NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 2.

(b) Basis of preparation of the financial statements

On 5 October 2004, Vand Petro-Chemicals, the Company and Mr David An ("Mr An"), a director and a substantial shareholder of the Company, entered into a sale and purchase agreement (the "Acquisition Agreement"). Pursuant to the Acquisition Agreement, the Company conditionally agreed to purchase Vand Petro-Chemicals's entire interest in UPC for an aggregate consideration of $1,040,000,000 (the "Acquisition").

The aggregate consideration for the acquisition, which amounted to $1,040,000,000, was satisfied:

(a) as to $200,000,000, by the issue of promissory note ("Promissory Notes") by the Company to Vand Petro-Chemicals;

(b) as to $159,000,000, by the allotment and issue of 530,000,000 new ordinary shares of $0.1 each ("Consideration Share") by the Company to Vand Petro-Chemicals, credited as fully paid at an issue price of $0.30 per new share; and

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

(c) as the remaining $681,000,000, by the issue of a convertible notes ("Convertible Notes") by the Company to Vand Petro-Chemicals.

The Acquisition was completed in December 2004.

Vand Petro-Chemicals is wholly-owned by Mr An and Mr An is a director and a controlling shareholder of the Company and hence a connected person of the Company under the Listing Rules. The Acquisition constitutes a connected transaction under the Listing Rules for the Company and was approved by shareholders of the Company in an extraordinary general meeting held on 23 December 2004.

The Acquisition has been accounted for as a reverse acquisition because the issuance of the Consideration Shares and Convertible Notes in exchange for the entire interest in UPC resulted in Vand Petro-Chemicals becoming the controlling shareholder of the Company. For accounting purposes, UPC Group is treated as the acquirer while the Company and its subsidiaries is deemed to have been acquired by the UPC Group. Along this principle, the consolidated financial statements in 2004 have been prepared as a continuation of the consolidated financial statements of the UPC Group and accordingly,

(a) the assets and liabilities of the UPC Group are recognised and measured at the date of acquisition at their historical carrying values prior to the Acquisition;

(b) the share capital and share premium accounts reflect the legal equity structure of the Company. Any difference between the Company's legal equity and that of UPC is accounted for as a special reserve;

(c) the other equity balances recognised in these financial statements are the other equity balances of the UPC Group.

The consolidated financial statements for the year ended 31 December 2005 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 38.

(c) Subsidiaries and controlled entities

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital or controls more than half the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and controlled entities (Continued)

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(g)), unless the investment is classified as held for sale.

(d) Fixed assets

(i) Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(g)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

(d) **Fixed assets** (Continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	30 years
Dock, processing and storage facilities	5–37 years
Office equipment	5–10 years
Motor vehicles	5–10 years
Leasehold improvement	Over the term of the lease

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(ii) Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(f)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(g)). Depreciation is provided over its estimated useful lives on a straight-line basis, after taking into account their estimated residual values. Estimated useful life of the investment property is 20 years.

(iii) Construction in progress represents dock and storage facilities under construction and pending installation, and is stated at cost less impairment losses (note 1(g)). Cost comprises direct costs of construction as well as interest charges, and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges, during the periods of construction.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

(e) Intangible assets

Intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses (see note 1(g)). Intangible assets with indefinite useful lives that are acquired by the Group are stated in the balance sheet at cost less impairment losses (see note 1(g)).

Both the period and method of amortisation and any conclusion that the useful life of an intangible asset is indefinite are reviewed annually.

(f) Leased assets

(i) *Classification of assets leased to the Group*

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

(ii) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Company or Group will obtain ownership of the asset, the life of the asset, as set out in note 1(d). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(g). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leased assets (Continued)

(iii) *Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

(g) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— fixed assets;

— intangible assets; and

— investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

For intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment of assets (Continued)

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

For current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for current receivables are reversed if in a subsequent period the amount of the impairment loss decreases.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Inventories

Inventories represent consumable parts and are stated at cost less any provision for obsolescence.

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 1(g)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(g)).

(j) Convertible notes

Convertible Notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. At initial recognition the liability component of the convertible notes is calculated as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the notes are converted or redeemed.

If the notes are converted, the capital reserve, together with the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the notes are redeemed, the capital reserve is released directly to retained profits.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(n) Employee benefits

(i) *Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) *Share based payments*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date after taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Employee benefits (Continued)

(ii) *Share based payments* (Continued)

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    — the same taxable entity; or

    — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Deferred revenue

Deferred revenue represents unearned rental income received in advance, which is recognised as revenue in profit or loss in equal instalments over the periods covered by the lease term (see note 1(r)(i)).

(r) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss account as follows:

(i) Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(ii) Port income is recognised in the profit or loss account upon performance of the services.

(iii) Interest income is recognised as it accrues using the effective interest method.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains or losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the foreign exchange rates ruling at the transactions dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Translation of foreign currencies (Continued)

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(t) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(u) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Segment reporting (Continued)

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period. Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

(w) Dividends

Dividends are recognised as a liability in the period in which they are declared.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005.

The accounting policies of the Group and Company after the adoption of these new and revised HKFRSs have been summarised in note 1. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 39).

(a) Minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders (the equity shareholders of the Company).

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements) (Continued)

With effect from 1 January 2005, in order to comply with HKAS 1 and HKAS 27, the Group has changed its accounting policy relating to presentation of minority interests. Under the new policy, minority interests are presented as part of equity, separately from interests attributable to the equity shareholders of the Company. Further details of the new policy are set out in note 1(c). These changes in presentation have been applied retrospectively with comparatives restated.

(b) Leasehold land and buildings held for own use (HKAS 17, Leases)

In prior year, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and impairment losses.

With effect from 1 January 2005, in order to comply with HKAS 17, the Group has adopted a new policy for leasehold land and buildings held for own use. Under the new policy, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the cost of the interest in any buildings situated on the leasehold land could be measured separately from the cost of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

Further details of the new policy are set out in notes 1(f).

(c) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

With effect from 1 January 2005, in order to comply with HKAS 32 and HKAS 39, the Group has changed its accounting policies relating to financial instruments to those as set out in notes 1(i), (j), and (l). Further details of the changes on convertible notes are as follows:

In prior years, convertible notes issued were stated at amortised cost (including transaction costs).

With effect from 1 January 2005, and in accordance with HKAS 32 and HKAS 39, convertible notes issued are split into their liability and equity components at initial recognition. The liability component is subsequently carried at amortised cost. The equity component is recognised in the capital reserve until the note is either converted (in which case it is transferred to share premium) or redeemed (in which case it is released directly to retained profits). Further details of the new policies are set out in note 1(j).

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(c) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement) (Continued)

The changes in accounting policies relating to convertible notes were adopted by way of opening balance adjustments to capital reserves and deferred tax liabilities as at 1 January 2005. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

(d) Definition of related parties (HKAS 24, Related party disclosures)

As a result of the adoption of HKAS 24, Related party disclosures, the definition of related parties as disclosed in note 1(u) has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had SSAP 20, Related party disclosures, still been in effect.

3 TURNOVER

The principal activities of the Group are provision of terminalling, transshipment and storage facilities services for oil and petrochemical products.

Turnover represents port income and storage and transshipment income. The amount of each significant category recognised in turnover during the year is as follows:

	2005	2004
	’000	’000
Port income	**$18,820**	$23,632
Storage and transshipment income	**182,982**	168,525
Others	**—**	27
	$201,802	$192,184

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 OTHER NET INCOME

	2005 '000	2004 '000
Interest income	**$7,342**	$502
Rental receivable from investment properties	**136**	—
Others	**1,309**	1,283
	$8,787	$1,785

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

		2005 '000	2004 '000
(a)	Finance costs:		
	Interest on bank borrowings wholly repayable within five years	**$3,140**	$9,060
	Interest on convertible notes	**15,920**	—
		$19,060	$9,060
(b)	Staff costs:		
	Contributions to defined contribution retirement plans	**$706**	$468
	Salaries, wages and other benefits	**22,072**	12,256
	Total staff costs	**$22,778**	$12,724
(c)	Other items:		
	Depreciation and amortisation	**$26,165**	$25,355
	Auditors' remuneration		
	— audit services	**1,080**	921
	— review services	**370**	—
	— under provision in prior year	**170**	—
	Net foreign exchange gain	**(248)**	(106)
	Operating lease charges: minimum lease payments — buildings	**2,005**	1,382

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

6 TAXATION

Taxation in the consolidated income statement represents:

	2005 **'000**	2004 '000
Current tax — PRC Enterprise Income Tax for the year	**$10,205**	$9,699
Over-provision in prior years	**(535)**	—
Deferred tax — reversal of temporary differences *(note 24)*	**(2,039)**	—
	$7,631	$9,699

No Hong Kong Profits Tax was provided as the Group sustained a loss for Hong Kong Profits Tax purposes for the year.

The subsidiary in the PRC, GD (Panyu) is entitled to exemption from PRC Enterprise Income Tax for five years starting from its first profit-making year, followed by a 50% relief for the five years thereafter, in accordance with the approval from the PRC authority issued in 2002 regarding its port operation business. The full PRC Enterprise Income Tax rate applicable to GD (Panyu) is 15% and the reduced rate is 7.5%. The first year of GD (Panyu) subject to PRC Enterprise Income Tax at the reduced rate of 7.5% commenced from 1 January 2004.

Reconciliation between tax expense and accounting profit at applicable tax rate:

	2005 **'000**	2004 '000
Profit before taxation	**$110,740**	$134,038
Tax at the applicable tax rate of 15%	**$16,611**	$20,106
Tax effect of expenses not deductible for tax purpose	**1,488**	108
Tax effect of income not taxable for tax purpose	**(1,202)**	(1,075)
Tax effect of tax losses not recognised	**1,963**	260
Over-provision in prior years	**(535)**	—
Effect of tax relief granted to a PRC subsidiary	**(10,694)**	(9,700)
Taxation charge for the year	**$7,631**	$9,699

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

2005

	Directors' fee '000	Salaries, allowances and benefits in kind '000	Discretionary bonuses '000	Retirement scheme contributions '000	Total '000
Executive directors					
David An	$—	$923	$—	$30	$953
Feng Ya Lei	—	585	40	—	625
Zhou Nan Zheng	—	585	40	12	637
Kwan Po Wan	—	405	180	5	590
William W Liu	30	662	—	7	699
Independent non-executive directors					
Li Wai Keung	120	—	—	—	120
Liu Jian	120	—	—	—	120
Chan Chun Wai, Tony	70	—	—	—	70
	$340	$3,160	$260	$54	$3,814

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

7 DIRECTORS' REMUNERATION (Continued)

2004

	Directors' fee '000	Salaries, allowances and benefits in kind '000	Discretionary bonuses '000	Retirement scheme contributions '000	Total '000
Executive directors					
David An	$—	$938	$—	$30	$968
Feng Ya Lei	—	—	—	—	—
Zhou Nan Zheng	—	—	—	—	—
Kwan Po Wan	—	—	—	—	—
Independent non-executive directors					
Li Wai Keung	—	—	—	—	—
Liu Jian	—	—	—	—	—
William W Liu	—	—	—	—	—
	$—	$938	$—	$30	$968

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2004: one) were directors of the Company whose emolument is included in the disclosure in note 7 above. The emoluments of the remaining three (2004: four) individuals are as follows:

	2005 **'000**	2004 '000
Salaries and other benefits	**$4,748**	$1,091
Retirement benefits scheme contributions	**46**	52
	$4,794	$1,143

The emoluments of the three (2004: four) individuals with the highest emoluments are within the following bands:

$	**2005** **Number of individuals**	2004 Number of individuals
Nil–1,000,000	**2**	4
1,000,000–3,000,000	**—**	—
3,000,000–3,500,000	**1**	—

9 RESULT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of $15,951,000 (2004: $nil) which has been dealt with in the financial statements of the Company.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

10 DIVIDEND

	2005	2004
	'000	'000
Interim dividend paid	**$—**	$50,000
Proposed final dividend of $nil per share (2004: $1.0 Hong Kong cent per share)	**—**	26,200
	$—	$76,200

The interim dividend in 2004 represents dividend paid by UPC to its then shareholder prior to the acquisition in December 2004.

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $92,569,000 (2004: $114,769,000) and the weighted average of 2,397,534,247 (2004: 551,639,344) ordinary shares in issue during the year, calculated as follows:

	2005	2004
	'000	'000
Issued ordinary shares at 1 January	**1,520,000**	530,000
Effect of issue of shares on exercise of Convertible Notes	**800,000**	—
Effect of issue of shares	**77,534**	21,639
Weighted average number of ordinary shares at 31 December	**2,397,534**	551,639

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

11 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

The calculation of the diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $108,489,000 (2004: $114,769,000) and the weighted average of 3,870,273,973 (2004: 601,256,830) ordinary shares in issue during the year, calculated as follows:

	2005 **'000**	2004 '000
Profit attributable to ordinary equity shareholders (basic)	**$92,569**	$114,769
Effect of interest on liability component of Convertible Notes	**15,920**	—
Profit attributable to ordinary equity shareholders (diluted)	**$108,489**	$114,769

	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,397,534**	551,639
Effect of conversion of Convertible Notes	**1,472,740**	49,618
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**3,870,274**	601,257

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 SEGMENT REPORTING

Business segments

For management purposes, the Group's operations are organised into two operating divisions, namely, provision of transshipment and storage facilities and port income. These divisions are the basis on which the Group reports its primary segment information.

Business segment information about these business is presented below:

2005

	Provision of transshipment and storage facilities '000	Port income '000	Consolidated '000
Turnover			
External sales	$182,982	$18,820	$201,802
Results			
Segment results	$138,807	$15,534	$154,341
Interest income			7,342
Unallocated corporate income			1,445
Unallocated corporate expenses			(33,328)
Profit from operations			$129,800
Finance costs			(19,060)
Profit before taxation			$110,740
Income tax			(7,631)
Profit for the year			$103,109

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 SEGMENT REPORTING (Continued)

Business segments (Continued)

Business segment information about these business is presented below: (Continued)

2005 (Continued)

	Provision of transshipment and storage facilities '000	Port income '000	Consolidated '000
Assets			
Segment assets	$366,121	$3,456	$369,577
Unallocated corporate assets			365,061
Total assets			$734,638
Liabilities			
Segment liabilities	$349,061	$1,526	$350,587
Unallocated corporate liabilities			467,469
Total liabilities			$818,056
Other information			
Capital expenditure	$26,740	—	$26,740
Depreciation and amortisation			
Segment depreciation and amortisation	$26,054	—	$26,054
Unallocated depreciation and amortisation			111
Total depreciation and amortisation			$26,165
Loss on disposal of property, plant and equipment	$93	—	$93

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 SEGMENT REPORTING (Continued)

Business segments (Continued)

Business segment information about these business is presented below: (Continued)

2004

	Trading of petro-chemical products '000	Provision of transshipment and storage facilities '000	Port income '000	Consolidated '000
Turnover				
External sales	$27	$168,525	$23,632	$192,184
Results				
Segment results	$27	$129,027	$21,031	$150,085
Interest income				502
Unallocated corporate income				1,283
Unallocated corporate expenses				(15,204)
Profit from operations				$136,666
Finance costs				(9,060)
Gain on disposal of subsidiaries				6,432
Profit before taxation				$134,038
Income tax				(9,699)
Profit for the year				$124,339

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 SEGMENT REPORTING (Continued)

Business segments (Continued)

Business segment information about these business is presented below: (Continued)

2004 (Continued)

	Trading of petro-chemical products '000	Provision of transshipment and storage facilities '000	Port income '000	Consolidated '000
Assets				
Segment assets	$—	$368,904	$18,222	$387,126
Unallocated corporate assets				510,695
Total assets				$897,821
Liabilities				
Segment liabilities	$303	$416,139	$8,812	$425,254
Unallocated corporate liabilities				1,074,289
Total liabilities				$1,499,543
Other information				
Capital expenditure	—	$177,019	—	$177,019
Depreciation and amortisation	—	$25,355	—	$25,355
Loss on disposal of property, plant and equipment	—	$604	—	$604

The Group is engaged in the provision of transshipment and storage facilities services. More than 90% of the Group's turnover are derived from operations in the PRC (other than Hong Kong).

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 SEGMENT REPORTING (Continued)

Business segments (Continued)

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2005	2004	**2005**	2004
	’000	’000	**’000**	’000
PRC (other than Hong Kong)	**$626,523**	$834,065	**$26,515**	$176,184
Hong Kong	**108,115**	63,756	**225**	835
	$734,638	$897,821	**$26,740**	$177,019

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

13 FIXED ASSETS

(a) The Group

	Buildings '000	Investment property '000 *(note (b))*	Dock and storage facilities '000	Office equipment '000	Motor vehicles '000	Leasehold improvements '000	Sub-total '000	Construction in progress '000	Interests in leasehold land held for own use under operating leases '000 *(note (c))*	Total Fixed assets '000
Cost:										
At 1 January 2005	$11,445	$—	$407,418	$2,522	$7,064	$1,109	$429,558	$29,800	$35,582	$494,940
Exchange adjustments	231	—	8,222	42	135	18	8,648	604	720	9,972
Additions	—	—	2,569	1,215	3,219	18	7,021	17,330	—	24,351
Acquisition of subsidiaries	291	2,036	—	62	—	—	2,389	—	—	2,389
Disposals	—	—	—	—	(682)	(996)	(1,678)	—	—	(1,678)
Transfer	249	—	14,725	—	—	—	14,974	(14,974)	—	—
At 31 December 2005	$12,216	$2,036	$432,934	$3,841	$9,736	$149	$460,912	$32,760	$36,302	$529,974
Accumulated depreciation and amortisation:										
At 1 January 2005	$2,897	$—	$125,718	$1,794	$3,140	$587	$134,136	$—	$11,032	$145,168
Exchange adjustments	64	1	2,905	37	77	12	3,096	—	244	3,340
Charge for the year	365	59	22,787	348	1,028	30	24,617	—	1,437	26,054
Written back on disposals	—	—	—	—	(646)	(598)	(1,244)	—	—	(1,244)
At 31 December 2005	$3,326	$60	$151,410	$2,179	$3,599	$31	$160,605	$—	$12,713	$173,318
Net book value:										
At 31 December 2005	$8,890	$1,976	$281,524	$1,662	$6,137	$118	$300,307	$32,760	$23,589	$356,656

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

13 FIXED ASSETS (Continued)

(a) The Group (Continued)

	Buildings '000	Dock and storage facilities $'000	Plant and machinery $'000	Office equipment $'000	Motor vehicles $'000	Leasehold improvements '000	Sub-total '000	Construction in progress '000	Interests in leasehold land held for own use under operating leases '000 *(note (c))*	Total Fixed assets '000
Cost:										
At 1 January 2004	$11,376	$403,936	$—	$2,281	$5,873	$971	$424,437	$9,871	$35,367	$469,675
Exchange adjustments	69	2,435	—	13	34	6	2,557	60	215	2,832
Additions	—	2,134	—	81	2,040	—	4,255	19,869	—	24,124
Acquired on acquisition of subsidiaries	85,210	—	62,173	1,682	698	3,132	152,895	—	—	152,895
Disposals	—	(1,087)	—	(153)	(883)	—	(2,123)	—	—	(2,123)
Eliminated on disposal of subsidiaries	(85,210)	—	(62,173)	(1,382)	(698)	(3,000)	(152,463)	—	—	(152,463)
At 31 December 2004	$11,445	$407,418	$—	$2,522	$7,064	$1,109	$429,558	$29,800	$35,582	$494,940
Accumulated depreciation and amortisation:										
At 1 January 2004	$2,538	$103,209	$—	$1,688	$2,983	$389	$110,807	$—	$9,545	$120,352
Exchange adjustments	17	677	—	10	20	3	727	—	62	789
Charge for the year	342	22,465	—	225	703	195	23,930	—	1,425	25,355
Written back on disposals	—	(633)	—	(129)	(566)	—	(1,328)	—	—	(1,328)
At 31 December 2004	$2,897	$125,718	$—	$1,794	$3,140	$587	$134,136	$—	$11,032	$145,168
Net book value:										
At 31 December 2004	$8,548	$281,700	$—	$728	$3,924	$522	$295,422	$29,800	$24,550	$349,772

(b) Investment property represents certain floors of the Company's office building rented out under the terms of operating leases.

The fair value of the investment property of the Group as at 31 December 2005 is estimated by the directors to be approximately $2 million by reference to market conditions. The investment property has not been valued by an external independent valuer.

(c) The Group was granted the rights to use the land by the PRC authorities with lease terms of 50 years. The net book value as at 31 December 2005 included an amount of HK$1,425,000 (2004: 1,425,000) which is disclosed as interest in leasehold land held for own use under operating leases under current assets.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

13 FIXED ASSETS (Continued)

(d) The Company

	Office equipment '000	Motor vehicles '000	Total '000
Cost			
At 1 January and 31 December 2004	$—	$—	$—
Additions	647	1,274	1,921
At 31 December 2005	$647	$1,274	$1,921
Accumulated depreciation and amortisation:			
At 1 January and 31 December 2004	$—	$—	$—
Exchange adjustment	1	2	3
Charge for the year	70	185	255
At 31 December 2005	$71	$187	$258
Net book value:			
At 31 December 2004	—	—	—
At 31 December 2005	$576	$1,087	$1,663

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 INTANGIBLE ASSETS

	The Group		
	Club membership '000	Terminal development rights '000	Total '000
Cost:			
At 1 January and 31 December 2004	$—	$—	$—
Additions	935	—	935
Acquisition of subsidiary *(note 29)*	—	5,080	5,080
At 31 December 2005	$935	$5,080	$6,015
Accumulated amortisation:			
At 1 January and 31 December 2004	$—	$—	$—
Charge for the year	47	64	111
At 31 December 2005	$47	$64	$111
Net book value:			
At 31 December 2004	$—	$—	$—
At 31 December 2005	$888	$5,016	$5,904

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

15 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2005	2004
	'000	'000
Unlisted equities	**$1,051,500**	$1,051,500
Amounts due from subsidiaries	**26,963**	18,882
	$1,078,463	$1,070,382

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore shown in the balance sheet as non-current.

The following list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the Group financial statements.

Details of the Company's principal subsidiaries at 31 December 2005 are as follows:

Name of subsidiary	Place of operation	Place of incorporation/ establishment	Particulars of issued and paid up share capital/registered capital	Attributable equity interest Directly	Attributable equity interest Indirectly	Principal activities
GDPC	Hong Kong	Hong Kong	Ordinary shares — $20,000,000	—	100%	Provision of administrative services
Oriental Point International Limited	Hong Kong	Hong Kong	Ordinary shares — $1,000,000	—	100%	Inactive
Timeslink Development Limited	Hong Kong	Hong Kong	Ordinary shares — $10,000	100%	—	Provision of administrative services
UPC	Hong Kong	British Virgin Islands	Ordinary shares — US$100	100%	—	Investment holding
GD (Panyu)	PRC	PRC	RMB80,000,000	—	92%	Storage and transshipment
廣州中穗石油化工發展有限公司 ("中穗石化")	PRC	PRC	RMB4,820,800	—	92%	Investment holding

Note: GD (Panyu) is a sino-foreign equity joint venture company and 中穗石化 is a limited company.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

16 TRADE AND OTHER RECEIVABLES

Subject to negotiation, credit is generally only available for major customers with well-established trading records. The Group allows an average credit period of 30 to 90 days to its trade customers.

Included in trade and other receivables are trade receivables of $8,860,000 (2004: $19,564,000). The aged analysis of trade receivables at the balance sheet date is as follows:

	The Group	
	2005	2004
	'000	'000
Due within 30 days	**$8,860**	$19,292
31–60 days	**—**	120
61–90 days	**—**	143
Over 90 days	**—**	9
	$8,860	$19,564

Included in trade and other receivables, amounts denominated in United States Dollars were US$355,000 (2004: nil).

17 CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents in the balance sheets are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group				**The Company**			
	2005		2004		**2005**		2004	
		'000		'000		**'000**		'000
United States dollar		**USD4,390**		USD6,121		**USD—**		USD—
Effective interest rate:								
Time deposit	**3.0%**	**$191,555**	1.8%	$374,752	**3.0%**	**$59,628**	—	—
Other cash and cash equivalents	**1.2%**	**$162,679**	0.5%	$122,617	**1.2%**	**$1,563**	0.5%	$12,504

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

18 TRADE AND OTHER PAYABLES

There were no trade payables at 31 December 2005. At 31 December 2004, included in trade and other payables were trade payable of $303,000. The aged analysis of trade payables at the balance sheet date is as follows:

	The Group	
	2005	2004
	'000	'000
Due within 30 days	**$—**	$—
31–90 days	**—**	—
Over 90 days	**—**	303
	$—	$303

19 DEFERRED REVENUE

	The Group	
	2005	2004
	'000	'000
Within one year	**$85,918**	$86,388
More than one year, but not exceeding two years	**77,580**	81,745
More than two years, but not exceeding five years	**184,086**	245,236
	$347,584	$413,369
Less: Amount due within one year shown under current liabilities	**(85,918)**	(86,388)
Amount due after one year	**$261,666**	$326,981

On 29 December 2004, the Group entered into a lease agreement (the "Lease Agreement") with a third party (the "Lessee") for the lease of certain oil storage tanks of the Group (the "Oil Storage Tanks") and the non-exclusive use of related transshipment, docking, loading and unloading facilities for a period of 20 years from the date of delivery of the use of the Oil Storage Tanks at an annual rental of approximately $80 million. Pursuant to the Lease Agreement, the Group received five years' rentals of approximately $410 million on signing of the Lease Agreement and was obliged to pass the right to use part of the Oil Storage Tanks to the Lessee on 1 January 2005.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

20 AMOUNTS DUE TO RELATED COMPANIES

Details of the amounts due to related companies are as follows:

	The Group	
Name of company	**2005**	2004
	’000	’000
Vand Petro-Chemicals	**$—**	$50,035
廣州市粵盈石油化工發展有限公司 (“粵盈石化”)	**615**	—
Guangdong Lianyang Petrochemcal Company Limited (“GD Lianyang”)	**—**	53,498
	$615	$103,533

The amount due to Vand Petro-Chemicals was unsecured, interest free and was fully repaid during the year.

粵盈石化 and GD Lianyang are companies controlled by a director of a subsidiary of the Company. The amount due to 粵盈石化 is unsecured, interest free and repayable on demand. The amount due to GD Lianyang was unsecured, interest free and was fully repaid during the year.

21 BANK LOANS

The banks loans at 31 December 2004 were secured and repayable as follows:

	The Group
	2004
	’000
Within one year	$160,174
More than one year, but not exceeding two years	—
	$160,174
Less: Amount due within one year shown under current liabilities	(160,174)
Amount due after one year	$—

The bank loans were repaid during the year ended 31 December 2005.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 CONVERTIBLE NOTES

On 24 December 2004, the Company issued Convertible Notes with a principal amount of $681,000,000 to Vand Petro-Chemicals as part of the consideration for the acquisition of UPC.

The Convertible Notes bear interest at 1% per annum and is redeemable at par on 24 December 2009. The holder of the convertible notes has the rights to convert all or any portion of the convertible notes into ordinary shares of the Company at an initial conversion price of $0.30 per share, subject to adjustment. The conversion rights can be exercised at any time from the date of issue until the repayment of the Convertible Notes, provided that the public float of the Company will not be less than 25% immediately after such conversion.

On 15 March 2005, Vand Petro-Chemicals exercised its rights to convert part of the Convertible Notes with a principal amount of $300 million for the issue of 1,000 million ordinary shares of $0.10 each at the conversion price of $0.30 each.

23 PROMISSORY NOTES

On 24 December 2004, the Company issued Promissory Notes with a principal amount of $200,000,000 to Vand Petro-Chemicals as part of the consideration for the acquisition of UPC. $95,000,000 of the Promissory Notes were repaid during 2004. The Promissory Notes are interest free and were repayable on demand on or before 24 June 2006.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

24 DEFERRED TAX LIABILITIES

The movements of deferred tax liabilities during the year are as follows:

Deferred tax arising from:	The Group and the Company Convertible Notes '000
At 1 January and 31 December 2004,	
— before opening balance adjustment	$—
— opening balance adjustments — HKAS 39	15,869
At 1 January 2005, after opening balance adjustment	$15,869
Credited to reserves	(6,581)
Credited to income statement *(note 6)*	(2,039)
At 31 December 2005	$7,249

In accordance with the accounting policy set out in note 1(o), the Group has not recognised deferred tax assets in respect of the cumulative tax losses of approximately $40 million (2004: $25 million) as it is not probable that future taxable profits against which the losses can be utilised will be available. The tax losses do not expire under the current tax legislation.

25 EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of GD (Panyu) and 中穗石化 are members of a state-managed retirement benefit scheme operated by the PRC government. GD (Panyu) and 中穗石化 are required to contribute a certain percentage of the salaries, bonuses and certain allowances of its staff to the retirement scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contribution under the scheme. The Group has no other material obligation for the payment of pension benefits associated with this scheme beyond the annual contributions described above.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

26 SHARE CAPITAL

	The Company	
	Number of ordinary shares '000	Amount '000
Ordinary shares of $0.10 each:		
Authorised:		
At 1 January 2004	5,000,000	$500,000
Increase in authorised share capital	5,000,000	500,000
At 31 December 2004 and 2005	10,000,000	$1,000,000
Issued and fully paid:		
At 1 January 2004	990,000	$99,000
Issue of new shares	530,000	53,000
At 31 December 2004	1,520,000	$152,000
At 1 January 2005	1,520,000	$152,000
Issue of shares on exercise of Convertible Notes *(note 22)*	1,000,000	100,000
Issue of shares	100,000	10,000
At 31 December 2005	2,620,000	$262,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

27 RESERVES

The Company

	Share premium '000	Translation reserve '000	Capital reserve '000	Accumulated losses '000	Total '000
At 31 March 2004	$96,986	$—	$—	$(2,085)	$94,901
Issue of shares	106,000	—	—	—	106,000
Loss for the period	—	—	—	(63,326)	(63,326)
At 31 December 2004	$202,986	$—	$—	$(65,411)	$137,575
At 1 January 2005					
— as previously reported	$202,986	$—	$—	$(65,411)	$137,575
— opening balance adjustment					
— HKAS 39	—	—	74,813	—	74,813
At 1 January 2005 after opening balance adjustment	$202,986	$—	$74,813	$(65,411)	$212,388
Issue of shares on exercise of convertible notes	201,631	—	(32,957)	—	168,674
Issue of shares	87,385	—	—	—	87,385
Dividend paid	—	—	—	(26,200)	(26,200)
Exchange difference	—	91	—	—	91
Loss for the year	—	—	—	(15,951)	(15,951)
At 31 December 2005	$492,002	$91	$41,856	$(107,562)	$426,387

The Company's reserves available for distribution to its shareholders comprise share premium and accumulated losses which in aggregate amounted to approximately $384.4 million as at 31 December 2005 (2004: $137.6 million). Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the payment of distribution or dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's articles of association, distributions shall be payable out of the profits or other reserves, including the share premium account, of the Company.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

28 SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on 16 December 2002, the Company adopted a share option scheme (the "scheme") for the purpose of enabling the Company to recruit and retain high-calibre employees and attract resources that are available to the Group and to provide the Company with a means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to such persons who contribute or may bring benefit to the Group. The scheme will remain in force for a period of 10 years from adoption of such scheme and will expire on 15 December 2012.

Under the Scheme, the board of directors of the Company (the "directors") may at their discretion grant options to (i) any director of the Company or any company in which the Company holds an equity interest; or (ii) any employee of the Company or any company in which the Company owns any equity interest; (iii) any consultant, agent, business affiliate, professional and other advisor, business partner, joint venture partner, strategic partner, or any supplier or provider of goods or services to the Company or any subsidiaries of the Company as may be determined by the directors from time to time to subscribe for the shares of the Company (the "shares").

Options granted must be taken up within 21 days of the date of grant, upon payment of $1 per option. The maximum number of shares in respect to which options may be granted under the scheme shall not exceed 10% of the issued share capital of the Company on the date of adopting the scheme. The limit may be refreshed at any time provided that the new limit must not be in aggregate exceed 10% of the issued share capital of the Company as at the date of the shareholders' approval in general meeting. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the scheme and any other scheme of the Company must not in aggregate exceed 30% of the shares in issue from time to time. The maximum number of shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules. Options granted to substantial shareholders or independent non-executive directors in excess of issued share capital of the Company or with a value in excess of $5 million must be approved in advance by the shareholders of the Company.

Options may be exercised at any time from date of grant of the share option to the 10th anniversary of the date of grant as may be determined by the directors. The exercise price is determined by the directors, and will not be less than the higher of the closing price per share as stated in the Stock Exchange's daily quotation sheets on the date of the grant of the options and the average closing price per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the grant of the options.

No option was granted by the Company under the scheme since its date of adoption.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

29 ACQUISITION OF A SUBSIDIARY

In October 2005, the Group acquired 92% interest in 中穗石化, a company registered in PRC. The assets and liabilities acquired and consideration are as below:

	2005 **'000**
Net assets of the subsidiary acquired:	
— Property, plant and equipment	**$2,389**
— Amount due from a related party	**8,171**
— Trade and other receivables	**801**
— Cash and cash equivalents	**1,973**
— Intangible assets *(note 14)*	**5,080**
— Trade and other payable	**(12,358)**
	$6,056
Satisfied by:	
Cash consideration paid	**$5,441**
Loan from a related party	**615**
	$6,056

30 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

At the balance sheet date, the Group has a certain concentration of credit risk as 30% (2004: 35%) of the total trade and other receivables was due from the Group's five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

30 FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and longer term.

(c) Interest rate risk

The interest rates and terms of repayment of convertible notes are disclosed in note 22.

(d) Foreign currency risk

Except for certain amount of operations which were transacted in United States dollar ("US dollar"), most of the revenue generating operations of the Group are transacted in Renminbi. With the authorisation from the PRC government, the People's bank of China announced that the PRC government reformed the exchange rate regime by moving into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies on 21 July 2005. The exchange rate of US dollars against RMB was adjusted to 8.11 yuan per US dollar with effect from the time of 19:00 on 21 July 2005.

Other than the amounts as disclosed in notes 16 and 17, the amounts of other financial assets and liabilities of the Group are substantially denominated in the functional currency of respective entities of the Group.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

30 FINANCIAL INSTRUMENTS (Continued)

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2005 and 2004 except as follows:

The Group and the Company	2005 Carrying amount '000	2005 Fair value '000	2004 Carrying amount '000	2004 Fair value '000
Convertible Notes	**$339,578**	**$326,960**	$681,000	$590,049

The fair value of convertible notes is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

The fair value of cash and cash equivalents, trade and other receivables, bank deposits, trade and other payables, amounts due to related companies and promissory notes are not materially different from their carrying amounts.

31 OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings, which fall due as follows:

	The Group		The Company	
	2005 '000	2004 '000	**2005 '000**	2004 '000
Within one year	**$3,399**	$2,372	**$1,905**	$—
In the second to fifth year inclusive	**3,909**	3,672	**2,540**	—
More than five years	**—**	389	**—**	—
	$7,308	$6,433	**$4,445**	$—

Operating lease payments represent rentals payable by the Group for its warehouses, office premises and directors' quarters. Leases are negotiated for an average term of two to five years with fixed rentals.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

31 OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor

Rental income earned during the year was approximately $183 million (2004: $168 million). The leases are negotiated for a lease term of 1 to 20 years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	The Group	
	2005	2004
	'000	'000
Within one year	**$111,204**	$80,616
In the second to fifth year inclusive	**331,274**	111,603
More than five years	**1,086,166**	1,226,179
	$1,528,644	$1,418,398

32 CAPITAL COMMITMENTS

At 31 December 2005, the Group had capital expenditure contracted for but not provided in the financial statements in respect of acquisition of port facilities amounted to $375,000 (2004: $11,587,000).

At 31 December 2005, the Group had capital expenditure not contracted for but approved by the board and not provided in the financial statements in respect of terminal development and acquisition of storage facilities amounted to approximately $600 million (2004: Nil).

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

33 PLEDGED ASSETS

At the balance sheet date, assets pledged against banking facilities granted by certain banks to the Group are as follows:

	The Group	
	2005	2004
	'000	'000
Property, plant and equipment	**$—**	$306,249
Pledged bank deposits	**$600**	$8,523

34 CONTINGENT LIABILITIES

	The Group and the Company	
	2005	2004
	'000	'000
Guarantees given to a supplier in respect of credit facilities extended to a subsidiary	**$—**	$7,800

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

35 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Group entered into the following significant transactions with connected persons and related parties:

(a) Connected persons

During 2004, the Group completed the acquisition and the disposal with connected persons. Details of the connected transactions are set out in a circular of the company dated 7 December 2004.

(b) Related parties, other than connected persons

			The Group	
Name of party	**Nature of transactions**	*Note*	**2005** **'000**	2004 '000
廣州粵聯萬達石油化工有限公司 ("粵聯萬達")	Storage income received	*(i)*	—	$28,069
Vand Petro-Chemicals	Interest paid or payable on convertible notes	*(ii)*	**$4,567**	—

Notes:

(i) Storage income was charged at market price or, where no market price was available, in accordance with the terms of the agreement entered into between the relevant parties.

(ii) Interest paid was charged at 1% on the principal amount of the convertible notes.

粵聯萬達 and Vand Petro-Chemicals are companies under common control by a director of the Company.

Details of the balances with related companies are set out in note 20.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

35 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(c) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2005	2004
	'000	'000
Short-term employee benefits	**$9,423**	$2,029
Post-employment benefits	**155**	82
	$9,578	$2,111

36 COMPARATIVE FIGURES

Certain comparative figures have been adjusted or re-classified as a result of the changes in accounting policies. Further details are discussed in note 2.

37 PARENT COMPANY AND ULTIMATE HOLDING COMPANY

At 31 December 2005, the directors consider the parent and ultimate controlling party of the Group to be Vand Petro-Chemicals, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

38 ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

38 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

Impairments

If circumstances indicate that the carrying value of fixed assets and receivables may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36 'Impairment of Assets". The carrying amounts of fixed assets and receivables are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount of fixed assets is the greater of the net selling price and the value in use. The recoverable amount of receivables is the estimated future cash flows discounted at the current market rate of return of similar assets. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

Depreciation

Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2005

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 31 December 2005 and which have not been adopted in these financial statements.

		Effective for accounting periods beginning on or after
HKFRS 6	Exploration for and evaluation of mineral resources	1 January 2006
HK(IFRIC) 4	Determining whether an arrangement contains a lease	1 January 2006
HK(IFRIC) 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds	1 January 2006
HK(IFRIC) 6	Liabilities arising from participating in a specific market — Waste electrical and electronic equipment	1 December 2005
Amendments to HKAS 19	Employee benefits — Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
Amendments to HKAS 39	Financial instruments:	
	Recognition and measurement:	
	— Cash flow hedge accounting of forecast intragroup transactions	1 January 2006
	— The fair value option	1 January 2006
	— Financial guarantee contracts	1 January 2006

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2005 (Continued)

		Effective for accounting periods beginning on or after
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:		
— HKAS 1	Presentation of financial statements	1 January 2006
— HKAS 27	Consolidated and separate financial statements	1 January 2006
— HKFRS 3	Business combinations	1 January 2006
HKFRS 7	Financial instruments: disclosures	1 January 2007
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1 December 2005 and would be first applicable to the Group's financial statements for the period beginning 1 January 2006.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of HKFRS 6 and HK(IFRIC) 5 and the amendments to HKAS 1, HKAS 27 and HKFRS 3 made as a result of the Hong Kong Companies (Amendment) Ordinance 2005 are not applicable to any of the Group's operations and that the adoption of the rest of them is unlikely to have a significant impact on the Group's results of operations and financial position.