



*Chairman's
Statement*



On behalf of the Board of Directors (the "Board") of GeoMaxima Energy Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group"), I am pleased to report to shareholders the annual results of the Group for the year ended 31 December 2003.

RESULTS

The turnover of the Group for the year ended 31 December 2003 was RMB158.7 million (2002: RMB180.3 million) and the profit attributable to shareholders was RMB14.9 million (2002: RMB57.9 million). The turnover and profit attributable to shareholders has decreased by 11.9% and 74.2% respectively, as compared with that of year 2002.

DIVIDEND

The Board resolved not to declare a dividend for the year ended 31 December 2003.

OUTLOOK

Year 2003 was a year of challenge to the Group. The performance of both segments, namely transportation and storage of petroleum and supply and sales of natural gas and liquefied petroleum gas, were not satisfactory.

There has been substantial decrease of profit from operation generated by the business of natural gas pipeline network in Korla City due to the lack of contribution of gas connection fee income from the business of natural gas pipeline network. On the other hand, the profit from operation of transportation and storage facilities for crude oil exploited from the Tahe Oilfield has also declined due to competition from the commencement of operation of a new oil pipeline in second half of 2003.

In April 2003, the Group entered into an agreement for disposal of its entire interest in the associate (that is the business of natural gas pipeline network in Jilin City in Jilin Province). As mentioned in the interim report, the proceed of the disposal amounting to RMB135 million would allow the Group to benefit from reallocating resources to other energy related business that would yield a higher return. Subsequently in March 2004, the Group has entered into an agreement to acquire effectively 51% equity interest of a joint venture in Ningxia, the PRC (the "JV Company"). The JV Company has already been approved by relevant authority in the region to carry out natural gas project in Ningxia. Under such project, the JV Company will construct, operate and develop natural gas pipeline running from Qingbian, Shanxi Province to Yinchuan, Ningxia Hui Autonomous Region and the total length of the natural gas pipeline will be 275 kilometres.



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The natural gas pipeline to be constructed, operated and developed by the JV Company in Ningxia will have a maximum annual transportation capacity of 2,000 million cubic metres. The JV Company has tenure of 30 years from 3 December 2003. The JV Company anticipates that the total natural gas consumption in Ningxia will increase by not less than 1,300 million cubic metres to over 2,000 million cubic metres by 2005. Further, Chang Qing Gas Field will employ the natural gas pipeline for the transportation of natural gas in Ningxia. We consider the JV Company to have an optimistic business prospects since the transportation capacity of the natural gas pipeline of the JV Company can be fully utilized in view of the significant potential market and reliable gas supply.

Despite the emerge of competition in Tahe Oilfield, as the Tahe Oilfield is gradually developed and more proven reserves are found, we believe that the oil transportation operation in Tahe region will still remain steady in coming years. Taking into account of the expected commencement of operation of the natural gas transportation pipeline in Ningxia in 2005, we consider that this joint venture offers the Group a good business opportunity to invest in natural gas business in the PRC, which is in line with the Group's objective of investing in energy-related sector in the PRC. This project will broaden the Group's income base and enhance the net asset value of the Group.

Although year 2003 has been full of challenge, in order to maximize the shareholders' return, the Group will continuously take an active role in seeking investment opportunities to develop core business and at the same time the Group will consolidate the existing operation by reducing the cost of production and services through technological improvement and cost control scheme so as to enhance assets efficiency and profitability.

APPRECIATION

Once again, I wish to take this opportunity to thank my fellow Directors for their continuing support and all management and staff members for their devoted commitment throughout all these years.

Zhu Jia Zhen

Chairman

Hong Kong, 23 April 2004