NOTES
TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is incorporated in Hong Kong with limited liability. Its shares are listed on the Stock Exchange of Hong Kong Limited ("Stock Exchange"). The registered office of the Company is Suite 2602, Cheung Kong Centre, 2 Queen's Road Central, Hong Kong. During the year, the Group was involved in investment holding, the exploration and development of hydrocarbon reserves, development and production of natural gas, manufacture and sale of electronic components, communications equipment and data processing equipment.

The Company purchased Global Select Limited ("Global"), a company incorporated in the British Virgin Islands which holds a 100% interest in Husky Oil (Limau) Ltd. ("HOLL"), from Husky Oil International Corporation, a Canadian corporation, on 30 June 1994. Effective from 1 April 1997, the name of HOLL was changed to Seaunion Energy (Limau) Limited ("SELL"). SELL is engaged in the exploration and production of crude oil in an area of South Sumatra, in the Republic of Indonesia ("Indonesia"), under an Enhanced Oil Recovery Contract ("EOR Contract") with Pertamina, the state-owned oil company of Indonesia. SELL holds a 50% undivided participating interest in the EOR Contract, which is currently in production.

The Group holds a 30% interest in Hubei Golden Hong Petrochemical Company Limited, which produces and wholesale petrochemical products in the People's Republic of China ("PRC").

The Group has disposed the interest in Jatirarangon gas field during the year.

The Group, through its wholly owned subsidiary Great Admirer Limited, increased the equity interest in Tianyee Communications Corp ("Tianyee") from 60% to 95%. The major operating activities of Tianyee are development, production and sale of electronic components, communication equipment, and data processing equipment.

The Group has discontinued the investment in Amsara Limited ("Amsara") which provides online purchase of mobile phones for the North American market and is the owner of www.clickcellular.com website.

The Group's turnover and contribution to operating results are mainly attributable to the exploration and production of crude oil through the EOR Contract in Indonesia. Many Asia Pacific countries, including Indonesia, have experienced severe economic difficulties relating to currency devaluation, volatile stock markets and slow downs in growth or even negative economic growth. The Group's future operations may be significantly affected by the continuation of these economic conditions. For these economic conditions to improve, fiscal and monetary action needs to be undertaken by the Indonesian Government and other overseas institutions such as the International Monetary Fund. Such action is beyond the control of the Group. At the date of these financial statements, the board of directors does not believe that the above situation has had any measurable specific impact on the recoverability of the assets of the Group or the ability of the Group to meet its financial obligations as they fall due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the measurement of short term investments, as further explained below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2001. The results of subsidiaries acquired during the year are consolidated from the effective date of their acquisition. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of post-acquisition results and reserves of an associate is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's investment in an associate is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less provision for permanent diminution in value deemed necessary by the directors.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on consolidation of subsidiaries represents the excess purchase consideration paid for subsidiaries over the fair values ascribed to the net underlying assets acquired and is amortised on the unit of production method based on the oil production of subsidiaries or over a period not exceeding 20 years.

Goodwill arising on acquisition of an associate represents the excess purchase consideration paid for the associate over the fair value ascribed to the net underlying assets acquired and is directly written off against reserves in the year in which it arises.

Enhanced Oil Recovery Contract ("EOR Contract")

One of the Company's subsidiaries, SELL, has entered into a joint venture under an EOR Contract with Pertamina. SELL's financial statements incorporate the results and financial position of the joint venture based on its proportionate interest in the EOR Contract. Further details regarding the terms of the EOR Contract are set out in notes 11 and 23 to the financial statements.

Jointly controlled entity

A jointly controlled entity is a joint venture which involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The jointly controlled entity operates under a contractual arrangement between the venturers which establishes joint control over the economic activity of the entity.

The Group's share of post-acquisition results and reserves of a jointly controlled entity is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's investment in a jointly controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less provision for permanent diminution in value deemed necessary by the directors.

Oil properties

The successful efforts method of accounting is followed for oil exploration and development costs. The initial acquisition costs of oil properties and the costs of drilling and equipping successful exploratory wells are capitalised. Exploratory drilling costs are capitalised pending determination of proven reserves. The costs of exploration wells classified as unsuccessful and all other exploration costs, as incurred, are charged to the profit and loss account. All development costs are capitalised. Maintenance and repairs are charged to the profit and loss account while renewals and betterments, which extend the economic lives of assets, are capitalised.

Depreciation, depletion and amortisation of oil properties

The capitalised costs of proven oil properties, plant and equipment are depleted/depreciated using the unit of production method based on estimated proven oil reserves.

The capitalised costs of significant unproven oil properties are assessed regularly to determine whether an impairment in value has occurred, in which case such amount is charged to the profit and loss account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms
Machinery and equipment	20%
Furniture and fittings	20% – 50%
Computers	30%
Motor vehicles	30%

The gain or loss on disposal or retirement of fixed assets recognised in the profit and loss account is the difference between the sales proceeds and the carrying value of the relevant assets.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Inventories

Inventories are stated at the lower of average cost and net realisable value. Average cost is determined on the first-in first-out basis. Net realisable value is based on estimated selling prices less further costs expected to be incurred to completion and disposal.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) on the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rates applicable; and

(c) investment income, when earned.

Leased assets

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Foreign currency transactions

Foreign currency transactions are converted into United States dollars at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in other currencies are converted at the rates ruling at the balance sheet date. All exchange differences are dealt with in the profit and loss account, except exchange differences arising from oil development activities which are capitalised to the extent that they are regarded as an adjustment to interest costs.

Cash equivalents

Cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

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TO THE FINANCIAL STATEMENTS

3. TURNOVER AND REVENUE

Turnover represents oil revenue from the sale of cost recovery oil, profit oil and uplift oil, and manufacture and sale of electronic components, communications equipment and data processing equipment.

	2001	2000
	US$'000	*US$'000*
An analysis of turnover and revenue is as follows:		
Turnover		
Oil and gas	**10,945**	12,654
Communications equipment, electronic components and data processing equipment	**2,410**	2,377
	13,355	15,031
Interest income	**46**	328
Gain on trading of offshore listed shares	**215**	–
Other income	**7**	18
Total revenue	**13,623**	15,377

4. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	2001	2000
	US$'000	*US$'000*
Amortisation of goodwill	**309**	725
Bad debts written off	**487**	–
Depreciation, depletion and amortisation of oil properties	**2,264**	1,239
Depreciation:		
Owned fixed assets	**122**	130
Leased fixed assets	**–**	–
Operating lease rentals on land and buildings	**382**	310
Staff costs (including directors' remuneration – *note 6*)	**2,549**	3,208
Auditors' remuneration	**80**	64
Usage fee	**–**	600
Share consolidation expenses	**–**	13
Loss on disposal of subsidiary	**9,065**	–
Advances to a disposal subsidiary written off	**710**	–
Provision for diminution in value of interest in an associate – *note 15*	**33**	8,820
Loss on disposal of fixed assets	**199**	–
(Profit) loss on disposal of short term investments – *note 16*	**(3)**	46
Unrealised holding gains for short term investments	**(31)**	(88)
Loss for market price decline and obsolete and slow-moving inventories	**446**	–
Bank interest income	**(46)**	(328)
Foreign exchange losses/(gains), net	**156**	10

5. FINANCE COSTS

	2001	2000
	US$'000	*US$'000*
Interest on short term loans	**–**	60
Interest on debenture	**16**	–
Interest expenses on amount due to a director	**47**	–
	63	60

NOTES
TO THE FINANCIAL STATEMENTS

6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Group	
	2001	2000
	US$'000	*US$'000*
Fees:		
Executive directors	**68**	7
Non-executive directors	**29**	59
Independent non-executive directors	**38**	65
	135	131
Other emoluments:		
Salaries and other benefits in kind to executive directors	**156**	864
	291	995

The remuneration of the above directors fell within the following bands:

	Group	
	Number of directors	
	2001	2000
US$Nil to US$129,000	**6**	7
US$129,001 to US$580,000	**–**	–
US$580,001 to US$783,000	**–**	1
	6	8

7. TEN HIGHEST PAID EMPLOYEES

The 10 highest paid employees during the year included two directors (2000: two), details of whose remuneration are set out in note 6 above. The details of the remuneration of the eight remaining non-directors (2000: eight), highest paid employees are set out below.

	2001	2000
	US$'000	*US$'000*
Salaries, allowances and benefits in kind	**369**	1,039

The remuneration of the non-director, highest paid employees fell within the following bands:

	Group	
	Number of non-directors	
	2001	2000
US$Nil to US$129,000	**8**	4
US$129,001 to US$193,500	**–**	4
	8	8

8. TAX

	Group	
	2001	2000
	US$'000	*US$'000*
Overseas tax charge	**1,498**	2,043
Deferred tax (reversed) charge – *note 24(a)*	**(7)**	5
Deferred tax credit – *note 24(b)*	**68**	(68)
Tax charge for the year	**1,559**	1,980

The Group's provision for tax represents overseas withholding tax, overseas income tax and deferred tax made in respect of SELL and Tianyee.

No provision for Hong Kong profits tax has been made as, in the opinion of the directors, the Company did not have any assessable profits in Hong Kong for the year.

9. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company is US$4,766,000 (2000: US$14,351,000).

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TO THE FINANCIAL STATEMENTS

10. BASIC LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of US$14,927,000 (2000: US$13,371,000), and the weighted average of 639,236,990 (2000: weighted average of 613,651,420) ordinary shares in issue during the year, adjusted to reflect the consolidation of shares during the year.

The fully diluted loss per share for the year has not been shown as it is not meaningful.

11. OIL PROPERTIES

	Group	
	2001	2000
	US$'000	*US$'000*
Cost:		
At 1 January	**33,924**	32,168
Additions	**2,328**	1,756
At 31 December	**36,252**	33,924
Accumulated depreciation, depletion and amortisation:		
At 1 January	**28,361**	27,122
Provided during the year	**2,265**	1,239
At 31 December	**30,626**	28,361
Carrying value at 31 December	**5,626**	5,563

The Group's main oil production asset is the EOR Contract in the Limau Oilfield, Indonesia held through its wholly-owned subsidiary, SELL. This contract is expiring in 2004 (subject to further extension).

The terms of the EOR Contract provide for SELL to recover, out of the proceeds of defined incremental oil produced from the field, substantially all of the costs incurred during each year, as well as a portion of any costs unrecovered from prior years. SELL's share of incremental oil production comprises cost oil, profit oil and uplift oil. Cost oil is the amount of oil that SELL is entitled to take from incremental oil production which is equivalent in value to its expenditure pursuant to the EOR Contract. Profit oil is the amount of oil after deducting cost oil and is shared as to 71.154% by Pertamina and 28.846% by SELL.

Uplift oil represents compensation in the form of crude oil from Pertamina to SELL for funds advanced by SELL on behalf of Pertamina for the latter's 50% share of the joint venture's costs. The amount of uplift oil entitlement is 30% of the funds advanced by SELL to Pertamina (excluding operating expenses as defined in the EOR Contract, which are funded by Pertamina on a current basis) for capital and non-capital costs.

11. OIL PROPERTIES (Continued)

Under the terms of the EOR Contract, SELL is required to supply its share of current Indonesian domestic crude oil requirements (Domestic Market Obligation or "DMO") up to a maximum of approximately 7.2% of defined incremental oil produced, out of its profit oil entitlement. SELL receives the prevailing market price per DMO barrel during the first five calendar years of commercial production of a field and thereafter at US$0.20 per DMO barrel.

Other terms of the EOR Contract include the provision that equipment and inventories purchased under the contract become the property of Pertamina when landed in Indonesia. The joint venture continues to have use of such property and inventories until notice is given to and approval is obtained from Pertamina declaring these to be surplus or abandoned. Non-capital inventory items, as defined, are cost-recoverable when the items are landed in Indonesia. Capital inventory items are reflected as assets and are cost-recoverable at the time of issue of such inventories or when Pertamina's approval for write off is obtained.

Crude oil in Indonesia remains the property of the Republic of Indonesia and Pertamina until lifted and, therefore, no oil reserves are reported in the financial statements.

12. GOODWILL

	Group	
	2001	2000
	US$'000	*US$'000*
Cost		
At 1 January	**16,111**	6,462
Reversal of provision for diminution in interests in Jatirarangon gas field	**(9,649)**	–
Addition	**–**	9,649
At 31 December	**6,462**	16,111
Accumulated amortisation:		
At 1 January	**(5,653)**	(4,928)
Reversal of provision for diminution in interests in Jatirarangon gas field	**473**	–
Provided during the year	**(309)**	(725)
At 31 December	**(5,489)**	(5,653)
Carrying value at 31 December	**973**	10,458

NOTES
TO THE FINANCIAL STATEMENTS

13. FIXED ASSETS

Group

	Machinery and equipment	Leasehold improvements	Furniture, fittings and computers	Motor vehicles	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cost:					
At 1 January	33	424	397	249	1,103
Exchange differences	(2)	(4)	(15)	(1)	(22)
Additions	8	–	59	–	67
Disposal	(39)	(29)	(239)	(158)	(465)
At 31 December	–	391	202	90	683
Accumulated depreciation:					
At 1 January	1	240	92	249	582
Exchange difference	–	(2)	–	(1)	(3)
Charge for the year	6	65	51	–	122
Estimated on disposal	(7)	(4)	(24)	(158)	(193)
At 31 December	–	299	119	90	508
Net book value:					
At 31 December 2001	**–**	**92**	**83**	**–**	**175**
At 31 December 2000	32	184	305	–	521

13. FIXED ASSETS (Continued)

Company

	Leasehold improvements	Furniture, fittings and computers	Motor vehicles	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Cost:				
At 1 January	394	126	249	769
Exchange differences	(3)	–	(1)	(4)
Additions	–	6	–	6
Disposals	–	–	(158)	(158)
At 31 December	391	132	90	613
Accumulated depreciation:				
At 1 January	240	85	249	574
Exchange differences	(2)	–	(1)	(3)
Charge for the year	61	20	–	81
Estimated on disposals	–	–	(158)	(158)
At 31 December	299	105	90	494
Net book value:				
At 31 December 2001	**92**	**27**	**–**	**119**
At 31 December 2000	154	41	–	195

NOTES
TO THE FINANCIAL STATEMENTS

14. INTERESTS IN SUBSIDIARIES

	Company 2001 US$'000	Company 2000 US$'000
Unlisted shares, at cost	**4,349**	4,993
Amounts due from subsidiaries	**79,514**	68,220
Amounts due to a subsidiary	**(1)**	(3,688)
	83,862	69,525
Provisions for diminutions in values of interests in subsidiaries:		
At 1 January	**56,986**	48,166
Provided during the year	**15,560**	8,820
At 31 December	**72,546**	56,986
Carrying value at 31 December	**11,316**	12,539

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Details of the subsidiaries are as follows:

Company	Place of incorporation	Place of operations	Issued/ registered share capital	Percentage of issued share capital held by the Company Directly %	Percentage of issued share capital held by the Company Indirectly %	Principal activities
Global Select Limited *	British Virgin Islands	Indonesia	3 ordinary shares of US$1 each	100	–	Investment holding
Seaunion Energy (Limau) Limited*	British Virgin Islands	Indonesia	100 ordinary shares with no par value	–	100	Operator of an enhanced oil recovery contract for hydrocarbons
Golden Lake Investments Limited	British Virgin Islands	The PRC	2 ordinary shares of US$1 each	100	–	Investment holding

14. INTERESTS IN SUBSIDIARIES (Continued)

Company	Place of incorporation	Place of operations	Issued/ registered share capital	Percentage of issued share capital held by the Company Directly %	Indirectly %	Principal activities
Golden Link Investments Holdings Limited	British Virgin Islands	The PRC	1 ordinary share of US$1 each	100	–	Investment holding
Golden Hong Investments Limited	British Virgin Islands	Indonesia	2 ordinary shares of US$1 each	100	–	Investment holding
Mainline Resources (O.S.), Ltd.	United States of America	Indonesia	200 ordinary shares of US$10 each	100	–	Dormant
Cheerson Holding Limited	British Virgin Islands	Hong Kong	1 ordinary share of US$1 each	100	–	Dormant
Golden Sphere Investments Limited	British Virgin Islands	–	1 ordinary share of US$1 each	100	–	Dormant
Golden Rank Limited	British Virgin Islands	–	2 ordinary shares of US$1 each	100	–	Dormant
Nevigator Holdings Limited	British Virgin Islands	Hong Kong	1 ordinary share of US$1 each	100	–	Investment holding
Tianyee Communications Corp.*	Taiwan	Taiwan	1,500,000 ordinary shares of NT$10 each	–	95	Development, production and sale of electronic components, communications equipment and data processing equipment
Great Amdirer Limited	Hong Kong	Hong Kong	2 ordinary shares of HK$1 each	100	–	Investment holding

* *not audited by Johnny Chan & Co. Limited*

During the year, First Union Resources Co. Limited and Wahana First Union (Jatirarangon) Limited have ceased to be subsidiaries of the company.

NOTES
TO THE FINANCIAL STATEMENTS

15. INTERESTS IN ASSOCIATES

	Group	
	2001	2000
	US$'000	*US$'000*
Share of net assets	**309**	2,244

Details of the Group's associates are as follows:

Name	**Registered capital**	**Place of incorporation/ operation**	**Percentage of equity attributable to the Group**	**Principal activities**
Hubei Golden Hong Petrochemical Company Limited ("Hubei Golden Hong")*	HK$38,000,000	The PRC	30%	Manufacture and wholesale of petrochemical products
Amsara Limited ("Amsara")	US$100	Canada	35%	E-commerce

* *not audited by Johnny Chan & Co. Limited*

The Group's investment in Hubei Golden Hong, through its subsidiary Golden Link Investments Holdings Limited, was registered as a Sino-foreign equity joint venture company in the PRC with a term of 20 years from 11 August 1998. The registered capital of Hubei Golden Hong is HK$38 million and its principal activity consists of the manufacture and wholesale of petrochemical products in the PRC. The Group appointed three of the seven members of the board of directors of Hubei Golden Hong. In the opinion of the directors, the Group is in a position to exercise significant influence over the management and daily operations of Hubei Golden Hong and, accordingly, the results thereof have been equity accounted for.

Under the joint venture agreement, the PRC joint venture party has guaranteed an annual profit for Hubei Golden Hong of not less than HK$20 million (approximately US$2.6 million) during the term of Hubei Golden Hong. Since 1999, Hubei Golden Hong experienced a shortage of crude oil supply as a result of industry policies imposed by the PRC Government. The PRC joint venture party has claimed that this situation is outside their control and, in these circumstances, under the terms of the joint venture agreement the guaranteed profit is not payable. As such, no guaranteed profit has been accounted for in that year and in the current year.

Subsequent to the balance sheet date, the Group's interest in Hubei Golden Hong was sold.

16. SHORT TERM INVESTMENTS

	Group		Company	
	2001	2000	**2001**	2000
	US$'000	*US$'000*	***US$'000***	*US$'000*
Listed shares, at market value:				
Hong Kong	**4**	2	**4**	2
Elsewhere	**74**	403	**74**	350
Market value of listed shares as at 31 December	**78**	405	**78**	352

17. TRADE RECEIVABLES

	Group	
	2001	2000
	US$'000	*US$'000*
Receivable from Pertamina	**5,830**	5,393
Receivable from others	**1,995**	2,383
	7,825	7,776

The receivable from Pertamina represents a trade receivable balance arising in the normal course of business and represents the amount of crude oil sale receivable and costs not yet recovered out of Pertamina's share of incremental crude oil production. The balance is unsecured, non-interest bearing and with 50 days credit term.

The ageing analysis of the trade receivables is as follows:

	Group	
	2001	2000
	US$'000	*US$'000*
0 – 30 days	**3,981**	7,612
31 – 60 days	**1,562**	145
61 – 90 days	**65**	19
Over 90 days	**2,217**	–
	7,825	7,776

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TO THE FINANCIAL STATEMENTS

18. INVENTORIES

	Group	
	2001	2000
	US$'000	*US$'000*
Production supplies and materials	**394**	1,611

19. LOAN RECEIVABLE

	Group	
	2001	2000
	US$'000	*US$'000*
Loan receivable from Maxvale Investments Limited	**6,967**	6,967
Provision for loss	**(6,966)**	(6,966)
	1	1

The loan to Maxvale Investments Limited was fully provided against in 1996. During the year, the directors continued to attempt to recover the loan but without success and have no further significant developments on which to report. However, the Company will continue to review the position from time to time and re-open legal proceedings if considered appropriate.

20. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2001	2000
	US$'000	*US$'000*
Unlisted investment, at cost	**3,064**	3,064
Provision for permanent diminution in value	**(3,063)**	(3,063)
	1	1

In 1998 a subsidiary of the Company, Golden Lake Investments Limited ("Golden Lake"), entered into an agreement with Chongqing He-Chang Trading Company ("He-Chang") to form a Sino-foreign equity joint venture in the PRC, Chongqing Jin Wei Li Petrochemical Company Limited ("Jin Wei Li") with a term of 25 years from the date of approval from the PRC's relevant authorities. The registered capital of Jin Wei Li is US$12 million. The principal activity of Jin Wei Li is the wholesale and retail distribution of petrochemical products and related business. As at 31 December 1998, Golden Lake had contributed US$3 million which represented 50% of its contribution under the joint venture agreement.

20. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

On 28 April 1999, the directors of the Company announced their intention to propose the dissolution of Jin Wei Li as it had not proceeded to make the acquisition of oil storage facilities and petrol stations which should have been carried out in 1998 by He-Chang in accordance with the joint venture agreement. The directors of the Company effectively fully provided against the investment in Jin Wei Li as at 31 December 1998 on the grounds that it may be difficult to realise the investment cost. During the year, the directors continued to attempt recovery of the amount invested, but without success, and have no further significant developments on which to report.

21. TRADE PAYABLES AND NOTES PAYABLES

The ageing analysis of the trade payables and notes payable is as follows:

	Group	
	2001	2000
	US$'000	*US$'000*
0 – 30 days	**3,398**	1,701
31 – 60 days	**–**	415
61 – 90 days	**–**	64
Over 90 days	**437**	–
	3,835	2,180

22. DUE TO A DIRECTOR

The amount due to a director is unsecured and without fixed term of repayment. Interest of 8% is paid on demand. The principal and interest due to a director are repayable in full on 20 February 2002.

23. DEFERRED REVENUE

Deferred revenue represents the difference between depreciation, depletion/amortisation and operating costs together with general and administrative costs incurred and the amounts recovered under the EOR Contract since inception.

	Group	
	2001	2000
	US$'000	*US$'000*
Total costs incurred:		
At 1 January	**84,434**	76,700
Additional costs incurred	**7,550**	7,734
At 31 December	**91,984**	84,434
Total costs recovered:		
At 1 January	**87,621**	80,057
Costs recovered during the year	**7,030**	7,564
At 31 December	**94,651**	87,621
Deferred revenue at 31 December	**2,667**	3,187

As explained in note 11 under the terms of the EOR Contract, SELL is entitled to recover costs by way of an allocation of incremental oil production, excluding the cost of bonuses paid to Pertamina, in addition to profit oil and uplift oil.

Deferred revenue arises from the recovery of costs under the EOR Contract in excess of costs recognised for accounting purposes. Such revenue will be recognised as revenue in future periods at the time the related costs are recognised for accounting purposes.

24. DEFERRED TAX

(a) Deferred tax represents the estimated potential tax liability in respect of the operations of SELL arising mainly in relation to the deferred revenue and depreciation, depletion and amortisation:

	Group	
	2001	2000
	US$'000	*US$'000*
At 1 January	**558**	553
(Reversed) Charge for the year – *note 8*	**(7)**	5
At 31 December	**551**	558

(b) Deferred tax assets mainly represent unrealised tax losses carried forward of an overseas subsidiary:

At 1 January	**(68)**	–
Reversed (Charge) for the year – *note 8*	**68**	(68)
At 31 December	**–**	(68)

25. SHARE CAPITAL

	Group and Company	
	2001	2000
	US$'000	*US$'000*
Authorised:		
14,000,000,000 (2000: 1,400,000,000) ordinary shares of US$0.01 (2000: US$0.1) each	**140,000**	140,000
Issued and fully paid:		
73,670,786 (2000: 672,191,740) ordinary shares of US$0.01 (2000: US$0.1) each	**737**	67,219

NOTES
TO THE FINANCIAL STATEMENTS

25. SHARE CAPITAL (Continued)

Movements in the issued share capital of the Company were as follows:

	Number of ordinary shares	Amount
		US$'000
At 1 January 2001	672,191,740	67,219
Allotment of shares	6,451,612	65
Shares consolidated/Capital reduction	(604,972,566)	(66,547)
At 31 December 2001	73,670,786	737

Pursuant to an ordinary resolution passed on 8 November 2001, the authorised share capital of the Company was increased from US$73,453,017(after capital reduction) to US$140,000,000 by the creation of 6,654,698,226 additional ordinary shares of US$0.01 each, ranking pari passu in all respects with the existing shares of the Company.

Pursuant to an ordinary resolution passed on 8 November 2001, the 1,400,000,000 ordinary shares of US$0.1 each in the share capital of the Company was consolidated into 140,000,000 ordinary shares of US$1 each by consolidating every ten issued and unissued ordinary shares of US$0.1 of the Company into one ordinary share of US$1 each.

Pursuant to a special resolution passed on 8 November 2001 and with the confirmation by the High Court of Hong Kong Special Administrative Region, the 140,000,000 consolidated shares of US1.00 each be reduced by cancelling paid up capital to the extent to US$0.99 per consolidated share in respect of the 672,171,740 shares of US$0.10 each, and the subdivide each of 72,780,826 unissued consolidated shares of US$1.00 into 100 shares of US$0.01 each; to apply the credit of approximately US$66,547,000 resulting from the reduction in eliminating the accumulated losses of approximately US$54,510,000 of the Company as at 30 June 2001 and to transfer the surplus to a special capital reserve account of the Company. The authorised share capital of the Company was restored to US$140,000,000 by the creation of 6,654,698,226 new ordinary shares of US$0.01 each.

26. SHARE OPTION SCHEME

Pursuant to the share option scheme of the Company approved on 23 December 1998, which replaced the former share option scheme adopted since November 1989, the board of directors of the Company is authorised to grant options to any executive director or full time employee of the Company or any of its subsidiaries, to subscribe for shares in the Company at a price not less than the greater of (a) 80% of the average closing price of the Company's shares on the five trading days immediately preceding the offer of the options; and (b) the nominal value of the Company's shares. The number of shares issued or which may be issuable under the scheme cannot exceed 10% of the issued share capital of the Company from time to time.

No share option was granted during the year.

27. RESERVES

Group

	Share premium	Capital reserve	Translation reserve	Special capital reserve	Accumulated losses	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2001	289	(2,652)	–	–	(43,534)	(45,897)
Issue of share	193	–	–	–	–	193
Exchange differences	–	–	14	–	–	14
Credit arising on capital reduction	–	–	–	12,037	54,510	66,547
Loss for the year	–	–	–	–	(14,927)	(14,927)
At 31 December 2001	**482**	**(2,652)**	**14**	**12,037**	**(3,951)**	**5,930**
Reserves retained by:						
Company and subsidiaries	482	(2,652)	14	12,037	(1,643)	8,238
Associates	–	–	–	–	(2,308)	(2,308)
	482	(2,652)	14	12,307	(3,951)	5,930

Company

	Share premium	Special Capital reserve	Accumulated losses	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
At 1 January 2001	289	–	(53,747)	(53,458)
Issue of share	193	–	–	193
Capital reduction	–	12,037	54,510	66,547
Loss for the year	–	–	(4,766)	(4,766)
At 31 December 2001	482	12,037	(4,003)	8,516

At the balance sheet date, the Company had no reserves, as calculated under the provisions of Section 79B of the Companies Ordinance, available for distribution to shareholders.

The Company's share premium account may be utilised for distribution by way of bonus share issues.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss from operating activities to net cash (outflow)/inflow from operating activities

	Group	
	2001	2000
	US$'000	*US$'000*
Loss from operating activities	**(11,423)**	(11,460)
Unrealised holding gains for short term investments	**(31)**	(88)
Interest income	**(46)**	(328)
Provision for diminution in value of interest in an associate	**33**	8,820
Loss on disposal of subsidiary	**9,065**	–
Loss on disposal of short term investments	**(3)**	46
Loss on disposal of fixed assets	**199**	–
Share consolidation expenses	**–**	13
Depreciation of fixed assets	**122**	130
Amortisation of goodwill	**309**	725
Amortisation of other assets	**85**	–
Depreciation, depletion and amortisation of oil properties	**2,265**	1,239
Deferred costs incurred, net	**(520)**	(170)
Increase in trade receivables	**(126)**	(1,246)
(Increase)/decrease in inventories	**1,217**	(842)
(Increase)/decrease in prepayments, deposits and other receivables	**367**	(505)
Increase in trade payables and notes payable	**2,340**	603
(Decrease)/Increase in other payables and accrued expenses	**(4,116)**	1,899
(Decrease)/Increase in short term loans	**(944)**	1,306
Increase in amount due to a director	**202**	625
Increase in amount due to a former director	**636**	–
Net cash (outflow) inflow from operating activities	**(369)**	767

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of the outflow of cash and cash equivalents on disposal of subsidiary

	2001	2000
	US$'000	*US$'000*
Accounts receivable	**77**	–
Prepayments, deposits and other receivables	**416**	–
Bank balances and cash	**34**	–
Creditors and accruals	**(685)**	–
Minority interests	**47**	–
	(111)	–
Loss on disposal of subsidiary	**(9,065)**	–
Goodwill released on disposal of subsidiary	**9,176**	–
	–	–
Disposal of subsidiary		
Cash consideration received	**–**	–
Bank balances and cash disposed of	**(34)**	–
Outflow of cash and cash equivalents on disposal of subsidiary	**(34)**	–

NOTES
TO THE FINANCIAL STATEMENTS

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Analysis of changes in financing during the year

	Share capital and premium	**Minority interests**	**Total**
	US$'000	*US$'000*	*US$'000*
Balance at 31 December 2000	49,400	–	49,400
Capital contribution from minority shareholders	–	1,760	1,760
Share allotment for acquisition of interests in a subsidiary	4,822	–	4,822
Share allotment for acquisition of interest in an associate	8,820	–	8,820
Share of loss by minority shareholders	–	(129)	(129)
Issue of shares for cash on allotment and exercise of options	4,466	–	4,466
Balance at 31 December 2000	67,508	1,631	69,139
Repayment to minority shareholders	–	(1,739)	(1,739)
Share allotment for conversion of convertible debenture	258	–	258
Elimination on disposal of subsidiary	–	47	47
Capital reduction	(66,547)	–	(66,547)
Share of loss by minority shareholders	–	(53)	(53)
Balance at 31 December 2001	**1,219**	**(114)**	**1,105**

(d) Major non-cash transaction

During the year, a convertible debenture holder converted HK$2,000,000 convertible debenture into the company's shares.

29. COMMITMENTS

	Group	
	2001	2000
	US$'000	*US$'000*
Capital commitments in respect of the balance of the consideration due in respect of:		
Capital investment in a jointly controlled entity	**–**	–
Capital investment in		
– Wahana First Union	**–**	3,000
– Tianyee	**–**	3,692
	–	6,692

	Group		Company	
	2001	2000	**2001**	2000
	US$'000	*US$'000*	***US$'000***	*US$'000*
Annual commitments payable in the following year under non-cancellable operating leases on land and buildings expiring:				
Within one year	**247**	50	**–**	50
In the second to fifth years, Inclusive	**362**	540	**315**	198
	609	590	**315**	248

30. PLEDGE OF ASSETS

No asset has been pledged by the Group as at 31 December 2001 and at 31 December 2000.

31. RELATED PARTY TRANSACTION

During the year, the Group entered into the following transaction with a director.

	Nature of transaction	**2001**	2000
		US$'000	*US$'000*
Ms. Chelsea Ho	Interest paid by the Group	**–**	60
Mr. Liu Zhen	Interest paid by the Group	**47**	–
		47	60

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TO THE FINANCIAL STATEMENTS

32. DEBENTURE

	Group		Company	
	2001	2000	**2001**	2000
	US$'000	*US$'000*	***US$'000***	*US$'000*
Convertible debenture				
1 – 2 years	**1,024**	–	**1,024**	–
	1,024	–	**1,024**	–

On 23 July 2001, the Company has entered into a subscription agreement with Perfect Approach Investments Limited, an independent third party to the Company, for HK$5,000,000 3% unlisted convertible debentures. The net proceeds was applied as general working capital.

On 1 August 2001, the Company has entered into a subscription agreement with Angels' Investing Limited, an independent third party to the Company, for HK$5,000,000 3% unlisted convertible debentures due 2003. The net proceeds was applied as general working capital.

On 29 January 2002, the Company has entered into subscription agreements with three independent third parties, Bondic Holdings Limited, Megabucks International Limited and U.S. Access & Link Corp., to the Company, for an aggregate amount of HK$9,000,000 of 3% unlisted convertible debentures due 2004. The sum of HK$6,800,000 out of the net proceeds will be used to repay an 8% loan, the remaining balance of HK$2,200,000 will be applied as general working capital.

The debenture holders shall have the right at any time before the due date to convert the whole or part of the debentures. The conversion price will be the higher of the par value of the share, at the time a conversion notice is served or 80% of the average closing price per share over the 5 consecutive trading days immediately prior to the date of the conversion notice according to the agreement. No conversion rights may be exercised, to the extent that following such exercise, a debenture holder would have in aggregate of 10% or more of the relevant issue share capital of the Company. The Company shall have the right at any time before the due date to redeem the whole or part of the outstanding debentures at 110% of the principal amount together with interest accrued thereon.

The issue of the debentures enables the Company to raise additional funds to pay for the investment in Tianyee and obtain working capital.

On 21 December 2001, Perfect Approach Investments Limited exercised its conversion right to the extent of HK$2,000,000 represented by the certificate for 6,451,612 shares of US$0.01 each.

On 16 January 2002, Angels' Investing Limited exercised its conversion right to the extent of HK$2,100,000 represented by the certificate for 6,953,642 shares of US$0.01 each.

33. SUBSEQUENT EVENT

Subsequent to the balance sheet date, the group had disposed of its interest in an associated company at a consideration of RMB750,000.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 3 April 2002.