NOTES TO THE ACCOUNTS

1. Significant accounting policies

The accompanying unaudited consolidated interim financial statements of the Group ("Interim Accounts") have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25, "Interim Financial Reporting" issued by the Hong Kong Society of Accountants, and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group has adopted the following Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002: SSAP 1 (revised), "Presentation of Financial Statements"; SSAP 11 (revised), "Foreign currency translation"; SSAP 15 (revised), "Cash Flow Statements"; SSAP 25 (revised), "Interim Financial Reporting"; and SSAP 34, "Employee Benefits." The adoption of the above new or revised accounting standards has no material effect on the Interim Accounts other than presentation changes.

Save as the above, the accounting policies and bases of preparation of these Interim Accounts are consistent with those used in the annual financial statements for the year ended 31 December 2001. Figures for the year ended 31 December 2001 are extracted from the Group's annual financial statements for the year. The Interim Accounts should be read in conjunction with the Group's 2001 annual financial statements.

In the opinion of management, the unaudited Interim Accounts contain all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the Group's financial position, results of operations and cash flows. Operating results for the six months ended 30 June 2002 are not necessarily indicative of the results for any future period.

2. Segmental information

An analysis of the Group's turnover and results for the period by business segments is as follows:

	Oil and gas		Contract electronic manufacturing		Unallocated		Total	
	Six months ended							
	30 June 2002 US$'000	30 June 2001 *US$'000*	**30 June 2002 US$'000**	30 June 2001 *US$'000*	**30 June 2002 US$'000**	30 June 2001 *US$'000*	**30 June 2002 US$'000**	30 June 2001 *US$'000*
Revenue from external customers	**6,971**	5,324	**2,761**	2,238	**–**	–	**9,732**	7,562
Other revenue from external customers	**–**	–	**–**	–	**180**	30	**180**	30
Total	**6,971**	5,324	**2,761**	2,238	**180**	30	**9,912**	7,592
Segment results	**1,594**	1,360	**(2,046)**	(598)	**–**	–	**(452)**	762
Unallocated income and expenses							**(506)**	(11,013)
Subsidiaries written off							**(2,411)**	–
Loss on disposal of an associate							**(222)**	–
Loss from operating activities							**(3,591)**	(10,251)
Finance costs							**(40)**	(38)
Share of loss of an associate							**–**	(83)
Taxation							**(293)**	(843)
Minority interests							**80**	239
Loss attributable to shareholders							**(3,844)**	(10,976)

3. Loss from operating activities

Loss from operating activities is arrived at after charging/(crediting):

	Six months ended	
	30 June 2002	30 June 2001
	Unaudited	Unaudited
	US$'000	*US$'000*
Amortisation of positive goodwill	**154**	114
Amortisation of negative goodwill	**(471)**	–
Depreciation on fixed assets	**268**	–
Depreciation, depletion and amortization	**1,487**	635
Provision for diminution in interest in Jatirarangon gas field	**–**	9,775
Subsidiaries written off	**2,634**	–
Interest expense on amount due to a director	**–**	24

4. Tax

	Six Months Ended	
	30 June 2002	30 June 2001
	Unaudited	Unaudited
	US$'000	*US$'000*
Overseas tax charge	**293**	855
Deferred tax credit	**–**	(12)
Tax charge	**293**	843

The provision for tax represents overseas withholding tax, overseas income tax and deferred tax made in respect of Seaunion Energy (Limau) Limited and Tianyee Communications Corp ("Tianyee").

No provision for Hong Kong profits tax has been made as, in the opinion of the Company's directors (the "Directors"), the Company did not have any assessable profits in Hong Kong for the periods.

5. Basic loss per share

The calculation of basic loss per share is based on the net loss attributable to shareholders for the period of US$3,844,042 (2001: US$10,976,000), and the weighted average of 95,247,494 (2001: 672,191,740) ordinary shares in issue during the period, adjusted to reflect the issue of shares from the exercising of convertible debenture during the period.

6. Dividend

The Directors have decided not to declare any interim dividend for the six months ended 30 June 2002 (2001: Nil).

7. Fixed assets

During the six months ended 30 June 2002, the Group acquired approximately US$36,237,000 of fixed assets of which around US$33,182,000 were acquired through acquisition of a subsidiary in the UK.

8. Trade receivables

	30 June 2002	31 December 2001
	Unaudited	Audited
	US$'000	*US$'000*
Receivable from Pertamina	**6,026**	5,830
Receivable from others	**2,388**	1,995
	8,414	7,825

The receivable from Pertamina, the state-owned oil company of Indonesia, represents a trade receivable balance arising in the normal course of business recovered out of Pertamina's share of incremental crude oil production. Approximately ninety-eight percent (98%) of the total trade receivables are due within sixty (60) days.

9. Trade payables and notes payables

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

	30 June 2002	31 December 2001
	Unaudited	Audited
	US$'000	*US$'000*
0 – 30 days	**6,026**	3,052
31 – 60 days	**515**	35
61 – 90 days	**39**	270
91 – 120 days	**39**	35
Over 120 days	**544**	113
	7,163	3,505

10. Share capital

	30 June 2002	31 December 2001
	Unaudited	Audited
	US$'000	*US$'000*
Authorised:		
14,000,000,000 ordinary shares of US$0.01 each	**140,000**	140,000
Issued and fully paid:		
136,624,428 ordinary shares of US$0.01 each (2001: 73,670,786 ordinary shares of US$0.01 each)	**1,366**	737

During the period, 62,953,642 ordinary shares were issued, of which 48,453,642 shares were issued by exercising the convertible debenture for an aggregate consideration of approximately US$1,571,000 and 14,500,0000 shares issued in private placement for an aggregate consideration of approximately US$432,000.

11. Approval of the Interim Accounts

These Interim Accounts were approved by the Board on 28 September 2002.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business Development

The principal business of the Group is to develop, explore and produce crude oil in South Sumatra, Indonesia. In April 2002, Great Admirer Limited, a wholly owned subsidiary of the Company, acquired 100% of the share capital of Aiwa Wales Manufacturing Limited, a consumer electronics manufacturer, from Aiwa Co. of Japan for a consideration of £1.00. As at the date of the acquisition, the total assets of Aiwa Wales Manufacturing Limited were US$10.85 million with annual sales of approximately US$10.9 million. Following the acquisition, the name of "Aiwa Wales Manufacturing Limited" was changed to "Axiom Manufacturing Services Limited" ("Axiom").

Axiom is currently in the business of contract electronic manufacturing ("CEM"). Axiom takes, mostly manufacturing, orders from all kinds of businesses, such as military, medical, security, home electronics, mining services, radio detection, banking, and telecommunications companies and organizations, either in the form of turnkey manufacturing, in which Axiom buys all components involved in manufacturing the final products, or in the form of consignment, in which Axiom customers provide all parts needed. Axiom's customers are generally these outsourcing companies. Axiom has currently 198 employees.

During the six months ended 30 June 2002, the Company has entirely written off the assets of its 95%-owned subsidiary, Tianyee Communications Corp. of Taiwan ("Tianyee"). Tianyee was a developer and manufacturer of telecommunications equipment, electronic components and data processing equipment. Since 2001, the business of Tianyee has been greatly undermined by the significant decrease of demand for telecommunications and networking products because of the unfavorable global economic conditions and reduced capital spending, especially in the United States and Asia. The operations of Tianyee were accordingly shut down in late 2001. In June 2002, Great Admirer Limited, a wholly-owned subsidiary of the Company and the parent company of Tianyee, decided to write off its entire investment in Tianyee in accordance with Hong Kong General Accepted Accounting Practice.

As will be discussed below, the revenues of the Group are largely, currently 67%, derived from sales of crude oil under an Enhanced Oil Recovery Contract ("EOR contract") with Pertamina, a state-owned oil company in Indonesia. The current EOR contract expires in July 2004. Since 2000, the Company has been actively taking steps to negotiate with Pertamina to renew the EOR contract for ten more years. Under current conditions, it appears to the management of the Company that the possibility of obtaining a renewal of the contract is remote.

Results of Operations

Following the acquisition of Axiom and write-off of dormant subsidiaries, including Tianyee, the Company currently has two wholly owned operating subsidiaries, Axiom and Seaunion Energy (Limau) Limited. For the six months ended 30 June 2002, the turnover of the Group was US$10.39 million, of which US$6.97 million, or 67%, was derived from Seaunion's crude oil production, and US$2.76 million, or 27%, was from Axiom's CEM operations.

For the six months ended 30 June 2002, the Group's turnover from oil production increased by US$1.65 million, or 30%, from US$5.32 million for the same period of the previous year to US$6.97 million. The increase in turnover was mainly due to the increase in oil production and in average oil price. For the same period the Group's turnover from the CEM services was US$2.76 million, as compared to US$2.24 million in the same period of the previous year from Tianyee's operations. As discussed above, the Group's CEM business started in April 2002 following the acquisition of Axiom of U.K. For the period under review, Axiom has operating loss of US$0.91 million. It is anticipated that the operations of CEM will break even in the fourth quarter of this year.

For the six months ended 30 June 2002, the net loss of the Group was significantly decreased from US$10.98 million for the previous year to US$3.84 million for this year, which is largely due to the increase of crude oil revenue, decrease in cost of sales, and decrease of provision for losses. During the period under review, the Group has written off the dormant subsidiaries of approximately US$2.41 million. For the six months ended 30 June 2002, the Group's net loss was US$0.04 per share, as compared to US$0.02 per share in the same period of the previous year.

Liquidity and Capital Resources

At 30 June 2002, the Group's cash and cash equivalents were US$1.24 million, as compared to US$1.91 million at 31 December 2001. The current ratio of the Group remained healthy at 1.76 as compared to 1.67 of the last year.

For the six months ended 30 June 2002, the Company has issued a total of 62,953,642 shares of the Company's ordinary shares, of which 48,453,642 shares were issued by exercise of conversion rights of existing debenture holders, and 14,500,000 shares were issued to two independent parties in private placements for an aggregate consideration of US$2,003,000. During the period under review, the Company also issued a total of US$1.95 million, 3% unlisted convertible debentures due 2004 and 2005. The issues greatly improved the Group's cash position. As to date of this interim report, there are 255,234,273 ordinary shares of the Company issued and outstanding.

The Group may need additional capital to continue to keep up with technological improvements and further its business development strategies during the next twelve months. Many of the Group's competitors have significantly greater capital resources than that which is available to the Group. The Group may need to continue to raise additional capital, in debt or equity, in order to successfully grow and compete.

CHANGES IN DIRECTORS

From 1 January 2002 to the date of this interim report, the following persons were appointed as directors of the Company:

Lee Sin Pyung *(Managing Director),*
Sit Mei *(Executive Director)*, and
Chai Woon Chew *(Independent Non-executive Director).*

During the same period, the following persons resigned as directors of the Company:

Liu Zhen *(Managing Director)*, and
Chun Ching *(Independent Non-executive Director).*

DIRECTORS' INTEREST IN SECURITIES

At 30 June 2002, the interests of directors and chief executive in the shares of the Company and its associate corporations which are required to fully disclose under section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name	Type of Interests	Number of shares held	Approximate percentage
Lee Sin Pyung	Corporate	8,000,000	5.85%
Sit Mei	Individual	2000	0.0014%

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 30 June 2002 was approximately 416. Employees are remunerated according to the nature of job and market conditions.

DIVIDEND

The Directors have decided not to declare any interim dividend for the six months ended 30 June 2002 (2001: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the six months ended 30 June 2002, the Company has issued a total of 62,953,642 shares of the Company's ordinary shares, of which 48,453,642 shares were issued by exercise of conversion rights of existing debenture holders, and 14,500,000 shares were issued in private placements for an aggregate consideration of US$2,003,000.

Other than mentioned above, the Company, or any of its subsidiaries, has not purchased, sold, or redeemed any of the Company's securities.

CODE OF BEST PRACTICE

During the period under review, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Company and discussed auditing, internal controls and financial reporting matters, including a review of the unaudited Interim Accounts for the six months ended 30 June 2002.

On behalf of the Board
Lee Sin Pyung
Managing Director

Hong Kong, 28 September 2002