

Report of the Directors

The directors are pleased to present their annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005, which were approved by the Board of Directors on 24 April 2006.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company.

The principal activities of Group are development, exploration and production of crude oil in Indonesia and the Philippines, and provision of electronics manufacturing services in the United Kingdom.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 25.

For the year ended 31 December 2005, the Company has not declared or paid any dividend on its ordinary shares (2004: Nil). The Company currently intends to retain available funds for use in the operations and expansion of its business.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in the consolidated statement of changes in equity on pages 29 and 30 and note 26 to the financial statements respectively.

FIXED ASSETS

During the year the Group's fixed assets decreased to US\$13.03 million from US\$13.45 million at the end of 2005.

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.

DIVIDENDS

The Directors have decided not to declare any dividend for the year ended 31 December 2005 (2004: Nil).

SHARE CAPITAL

During the year, the Company issued 172,173,248 ordinary shares. Details of movements in the share capital of the Company are set out in note 24 to the financial statements.

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DIRECTORS

For the year ended 31 December 2005, the Company had six (6) directors, whose biographical information is as below:

Zhou Ling has been the Chairman of the Board of Directors of the Company since December 2003. Mr. Zhou also serves president of Fortune World Publishing Co., Ltd., and president of Shen-Shen Venture Capital Investment Co., Ltd. in China.

Lee Sin Pyung has been the Company's Managing Director since 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 been the Company's executive director since 2002. Ms. Sit graduated from Holmes College in Melbourne, Australia. She joined the Company in January 2001.

Lu Ren Jie has been an independent non-executive director of the Company since in 1999 and he is a member of the audit committee and the remuneration committee. Mr. Lu has over 40 years experience in petroleum industry and had been responsible for many oilfield projects in China. He was an associate of the World Associate of Production Science and Chairman of Shengli Branch of Society of Petroleum Engineers. Mr. Lu was a part-time professor at Shanghai Communication University and Petroleum University.

Chai Woon Chew has been the Company's independent non-executive director since 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 is qualified as Barrister at Law from Lincoln's Inn, England. Mr. Chai is a member of the audit committee and the chairman of the remuneration committee.

Ho Choi Chiu was elected as independent non-executive director of the Company in September 2004. Mr. Ho is a practicing Certified Public Accountant and a partner of C.C. Ho & Co., a public accountant firm in Hong Kong. Mr. Ho is a member of the remuneration committee and the chairman of the audit committee of the Company.

Under the existing Articles of Association of the Company, all the Directors are subject to retirement by rotation and re-election at the AGM. In accordance with Articles of Association of the Company, Mr. Lu Ren Jie, Ms. Lee Sin Pyung and Ms. Chai Woon Chew retire by rotation and, being eligible, offer themselves for re-election.

None of the Directors offering themselves for election or re-election at the AGM has a service contract with the Company or any of its subsidiaries.

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CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and has complied throughout the year within the Code on Corporate Governance Practice (the "Corporate Governance Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Throughout the year, the Company has complied with all applicable Code Provisions in the Corporate Governance Code. For more information on the Company's corporate governance practices, please see the Company's Corporate Governance Report beginning on page 14.

DIRECTORS' INTERESTS IN SHARES

Details of Directors' interests in shares of the Company are set out in the Company's Corporate Governance Report on page 18.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Company paid consultancy fee of approximately USD538,000 to Bondic Holdings Ltd. in which Ms. Lee Sin Pyung has beneficial interest.

Save as the aforesaid, 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 its subsidiaries was a party.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 December 2005, no person, other than Mr. Zhou Ling's interests which are disclosed in the "Corporate Governance Report," had registered an interest or short position in the shares or underlying shares or debentures of the Company that was required to be kept record by the Company pursuant to Section 336 of the Securities and Futures Ordinance.

RELATED PARTY TRANSACTIONS

During the year under review, the Group paid consultancy fee of approximately USD538,000 to Bondic Holdings Ltd. in which Ms. Lee Sin Pyung has beneficial interest.

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

During the period under review, neither the Company, nor its subsidiaries, had purchased, sold, or redeemed any of the Company's listed securities.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for 6.76% and 22.74% respectively of the Group's total turnover for the year.

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The aggregate purchased attributable to the Group's five largest suppliers accounted for 29.87% of the Group's total purchased of which approximately 8.48% attributable to the largest supplier.

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.

CODE OF BEST PRACTICE

For the year ended 31 December 2005, the Company was in compliance 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this Annual Report as required under the Listing Rules.

INTERNAL CONTROL AND FINANCIAL REPORTING

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 for the year ended 31 December 2005.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-Executive Directors to be independent.

INDEPENDENT AUDITORS

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

On Behalf of the Board

Zhou Ling

Chairman

Hong Kong, 24 April 2006