

Chairman's Statement

RESULTS

I am pleased to announce to the shareholders on behalf of the Board, that containing in the audited consolidated results of the Group for the year ended 31 December 2000, the consolidated operating profit after taxation and minority interests was HK\$679.73 million, representing up by 206% as compared with HK\$221.83 million of profit for the corresponding period of the year 1999.

This is a fruitful year, an outcome of the hardworking of the colleagues of the Group, as well as the increase of oil prices. As compared with the corresponding period of last year, crude oil sales volume was roughly the same, and the turnover up by 65%; the weighted average price for crude oil per barrel was approximately US\$24, it was US\$15 for last year, representing an increase of approximately 64%, and the overall profit increased 206% as compared with last year.

BUSINESS REVIEW

Liaohe Leng Jiapu Oil Field

The Liaohe Leng Jiapu Contract Area sold a total of 1.30 million tonnes of crude oil, representing an increase in sales of approximately 2% compared with the corresponding period of the previous year. On a 70% share basis, profit after taxation attributable to the Group was HK\$398 million, or an increase of 108%.

Pursuant to the Leng Jiapu Contract, the Group is responsible for 70% of the development costs, and thus a contribution of RMB245 million was made by the Group during the year as part of the fund required for the drilling of new wells and construction of ground production facilities.

Xinjiang Karamay Oil Field

The Xinjiang Karamay Contract Area sold a total of 0.84 million tonnes of crude oil, roughly the same as the corresponding period of the previous year. On a 54% share basis, profit after taxation attributable to the Group was HK\$286 million, or an increase of 548%.

China is gaining momentum in developing the West, with various attractive measures. Xinjiang Karamay Oil Field had applied for and been granted a 3 year period of deduction of income tax rate by 50% (2000-2002), and the income tax rate for the year 2000 was 15%.

The Sukhothai Concession in Thailand

With the unremitting effort of our staff to increase efficiency as well as to reduce costs since the Group's taking over of the Sukhothai Concession in Thailand, it has for the first time recorded a profit of HK\$5 million in 2000. The Company will surely capitalize on this strength to increase productivity, continuously focus on costs control, and identify potential of the oil fields to improve its efficiency.

PROSPECTS FOR 2001

Due to the recent rapid development in western China, as well as the constructing of the huge facilities for the transportation of western natural gas to the East, resulted in the demands for large diameter oil pipes and natural gas pipes in China boosting. At present, the factories in China for the large diameter oil pipes cannot meet the booming demands. The Group has identified the market needs and set up 華油鋼管有限公司 with 華北石油管理局 at the end of last year. It will commence production in the middle of this year, to provide high quality natural gas pipes for the transportation of gas in western China to eastern China. The Group will continue to monitor the demands for oil and gas pipes for proper expansion.

The Group will continue to strengthen the management of the existing Liaohe, Xinjiang and Thailand oil development projects, control their costs, increase their efficiencies and stabilise their incomes. Liaohe and Xinjiang oil fields have started to generate net cash inflow. Despite that the Group has to reinvest part of its income from Leng Jiapu Contract as investment yearly, the investment in Xinjiang Contract has basically been completed, and the Group receives stable net cash inflow from these projects every year, for use in other investment projects. In addition to the the above-mentioned new project, the Group at present is actively looking for other high quality assets for injection into the Group, and to develop domestic and foreign oil and oil related businesses.

FINAL DIVIDEND

Due to its satisfactory results for the year with record high profit, the Board of Directors has recommended the payment of a final dividend of HK\$0.04 (1999:nil) per share. The proposed dividend will be paid on or about 11 June 2001 to the shareholders whose names appear on the Register on 25 May 2001, following approval at the Annual General Meeting.

The register of members of the Company will be closed from 22 May 2001 to 25 May 2001 both days inclusive, during which period no transfers of shares will be registered. All transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar in Hong Kong, Secretaries Ltd. at 5/F, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on 21 May 2001 in order to qualify for the proposed final dividend.

RETIREMENT OF CHAIRMAN AND ELECTION OF NEW CHAIRMAN AND VICE-CHAIRMAN

The former Chairman of the Company Mr Zhang Ruchun resigned at his age of retirement. At the Board meeting on 18 January 2001, the Board approved the resignation application of Mr Zhang Ruchun and elected Mr Wang Mingcai as new Executive Chairman and Mr Li Hualin as Executive Vice-Chairman & Managing Director of the Company.

The Board acknowledges the valuable contribution to the Company of Mr Zhang Ruchun during his tenure of office, and welcomes appointment of Mr Wang Mingcai and Mr Li Hualin for chairmanship.

COMPANY GOVERNANCE

The Group fully complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of HKSE during the year.

By order of the Board

Wang Mingcai

Executive Chairman

Hong Kong, 24th April 2001