

# Report of the Directors

The directors have pleasure in presenting their annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2002.

## Principal Activities

The Company acts as an investment holding company.

The principal activities of its subsidiaries are development, exploration and production of crude oil in South Sumatra, Indonesia, and provision of electronics manufacturing services in the United Kingdom.

## Results and Appropriations

The results of the Group for the year ended 31 December 2002 are set out in the consolidated profit and loss account on page 19.

For the year ended 31 December 2002, the Company has not declared or paid any dividend on its ordinary shares (2001: Nil). The Company currently intends to retain all available funds for use in the operations and expansion of its business.

## Fixed Assets

During the year the Group's fixed assets increased from US \$0.68 million at the end of 2001 to US \$31.5 million. The increase in fixed assets was largely due to the acquisition of Axiom Manufacturing Services Limited in the UK.

Details of the movements during the year in the fixed assets of the Group and the Company are set out in Note 13 to the financial statements.

## Share Capital

During the year, 181,563,487 ordinary shares were issued, of which 167,063,487 shares were issued by exercising of the conversion rights of the convertible debenture for an aggregate consideration of approximately US \$2,779,000, and 14,500,000 shares issued in private placement for an aggregate consideration of approximate US \$432,000. Details of which are set out in Note 27 to the financial statements.

Save as disclosed above, during the year neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's ordinary shares.

# Report of the Directors

## Directors' Profiles

The following table set forth the Company's directors and executive officers as of the date of this Report of the Directors.

Name	Age	Positions Held	Since
Lee Sin Pyung	40	Managing Director	2002
Sit Mei	31	Executive Director	2002
Robert Ip Chun Chung	46	Non-executive Director	2000
Lu Ren Jie	68	Independent Non-executive Director	1999
Chai Woon Chew	45	Independent Non-executive Director	2002
Lam Lee Yu	34	Company Secretary	2001

**Lee Sin Pyung** was elected as the Company's Managing Director in 2002. Prior to her joining the Company, Ms. Lee had worked for a number of multi-international companies, and has extensive experience and exposure to international business.

**Sit Mei** has served as the Company's Executive Director since 2002. Ms. Sit graduated from Holmes College in Melbourne, Australia. She has been joining the Company since January 2001. From February 2003 to present, Ms. Sit also serves as Director and President of Oxford Technologies Corp., a newly acquired subsidiary of the Company in 2003.

**Robert Ip Chun Chung** has been served as Non-Executive Director of the Company since 2000. He is also a member of the Audit Committee of the Board of the Company. Mr. Ip is a member of the Law Society of Hong Kong. He has practiced law at Robert C.C. Ip & Co. since 1989, and has extensive experience in property development projects, commercial and corporate laws.

**Lu Ren Jie** was appointed in 1999 and is a member of the Audit Committee. Mr. Lu has over 38 years experience in petroleum industry and had been responsible for many oilfield projects in China. He is an associate of the World Associate of Production Science and Chairman of Shengli Branch of Society of Petroleum Engineers. Mr. Lu is currently a part-time professor at Shanghai Communication University and Petroleum University.

**Chai Woon Chew** was elected as Independent Non-Executive Director of the Company in 2002. From 1994 to the present, Mr. Chai has been a partner at Michael Chai & Co., a law firm in Kuala Lumpur, Malaysia. From 1991 to 1994, he was a legal associate with Shook Lin & Bok, a law firm in Kuala Lumpur, Malaysia. Mr. Chai holds a Bachelor of Laws (Hons) degree from the University of Buckingham, and a Bachelor of Science (Hons) degree in Chemistry from University of Surrey, UK. Mr. Chai qualified as Barrister at Law from Lincoln's Inn, England.

## Report of the Directors

### Directors' Profiles (Continued)

**Lam Lee Yu** was appointed as Company Secretary in 2001. She obtained her B.A. degree from the University of Hong Kong. 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. Ms. Lam also serves as Director of Great Admirer Limited, a wholly-owned subsidiary of the Company.

During the year, the following persons resigned as directors of the Company:

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

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

### Directors' and Chief Executives' Interests in Shares

As at 31 December 2002, the interests of the directors and the chief executives of the Company's major subsidiaries, in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (SDI Ordinance) were as follows:

	Number of Shares Held			
	Personal Interests	Family Interests	Corporate Interests	Other Interests
Lee Sin Pyung	-	-	8,000,000	-
Sit Mei	2,000	-	-	-

As at 31 December 2002, the Company had no warrants and share options outstanding.

Other than the holdings disclosed above, as at 31 December 2002, neither the directors nor the chief executives, nor any of their associates, had any interests in any securities of the Company or any of its associated corporations as defined by the SDI Ordinance.

### Arrangements to Purchase Shares or Debentures

At no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company and neither the directors nor the chief executives, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

# Report of the Directors

## Directors' Interests in Contracts

During the year, none of the Company's directors had a material 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, none of the Company's directors or shareholders (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' Remuneration

For the year ended 31 December 2002, the Company paid a total of US\$220,000 of directors' remuneration, including salaries and other benefits in kind to its directors, as compared to US\$291,000 for the previous year. Please see Note 6 to the financial statements for more detailed information.

## Related Parties Transactions

During the year, the Group paid US\$20,000 of interest on short-term loan to a director, and paid consultancy to a shareholder in aggregate amount of US\$224,000. Please see Note 33 to the financial statements. Save as disclosed above, for the year ended 31 December 2002, there were no transactions which are required 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").

## Corporate Governance

The Company is governed through its Board of Directors. As at 31 December 2002, the Board of Directors of the Company was comprised of five directors, of which three were non-executive directors. Full board meeting is held at least twice a year to approve interim and year-end financial results and to propose interim and final dividends. It is also held as and when necessary to discuss significant transactions, including issuance of securities, material acquisitions and disposals, and connected transactions, if any.

The Board is responsible for the Company's overall strategy, acquisition and divestment policy, approving major capital expenditure projects and consideration of significant financing matters. It monitors the exposure to key business risks and review the strategic direction of individual operating subsidiaries, their annual budgets, their progress towards achievement of those budgets and their capital expenditure programs. The Board also considers employee issues and key appointments. Where subsidiaries have separate boards of directors, the minutes of their meetings are circulated to and reviewed by the Board of Directors of the Company.

# Report of the Directors

## *Board Committees*

As of 31 December 2002, the Board of Directors of the Company has only one committee, i.e., the Audit Committee. The Audit Committee consists of three non-executive directors. Two of them were independent. During the year the Audit Committee met twice with all members being in attendance. None of the members of the Committee has any personal financial interests, conflicts of interest in the Company's 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 under the review, 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 system 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 directors and meeting chairman is available for questions. All shareholders are encouraged to attend the annual general meeting.

## **Substantial Shareholders**

As at 31 March 2003, the Company had no shareholders who owned more than five percent or more of the Company's capital shares, which required to be disclosed by the SDI Ordinance.

There were 354,234,273 shares of the Company's ordinary shares issued and outstanding as at 31 March 2003, and there were no stock option or stock right outstanding.

## **Code of Best Practice**

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, except that the independent non-executive directors of the Company are not appointed for specific terms.

# Report of the Directors

## Subsidiaries

As of 31 December 2002, the Company had two principal subsidiaries that are actively operating: Seaunion Energy (Limau) Limited, which develops, explores and produces crude oil in Indonesia, and Axiom Manufacturing Services Limited, which provides electronics manufacturing services in the United Kingdom.

The audited financial statements accompanied in this Annual Report include the accounts of the Company, Global Select Ltd. and Axiom Manufacturing Services Limited. Because Axiom was acquired in 2 April, 2002, accordingly, only nine months' financial results of Axiom, i.e., from 1 April 2002 to 31 December 2002, were consolidated into the Company's consolidated financial statements for the year ended 31 December 2002.

## Major Customers and Suppliers

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for 58.5% and 90.6% respectively of the Group's total turnover for the year.

The aggregate purchased attributable to the Group's five largest suppliers accounted for 72.7% of the Group's total purchases for the year.

For the year under review, none of the directors, their associates, or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest customers.

## Independent Auditors

A resolution for Johnny Chan & Co. Ltd.'s re-appointment as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

On Behalf of the Board

**Lee Sin Pyung**  
*Managing Director*

Hong Kong, 17 April 2003