DIRECTORS' REPORT

The directors herein present their report and the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2001.

PRIMARY BUSINESS

The principal business of the Company is to develop, explore and produce crude oil in South Sumatra, Indonesia.

The revenues of the Company are mostly (81% in 2001) derived from sales of crude oil under an Enhanced Oil Recovery Contract ("EOR Contract"). In June 1994, the Company acquired 100% of equity interest of Global Select Limited, a British Virgin Islands company, which holds a 100% interest in Seaunion Energy (Limau) Limited ("Seaunion"). Seaunion is engaged in the business of exploration and production of crude oil in South Sumatra, Indonesia, under a 15-year EOR Contract with Pertamina, the state-owned oil company in Indonesia. Each of Pertamina and Seaunion holds a 50% undivided participating interest in the EOR Contract. The EOR Contract will expire in July 2004. The Company is currently actively taking steps to renew the EOR Contract for another ten years. However, no assurance can be given that the contract will be renewed.

RESULTS AND DIVIDENDS

The results for the year ended 31 December 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 57.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2001.

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.

DIRECTORS' REPORT

NEW DEVELOPMENTS IN 2001

Year 2001 was difficult for the Company due to the volatile political uncertainty in Indonesia, the significant drop in oil price, and the worldwide slump in demand for telecommunications and networking products. In 2000 the Company looked upon acquisitions as a way to procure turnover and revenues, and in 2001 the Company took a number of measures to minimize its loss from unfavorable market conditions.

Telecommunications Operations

In August 2000 the Company, through its wholly owned subsidiary Great Admirer Ltd., invested a total of HK$28.8 million to Tianyee Communications Corp. ("Tianyee"), a corporation incorporated in Taiwan, in exchange for its 60% (increased to 95% in September 2001) of equity interest. The business of Tianyee is to develop and manufacture the telecommunications and networking products, primarily DSL-based broadband access and networking devices, and to sell them to the Asian and North America markets.

For the year ended 31 December 2001, 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 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.

Hubei Oil Refinery

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 30% interest in Hubei oil refinery operation was sold for RMB$750,000 in cash.

Jatirarangon Gas Field

In November 1999, Golden Hong Investments Limited, a wholly-owed subsidiary of the Company, acquired a 70% of equity interest in Wahana First Union (Jatirarangon) Ltd., which had a 20-year right to develop and operate a gas field in Indonesia under a Technical Assistance Contract. The acquisition was valued at US$9.46 million, of which US$4.58 million was paid in cash, and the remaining balance was paid in stock. Due to burdensome capital requirements and unfavorable economic and political conditions in Indonesia, the investment was deemed unsuccessful. During the year the Company disposed its interest in Jatirarangon gas field.

E-Business Operations

In May 2000, the Company issued 88.2 million shares of its ordinary shares at a price of US$0.01 per shares to acquire a 35% of equity interest in Amsara Limited, which operated a website "www.clickcellular.com" to promote and sell mobile telephones. Because of the downturn of Internet business worldwide, the Company has decided, after the search for potential buyer of the business but failed, to entirely write off its investments in Amsara Limited.

Capital Reduction

The Company's shares have been traded below its par value of US$0.10 since August 2000 on the Hong Kong Stock Exchange. Under the Companies Ordinance, the Company may not issue shares at a price lower than its par value unless the issuance is authorized by a resolution of the Company's shareholders and at the same time is approved by the Court. In order to facilitate the raising of capital, the Company proposed to reduce the par value of the Company's shares from US$0.10 per share to US$0.01 per share. In connection with the reduction of the par value, every 10 existing shares, issued and unissued, of the Company's shares were consolidated into one new consolidated share, and each unissued consolidated share was then subdivided to 100 new shares. The shareholders of the Company approved the proposed capital reduction in the Company's Extraordinary General Meeting of the shareholders on 8 November 2001, and the High Court of Hong Kong confirmed the proposed capital reduction of the Company on 4 December 2001.

DIRECTORS' REPORT

SUBSIDIARIES AND INTERESTS IN ASSOCIATES

As of 31 December 2001, the Company had two subsidiaries that are actively operating: (1) wholly-owned Global Select Limited, a British Virgin Islands company, which owns 100% of capital stock of Seaunion Energy (Limau) Limited, and (2) 95%-owned Tianyee Communications Corp., a Taiwan corporation.

As of 31 December 2001, the Company had minority interests in two companies: (1) 35%-owned Amsara Limited, a Canadian e-commerce corporation and (2) 30%-owned Hubei Golden Hong Petrochemical Co., Ltd, a corporation registered in the People's Republic of China, whose principal business is to manufacture and wholesale of petrochemical products. As described in the Section of NEW DEVELOPMENTS IN 2001, the Company disposed of and wrote-off all its interests in those two companies in 2001 and 2002, respectively.

The audited financial statements accompanied in this Annual Report include the accounts of Sen Hong Resources Holdings Limited, Global Select Ltd., its wholly-owned subsidiary, and Tianyee Communications Corp., its 95% owned subsidiary. Please see Note 14 and 15 of Notes to the Financial Statements for more detailed information.

EMPLOYEES

At 31 December 2001, the Company and its majority-owned subsidiaries had a total number of 228 full-time employees in Hong Kong, Indonesia and Taiwan. We believe that our relationships with our employees are satisfactory. None of the Company's employees is covered by a collective bargaining agreement. From time to time, we also use the services of independent consultants and contractors to perform various professional services. The Company anticipates that the number of our employees will not materially change in 2002.

PROPERTIES

The Company's executive offices are located at Suite 2602, Cheung Kong Centre, 2 Queen's Road Central, Hong Kong and consist of approximately 2,700 square feet under a three-year lease that expires in February 2003. The lease is renewable. The annual rent payment is approximately HK$1.90 million.

The Company's main oil production asset is the EOR Contract in the Limau Oilfield of Indonesia. Under the terms of the Contract, the Company may recover substantially all of its exploration costs, and share a portion of uplift oil and profit oil. Approximately 80% of the Company's revenues in 2001 were provided by the Contract. This contract is expiring in July 2004 (subject to further extension).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2001, Pertamina, the state-owned oil company of Indonesia, was the largest customer of the Company, and accounted for approximately 81% of the Company's revenue. The five largest suppliers accounted for about 45% of the Company's costs of production, of which approximately 12% attributable to the largest supplier.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the Company's directors and executive officers as of the date of this report:

Name	**Age**	**Position held**	**Since**
Liu Zhen	44	Managing Director	2000
Robert Ip Chun Chung	45	Non-executive Director	2000
Lu Ren Jie *(1)*	67	Non-executive Director	1999
Chun Ching *(1)*	43	Non-executive Director	2001
Lam Lee Yu	33	Company Secretary	2001

(1) Independent non-executive director

Mr. Liu Zhen has been the Company's managing director since December 2000. Mr. Liu received a professional qualification 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. Robert Ip Chun Chung has been served as non-executive director of the Company since 2000, and he is a member of the audit committee. Mr. Ip 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.

Mr. Lu Ren Jie was appointed in 1999 and is a member of the audit committee. Mr. Lu has over 37 years experience in petroleum industry and had 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 Society of Petroleum Engineers. Mr. Lu is a senior economist and also a part- time professor of the Shanghai Communication University and Petroleum University.

DIRECTORS' REPORT

Ms. Chun Ching was appointed in June 2001. Ms. Chun qualified as a medical doctor at the China Capital Medical University in Beijing, China. Ms. Chun received her master degree in marketing from the University of Bridgeport, USA. She later entered into business field and has extensive management experience in the construction and electronic technologies industries. Ms. Chun currently serves as deputy director of Beijing Sunway Electronic Company Limited in China. Pursuant to the Article 81 of the Articles of Association of the Company, Ms. Chun will retire and, being eligible, offer herself for re-election at the forthcoming Annual General Meeting.

Ms. Lam Lee Yu was appointed as Secretary of the Company in December 2001. She obtained her bachelor degree from the University of Hong Kong. After graduation, Ms. Lam had involved in senior management in different industries. She is an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

During the year the following directors resigned from the Company: Dr. David M. Ransom on 22 May 2001, Ms. Chelsea Ho on 31 May 2001, and Mr. John Lai Chiu Lai on 30 November, 2001, respectively.

No director has entered into service contract or employment agreement with the Company or any of its subsidiaries.

SECURITY OWNERSHIP OF SUBSTANTIAL SHAREHOLDERS AND MANAGEMENT

The following table sets forth information with respect to the number of shares of the Company's ordinary shares beneficially owned as of 31 December 2001, by (i) all persons who are beneficial owners of ten percent or more of the Company's ordinary shares, (ii) the Company's directors and executive officers, and (iii) all current executive officers and directors as a group as of 31 December 2001:

Name	Number of shares owned	Percentage of class *(1)*
Ms. Chelsea Ho *(2)*	10,442,692	14.17 %
Georgia Technologies Ltd. *(2)*	7,704,692	10.45%
All directors and executive officers as a group		0.00%

(1) The percentage is calculated based on 73,670,786 shares of the Company's ordinary shares issued and outstanding at 31 December 2001. As of 31 December 2001, the Company has no stock option or stock rights outstanding.

(2) Ms. Chelsea Ho is the former Chairman of the Company. The number of shares indicated above include the shares owned by Georgia Technologies Ltd (7,704,692 shares), which beneficially owned by Ms. Ho.

As of 31 December 2001, none of directors of the Company had any interest in the shares of the Company or it 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.

MATTERS RELATED TO DIRECTORS

Directors' Rights to Acquire Shares

For the year ended 31 December 2001, the Company did not grant stock rights or stock options to its directors, employees and affiliates. At 31 December 2001, none of the directors, or their respective spouse or children under 18 year of age had any rights outstanding to subscribe for securities of the Company or had exercised any such rights.

Directors' Remuneration

For the year ended 31 December 2001, the Company paid a total of US$291,000 of directors' remuneration, including salaries and other benefits in kind to its executive directors, as compared to US$995,000 of the previous year. Please see Note 6 of Notes to Financial Statements for more detailed information.

Directors' Interests in Contracts

None of the Company's 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.

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 any beneficial interests in any of the Company's customers and suppliers.

DIRECTORS' REPORT

Compliance With the Code of Best Practice

None of the directors of the Company is aware of information that would reasonably indicate that the Company was not in the period under review in compliance with the Code of Best Practice set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, except that the independent non-executive directors of the Company are not appointed for specific terms.

CONNECTED TRANSACTIONS

For the year ended 31 December 2001, there were no transactions which needed 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, except the following:

During the year, the Company borrowed a total of US$1,500,000 unsecured loan from a director at an annual rate of interest of 8% in order to invest in Tianyee Communications Corp, a subsidiary of the Company. As of 31 December 2001, there was US$401,076 of loan principal outstanding. By 31 March 2002, all loan principal and accrued interest had been paid off. For the loan the Company paid a total of US$47,120 of interest to the director.

CORPORATE GOVERNANCE

The Company is controlled through the Board of Directors. As of 31 December 2001, the Board of the Company comprised one executive and three non-executive directors. All directors are able to take independent professional advice in furtherance of their duties if necessary.

The Board is responsible for overall group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It monitors the exposure to key business risks and reviews the strategic direction of individual trading subsidiaries, their annual budgets, their progress towards achievement of those budgets and their capital expenditure programs. The Board also considers environmental and employee issues and key appointments. It also ensures that all directors receive appropriate training on appointment and then subsequently as appropriate. Where subsidiaries have separate boards of directors, the minutes of their meetings are circulated to and reviewed by the Board of Directors.

Committee of the Board

As of 31 December 2001, the Board has only one committee, i.e. Audit Committee. The Audit Committee consists of two non-executive directors, one of whom is independent: Mr. Lu Ren Jie. During the year the Audit Committee met three times with all members being in attendance. None of the members of the Committee has any personal financial interests, conflicts of interests arising from cross-directorships or day-to-day involvement in the running of the business. The Audit Committee oversees the financial reporting process and the adequacy and effectiveness of the Company's system of internal control. During the year, the Committee carried out their own independent review of the interim and annual financial statements and financial reports and statements included in circulars of the Company published during the year. And with the assistance of the Company's accounting staff, the Committee completed its review of the adequacy and effectiveness of the Company's systems of internal control and reported its findings and recommendations to the Board.

Investor Relations

The Company encourages two-way communications with its investors. Extensive information about the Company's activities is provided in the annual report and the interim report which are sent to shareholders. All notifiable transactions as defined in the Listing Rules of the Hong Kong Stock Exchange have been, and will continue to be announced and disclosed by the Company from time to time.

All shareholders have 21 day's notice of the annual general meeting at which all directors and committee chairman is available for questions. All shareholders are encouraged to attend the annual general meeting.

LEGAL PROCEEDINGS

The Company is not a party to any material legal proceedings, except the following:

In August 1996, Cheerson Holdings Limited ("Cheerson"), a wholly-owned subsidiary of the Company, entered into a facility arrangement ("the Facility") with Maxvale Investments Limited ("Maxvale"), a company incorporated in the British Virgin Islands. Cheerson was to be used as a vehicle for maximizing the return on the Company's unused funds by lending fully secured short-term funds. In August 1996, under the terms of the Facility, Cheerson sent US$7.5 million to Maxvale as Facility draw downs which was secured by a US$10 million of certificate of deposit (the "CD") issued by an Indonesian bank. The CD was later verified as a forgery. The Company then took a series of legal steps to recover the outstanding Facility balance. The injunction orders were issued in February 1998 by court against Maxvale and certain individuals, including the Company's and Cheerson's former advisors and directors. The loss on the loan made to Maxvale has been fully provided in 1996.

DIRECTORS' REPORT

Since 1997 the Company has been trying to recover the Maxvale loan but without success. No further significant developments were reported until March 2001 when Mr. C. B. Loo, one of the primary defendants of Maxvale case, applied for striking out the Company's action against him, and asked for monetary compensation for the damages resulting from the case. The legal basis of Mr. Loo's claim was that there was insufficient evidence to prosecute, based on an assessment from the Hong Kong Commercial Crime Bureau and a letter dated 27 October 2000.

Whilst the outcome of this matter is currently not determinable, based on the opinion of the Company's legal counsel, the chances of C. B. Loo succeeding is slim. The legal cost to resolve this matter will have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

MARKET INFORMATION

The Company's shares has been traded on the Hong Kong Stock Exchange since 1984 under the stock code "0076." The following table sets forth the highest and lowest closing prices per share of the Company's shares for the periods indicated on the Hong Kong Stock Exchange (in HK dollars).

	Highest	Lowest
2000		
First Quarter	0.38	0.04
Second	0.96	0.42
Third	0.60	0.42
Fourth	0.54	0.10
2001		
First Quarter	0.15	0.06
Second	0.23	0.06
Third	0.17	0.06
Fourth	0.07	0.05

As of 31 December 2001, there were 73,670,786 shares of the Company's ordinary shares issued and outstanding, held by 4,037 holders of record, as indicated on the records of Central Registration Hong Kong Limited.

To date, the Company has not declared or paid any cash dividends on its shares. The Company currently intends to retain all available funds for use in the operation and expansion of its business, and no cash dividends are expected to be paid by the Company in the foreseeable future.

As of 31 December 2001, the number of the Company's authorized ordinary shares was 14,000,000,000 with par value of US$0.01 per share.

NEW ISSUANCE OF THE COMPANY'S SHARES

For the year ended 31 December 2001, the Company issued 6,451,612 shares of its ordinary shares to an institutional investor in connection with the exercise of the conversion right under a convertible debenture. Please see Note 32 of the Notes to Financial Statements for more detailed information.

During the year neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

RETIREMENT BENEFIT SCHEME

Effective 1 December 2000, the Company has joined the MPF Scheme for all of its employees in Hong Kong. The MPF scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance in Hong Kong. Under the rules of the MPF Scheme, the Company and its employees are each required to contribute 5% of the employees' income to the scheme capped at HK$20,000 per year. For the year ended 31 December 2001, the contributions the Company made to the MPF Schemes were US$9,873.