

REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Prior to 2000, its subsidiaries were principally engaged in the exploration and development of hydrocarbon reserves.

During the year, the Group through the acquisition of First Union Resources Co. Ltd ("First Union") holds a 70% interest in Wahana First Union (Jatiraragon) Limited ("Wahana First Union"). Wahana First Union is engaged in Technical Assistance Contact ("TAC") for development and production of natural gas in Jatiraragon area of West Java, Indonesia for a period of 20 years.

The Group holds a 60% interest in Tianyee Communications Corp. ("Tianyee") in Taiwan. The major operating activities of Tianyee are development, production and sale of communication equipment, electronic components and data processing equipment.

The Group, through its wholly-owned subsidiary Navigator Holdings Limited ("Navigator"), holds a 35% interest in Amsara Limited ("Amsara") which provides online purchase of mobile phones for the North American market and is the owner of www.clickcellular.com web site.

An analysis of the Group's turnover and contribution to operating loss for the year by principal activities and markets is as follows:

	Turnover	Operating loss
	<i>US\$'000</i>	<i>US\$'000</i>
By principal activities:		
Oil and gas	12,654	(2,366)
Communication equipment, electronic components and data processing equipment	2,377	(274)
E-business	–	(8,820)
	<u>15,031</u>	<u>(11,460)</u>
By principal markets:		
Indonesia	12,654	(2,366)
North America	1,165	(8,954)
Others	1,212	(140)
	<u>15,031</u>	<u>(11,460)</u>

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MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2000, Pertamina, the state-owned oil company of Indonesia, was the largest customer of the Group and accounted for approximately 84% of the Group's turnover. The remaining two largest customers accounted for another 16% of the Group's turnover. The five largest suppliers accounted for approximately 53% of the Group's costs of production, of which approximately 15% was attributable to the largest supplier.

During the year, none of the directors, their associates or any shareholder (which to the knowledge of the directors owned more than 5% of the Company's share capital) had a significant beneficial interest in any of the three largest customers or any of the five largest suppliers of the Group.

RESULTS AND DIVIDENDS

The results for the year ended 31 December 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 16 to 45.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2000.

OIL PROPERTIES AND FIXED ASSETS

Details of movements in the oil properties of the Group and fixed assets of the Company and the Group during the year are set out in notes 11 and 13 respectively, to the financial statements.

SUBSIDIARIES

Particulars of subsidiaries of the Company at 31 December 2000 are set out in note 14 to the financial statements.

ASSOCIATES

Particulars of associates of the Group at 31 December 2000 are set out in note 15 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company during the year are set out in notes 25 and 26 respectively, to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements.

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DIRECTORS

The directors of the Company during the year and up to the date of this report were as follows:

Ms. Chelsea Ho (<i>Chairman</i>)	
Mr. James Liu Zhen (<i>Managing Director</i>)	(appointed on 21 November 2000)
Mr. John Lai Chiu Lai	
Mr. Lu Ren Jie**	
Mr. Robert Ip Chun Chung*	(appointed on 18 January 2000)
Dr. David Meldrum Ransom**	(appointed on 5 October 2000)
Mr. Edward T. Story Jr.*	(resigned on 7 June 2000)
Mr. Roger W. Brittain**	(resigned on 1 August 2000)
Mr. Frankie Tan Siak Kwang	(appointed on 31 March 2000 and resigned on 28 April 2000)

* *Non-executive Director*

** *Independent Non-executive Director*

In accordance with Article 81 of the articles of association of the Company, Mr. James Liu Zhen and Dr. David Meldrum Ransom will retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTORS' SERVICES CONTRACTS

No director has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment other than statutory compensation.

DIRECTORS' REMUNERATION

Details of directors' remuneration are shown in note 6 to the financial statements.

BRIEF BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Ms. Chelsea Ho, aged 37, was appointed in 1997. She is also a director of Georgia Technologies Limited and a director of certain subsidiaries of the Company. She has extensive experience in manufacturing, trading, property investment and project management.

Mr. James Liu Zhen, aged 44, was appointed in 2000 and possesses a degree in Mechanics from a university in Shanghai (1983). He has held senior engineering and managerial positions in companies involved with construction, industrial commodities and high technology.

Mr. John Lai Chiu Lai, aged 50, was appointed in 1997, he also acts as a director of certain subsidiaries of the Company. He is a member of the Canadian Real Estate Association and the Hong Kong Institute of Real Estate Administration. He has extensive experience in property development and project management. He received a Bachelor of Arts Degree from the University of Toronto.

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Mr. Lu Ren Jie, aged 66, was appointed in 1999 and a member of the audit committee. Mr. Lu has 36 years extensive experience in the petroleum industry and has been responsible for numerous oilfield projects in China. He is currently an associate of the World Association of Production Science and Chairman of Shengli branch of the Society of Petroleum Engineers. Mr. Lu is a senior economist and also a part-time professor of the Shanghai Communication University and Petroleum University.

Mr. Robert Ip Chun Chung, aged 44, was appointed in 2000 and is a member of the audit and remuneration committees. He is a member of the Law Society of Hong Kong. He has practiced under the firm name of Robert C. C. Ip & Co. since 1989 and has extensive experience in property development projects, commercial and corporate related works.

Dr. David Meldrum Ransom, aged 56, was appointed in 2000 and is a graduate of the University of Sydney with a BSc (Hons) in Geology (1965) and the Australian National University with the PhD in structural geology (1968). He has worked in the Australian and international resources industries for the past 30 years, the last 20 years as a consultant. He is a Fellow of the Australian Institute of the Geoscientists and a member of the Geological Society of Australia. Dr. Ransom has had extensive experience as a director of Australian and Canadian public companies active in the resource sector.

Senior management

Mr. Lee Pak Chung, aged 36, who is the Group Financial Controller, joined the Company in 1997. He also acts as a director of certain subsidiaries of the Company. He is a certified public accountant of Hong Kong and has over 13 years experience in accounting and auditing.

DIRECTORS' INTEREST IN SECURITIES

At 31 December 2000, the interests of the directors in the equity or debt securities of the Company or its associated corporations as defined in the Securities (Disclosure of Interest) Ordinance ("SDI Ordinance") or otherwise notified to the Company by virtue of the Model Code of Securities Transactions by Directors of Listed Companies were as follows:

Interest in Securities

Director	Family	Personal	Corporate
Ms. Chelsea Ho	14,225,000 (a)	13,155,000	77,046,923 (b)
Mr. John Lai Chiu Lai	—	1,000,000	—

(a) The family interest was held by Nice All International Ltd. of which Ms. Chelsea Ho is a director and her father Mr. He Yue Huai is the 100% shareholder.

(b) The corporate interest was held by Georgia Technologies Ltd., a company beneficially owned by Ms. Chelsea Ho.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES

The directors set out below have been granted and exercised share options to subscribe for shares in the capital of the Company pursuant to the share option scheme which was adopted on 23 December 1998.

Director	Exercise period	Consideration	Exercise price per share HK\$	Number of shares options granted HK\$	Number of options exercised
		paid for options granted			
Ms. Chelsea Ho	24 December 1999 to 23 December 2004	Nil	0.078	60,000,000	131,550,000 (a)
	11 February 2000 to 10 February 2005	Nil	0.078	71,550,000	
Mr. John Lai Chiu Lai	24 December 1999 to 23 December 2004	Nil	0.078	40,000,000	82,000,000 (a)
	11 February 2000 to 10 February 2005	Nil	0.078	42,000,000	

(a) After the share consolidation approved on 20 October 2000 these shares of USD0.01 each became respectively 13,155,000 and 8,200,000 shares of USD0.10 each.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable a director of the Company to acquire benefits by means of the acquisition of shares of the Company or any other body corporate, and as at 31 December 2000, none of the directors, or their respective spouse or children under 18 year of age had any rights to subscribe for securities of the Company or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2000, according to the register kept by the Company under Section 16 of the SDI Ordinance, the following shareholders had notified the Company that they had interests in 10% or more of the issued share capital of the Company:

Name	Note	Number of shares	Percentage
Ms. Chelsea Ho	(a)	104,426,923	15.54%
Georgia Technologies Ltd.	(b)	77,046,923	11.46%

Notes:

- (a) Ms. Chelsea Ho's interest in the shares made up as described under Directors' Interests in Securities.
 (b) The shares are held by Georgia Technologies Ltd. in which Ms. Chelsea Ho has sole beneficial interest.

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Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued capital of the Company as at the date of this report.

DIRECTORS' INTERESTS IN CONTRACTS

None of the directors had a material beneficial interest, either direct or indirect, in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the year.

CONNECTED TRANSACTIONS

During the year, there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 46.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 (the "Code") of the Listing Rules throughout the period covered by this report, except that the independent non-executive directors of the Company are not appointed for specific terms.

AUDIT COMMITTEE

Mr. Robert Ip Chun Chung, a non-executive director, Mr. Lu Ren Jie, an independent non-executive director have been appointed by the board of directors of the Company to form the Audit Committee for the Company in compliance with paragraph 14 of the Code.

AUDITORS

Ernst & Young, who acted as auditors in each of the preceding three years, resigned as auditors during the year and Johnny Chan & Co. Limited, Certified Public Accountants were appointed as auditors of the Company to fill the vacancy. A resolution for Johnny Chan & Co. Limited's reappointment as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD

James Liu Zhen

Managing Director

Hong Kong, 11 April 2001