

### RESULTS

I am pleased to announce to the shareholders on behalf of the Board that the Group's consolidated profit after taxation and minority interests for the year ended 31st December 2002 was HK\$352.64 million, representing a decrease of 22.90% as compared with profit of HK\$457.38 million for the previous year.

As compared with the corresponding period of last year, crude oil sales volume increased by 12.63%, and the turnover was up by 12.57%. The weighted average price of crude oil per barrel was approximately US\$20.35, representing a decrease of approximately 1.46% compared with last year of US\$20.65, an overall decrease in profit attributable to shareholders of 22.90% as compared with last year.

### BUSINESS REVIEW

Financed with internal fund and syndicated loans, the Group rapidly expanded its operations in the year 2001 and 2002 and acquired oil fields in Peru, the Union of Myanmar, the Azerbaijan Republic, the Sultanate of Oman and increased capital investment to expand the steel pipes manufacturing factory. Since the Group has just taken over the acquired oil field projects and has not carried out large-scale development, 2002 profit contribution remained low. Following the commencement of comprehensive exploration and development work, it is crucial to the Group for profit contribution in the future.

#### Liaohe Leng Jiapu Oil Field

The Liaohe Leng Jiapu Contract Area sold a total of 1.28 million tonnes of crude oil, the sales volume remained roughly the same as the previous year. On a 70% share basis, profit after tax attributable to the Group was HK\$247 million, or a decrease of 28.25% compared with last year.

According to the Leng Jiapu Contract, the Group is responsible for 70% of the development costs and thus a contribution of RMB283 million (approximately HK\$267 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 produced a total of 0.74 million tonnes of crude oil, of which 0.11 million tonnes were kept for its own use in order to cut cost. In 2002, 0.63 million tonnes of crude oil were sold, representing a decrease of 17.87% compared with previous year, but after adjustment for own consumption, the saleable volume decreased by 4.80%. On a 54% share basis, profit after tax attributable to the Group was HK\$96 million, or a decrease of 15.86% compared with last year.

### **Sukhothai Concession in Thailand**

As a result of the relentless effort of the Group in increasing efficiency as well as in reducing costs, the Sukhothai Concession in Thailand recorded a profit of HK\$17.4 million in 2002. The Company will continue to identify potential of the oil fields to improve efficiency.

### **Talara Oil Field in Peru**

In September 2001, the Group acquired from China Petroleum Technology Development Company ("CPTDC") 50% interest to explore and produce oil and gas in Block VI and VII of the Talara oil field in Peru. The Group shared HK\$9.4 million profit after tax from the project for the year.

### **Oil Field in the Union of Myanmar**

In November 2001, the Group entered into an agreement to acquire 35% interest in the rights to explore an oil field in the Union of Myanmar. The acquisition was approved by the government of the Union of Myanmar in March 2002. Exploration work commenced in the second half of the year.

### **Kursangi and Karabagli ("K&K") oil fields in the Azerbaijan Republic**

In March 2002, the procedure to acquire 15% participating interest in K&K oil fields in the Azerbaijan Republic was completed and the Group has started to formulate future plans for development and operation and participated in the management of the oil fields. In November of the same year, the Group increased its participating interest in the oil fields to 25%.

### **Oil field in Sultanate of Oman**

In July 2002, the Group successfully acquired 25% interest in an oil field located in Sultanate of Oman. The Group is now actively involved in the implementation of the development and operation plan of the oil field.

### Steel pipes manufacturing

華油鋼管有限公司 (“North China”), which was set up by the Group together with 華北石油管理局 (the “Bureau”), has commenced production in full scale. Leverage on the experience of the Bureau in the manufacture and sale of oil pipes and gas pipes and the production of high quality steel pipes, it can produce high quality steel pipes to satisfy the demand of the project for transportation of natural gas from West to East of China and other pipe projects. At the beginning of the year, North China expanded its capital of which an additional investment of RMB40 million was contributed by the Group, to acquire the production lines for various models of steel pipes from the Bureau, in order to enhance the production capacity and its competitiveness. The profit after tax for 2002 was RMB20.8 million. In order to increase the profit size, in December of the same year, the Group agreed to set up a branch factory in the Shanghai Pudong Economic Development Zone, the PRC, to enhance its competitiveness and capture a larger market share in the eastern part of the PRC.

### Prospects for 2003

The Group will continue to strengthen the management of the existing oil fields and development projects, control costs, increase efficiencies, stabilise incomes and increase crude oil reserve and revenue.

The biaxially oriented polypropylene film factory jointly established with 大慶石油管理局 will commence production in the second half of 2003. With the PRC's accession to WTO, demand for packaging materials will gradually increase and this operation will bring stable revenue to the Group.

In March 2003, the Group successfully acquired a 31.41% interest in Gobustan oil field located in the Azerbaijan Republic. Resources were allocated to the project immediately following the acquisition to participate in the development of the oil field.

In order to expedite the development pace and expand profit size, after thorough consideration by the Board of Directors, a syndicated loan of US\$100 million was raised in July 2002 from the financial market, of which a three-year revolving loan of US\$60 million will provide the funding required for future acquisitions and development of existing projects.

The positioning of the Group's future development remains unchanged, it still insists in investing in oil-related businesses and will continue to explore opportunities by utilising the net cash inflow from existing oil fields and the facilities provided under the syndicated loans. These include increasing its oil reserve, diversifying its investments into projects in different locations with lower risk and reasonable return, as well as developing oil-related businesses in the PRC and overseas. With a sound financial position and an appropriate level of borrowings, the Group will develop rapidly and increase shareholders' value.

## FINAL DIVIDEND

With satisfactory results for the year, the Board of Directors has recommended the payment of a final dividend of HK\$0.035 (2001: HK\$0.02) per share. The proposed dividend will be paid on or about 27th June 2003 to the shareholders whose names appear on the Register on 22nd May 2003, following approval at the Annual General Meeting.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 19th May 2003 to 22nd May 2003 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 the Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 16th May 2003 in order to qualify for the proposed final dividend.

## CORPORATE GOVERNANCE

The Group fully complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on HKSE (the "Listing Rules") during the year.

By Order of the Board

**Wang Mingcai**

*Executive Chairman*

Hong Kong, 7th April 2003