with the exclusive natural gas pipeline network, compressed natural gas and LPG vehicles refilling stations, and a network of over 20 LPG sales points.

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On the other hand, in April 2002, the Group acquired an effective equity interest of 30.87% of Jilin City Jimei Gas Company Limited ("Jimei") which runs a natural gas network in Jilin City of Jilin Province. Although the potential for developing industrial users in the area remains positive in the long run, Jimei's earnings in the second half of 2002 were adversely affected by diminishing gas connection fees as a result of recent burst of property bubbles. Subsequent to year end, the Group has entered into an agreement with Mr. Sun Tian Gang, the controlling shareholder of the Company to dispose of the Group's entire interest in Jimei at a cash consideration of RMB135 million. Details of the transaction will be disclosed in a circular to be despatched to the shareholders.

Energy is indispensable to the continuous economic development and modernization of a country. As an emerging market in the international arena with immense development potentials, demand for energy in China will be unsurpassed and unprecedented by any country or region. In light of opportunities created by the Chinese government's intention to develop its Western Region as well as China's official accession to the WTO, the Group will brave all challenges to contribute to the construction of the energy industries in China and to supply thousands and millions of households with environmental friendly energy.

At the same time, while natural gas market is still highly regulated and restrictive, the Group will explore opportunities to develop the mid and down stream petroleum product businesses and duly increase the investment in other energy sectors to generate better economic return.

APPRECIATION

Year 2002 was a tough year for our management and staff. There had been floods in southern Xinjiang since last August which interrupted the operation of the oil pipeline and there were a number of gas explosions in households due to end users' negligence of safety. However, our staff were striving their best and had exercised decisive and effective measures to guarantee a smooth operation of both the oil pipeline in Tahe oil field and the natural gas network in both Korla and Jilin City.

On behalf of all directors, I would like to take this opportunity to extend my gratitude and sincere appreciation to all directors and our staff as well as to our clients, suppliers, principal bankers and shareholders for their contribution and for their continuous dedication to our common cause.

Zhu Jia Zhen
Chairman

Hong Kong, 11 April 2003