MANAGING DIRECTOR'S REVIEW

GENERAL

For the year ended 31 December 2001, the Company's audited consolidated loss after taxation and minority interests amounted to US$14.93 million compared to net loss of US$13.37 million of the prior year. The results were mainly due to US$11.74 million of loss on disposal of certain assets of a subsidiary of the Company and provision for loss of value in the Company's interests in an associate. For the year the Company had turnover of US$13.35 million, of which 81% was generated by the Company's crude oil producing operations, and the remaining 19% was provided by the Company's telecommunications business. All crude oil of the Company was sold to Pertamina, the state-owned oil company in Indonesia, and all telecommunications and networking products of the Company were sold to business customers in the United States. For the year ended 31 December 2001, the net loss of the Company was US$0.023 per share compared to a loss of US$0.022 per share in 2000. The directors recommended not to declare dividends on its ordinary shares for the year ended 31 December 2001.

BUSINESS REVIEW

Oil Production

For the year ended 31 December 2001, the oil producing operations of the Company generated US$10.95 million of revenue, a 13.5% decrease from the previous year. The actual oil production declined only slightly (2.7%) from 6,168 barrels per day in 2000 to 6,000 barrels per day in 2001, which is a natural result of the gradually rising water in oil fields. The primary reason for the 13.5% decrease in oil revenue in 2001 was the significant drop of the oil price worldwide.

In 2002, the Company is scheduled to drill two new oil wells, install three new electrical submersible pumps, and convert several existing oil wells into water injectors to increase oil productions, and to keep the output from falling.

MANAGING DIRECTOR'S REVIEW

All of the crude oil the Company produced was under an Enhanced Oil Recovery Contract (the "EOR Contract") with Pertamina. The EOR Contract will expire in July 2004. The Company is currently actively taking steps to renew the EOR Contract for another ten years. There is no assurance that the contract will be renewed.

Refinery Operations

For the year of 2001, the results of operations of Hubei Oil Refinery were disappointed again. The crude oil supply shortage persisted during the year and continued to cause the refinery to operate far below its capacity. In addition to a new accounting rule of the Chinese government, Hubei oil refinery was required to make provisions of approximately RMB$20 million for asset value reduction in 2001, more importantly, the market conditions for the refinery operations is steadily worsening, the Company believes that disposal of this long-troubled oil refinery operation is in the best interest of its shareholders. In March 2002, the Company's minority interest in Hubei oil refinery operation was sold for RMB$750,000 in cash.

Telecommunications Equipments

During the year, the business of Tianyee has been greatly undermined by the significant decrease in demand for telecommunications and networking products because of the global unfavorable economic conditions and reduced capital spending, especially, in the United States and Asia. As a result, the turnover of Tianyee in 2001 was US$2.41 million, far below the Company's expectation. The delayed settlement of about US$2 million of accounts receivables from its largest customer in the USA also affected the Tianyee's cash flows and operations funding. For the year ended 31 December 2001, Tianyee had net loss of US$2.67 million. In response to the changes in industry and market conditions, the Company decided to temporarily shut down Tianyee's operations until the world economy turns around and the market condition improves. Certain measures have been taken to recover the accounts receivables.

MANAGING DIRECTOR'S REVIEW

Jatirarangon Gas Field

The Company's project in the Jatirarangon gas field was terminated, and the gas field was disposed during the year. In view of the substantial capital commitments and the under performance of the gas field, the directors are of the view that disposal is in the best interests of the Company.

Internet Business

Being suffered from the downturn of global e-business, during the year the Company has written off its equity interests in a website www.clickcellular.com, operated by Amsara Limited.

OUTLOOK

The Company aims to continue its crude oil production, and is taking active steps to negotiate with Pertamina for a 10-year extension of the Enhanced Oil Recovery Contract. In addition to its existing telecommunications production, the Company is currently considering the possibilities of entering into certain new lines of business, which may bring new sources of revenues to the Company.

APPRECIATION

I would like to take this opportunity to thank all our shareholders and business partners for their continuing support and the Group's management and staff for their dedication and hard work during the past year.

Liu Zhen
Managing Director

Hong Kong, 3 April 2002