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 (HKAS) 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 on 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 certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The adoption of the new and revised HKFRSs did not result in significant changes to the Group's accounting policies applied in these financial statements for the years presented.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2006 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.

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 period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 32.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a 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.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet 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.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1(j) or (k) depending on the nature of the liability.

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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	5 – 30 years
Dock and storage facilities	5 – 37 years
Office equipment	5 – 10 years
Motor vehicles	5 – 10 years
Leasehold improvements	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 properties is 20 years.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Fixed assets (Continued)

(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.

(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 finite) and impairment losses (see note 1(g)).

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Club memberships	17-20 years
Terminal development rights	20 years

Both the period and method of amortisation are reviewed annually.

(f) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(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:

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leased assets (Continued)

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

– 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.

(ii) 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 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.

(g) Impairment of assets

(i) Impairment of current receivables

Current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment of assets (Continued)

(ii) Impairment of other 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.

– 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– 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.

(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 equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Convertible notes (Continued)

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 note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount 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 the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) 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.

(m) Employee benefits

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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Employee benefits (Continued)

(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 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.

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 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).

(n) 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) 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.

(o) Provisions and contingent liabilities

Provisions are recognised for other 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 expenditure 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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)).

(q) Other payables

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.

(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 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.

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

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

(iv) Compensation income is recognised when the right to receive payment is established.

(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 a foreign currency are translated using the foreign exchange rates ruling at the transaction 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Translation of foreign currencies (Continued)

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.

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, a party is considered to be related to the group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Related parties (Continued)

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the company or of any entity that is a related party of the company.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(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.

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 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:

	2006	2005
	$'000	*$'000*
Port income	**14,823**	18,820
Storage and transshipment income	**152,113**	182,982
	166,936	201,802

3 COMPENSATION INCOME

During the year ended 31 December 2006, the Group received compensation from a third party of $87,805,000 (2005: $Nil), in respect of loss of income caused by the construction work carried out adjacent to Xiao Hu Island Terminal ("XHIT") by the third party. There are no unfilled conditions and other contingencies attached to the receipt or usage of this compensation income.

4 OTHER NET INCOME

	2006	2005
	$'000	*$'000*
Interest income	**7,714**	7,342
Rental receivable from investment properties less direct outgoings of $127,298 (2005: $31,824)	**467**	104
Net foreign exchange gain	**3,420**	3,612
Net realised gain on trading securities	**3,379**	–
Others	**1,666**	1,341
	16,646	12,399

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2006 $'000	2005 $'000
(a) Finance costs:		
Interest on bank borrowings wholly repayable within five years	–	3,140
Interest on convertible notes	13,583	15,920
	13,583	19,060
(b) Staff costs:		
Contributions to defined contribution retirement plans	964	652
Salaries, wages and other benefits	15,534	18,312
Directors' salaries and other benefits	14,908	3,814
Total staff costs	31,406	22,778

	2006 $'000	2005 $'000
(c) Other items:		
Depreciation and amortisation	29,501	26,165
Auditor's remuneration		
– audit services	1,080	1,080
– review services	338	370
– under-provision in prior year	–	170
Operating lease charges: minimum lease payments – buildings	3,022	2,005

6 TAXATION

(a) Taxation in the consolidated income statement represents:

	2006	2005
	$'000	*$'000*
Current tax – PRC Enterprise Income Tax for the year	**14,713**	10,205
Over-provision in prior years	**–**	(535)
Deferred tax – reversal of temporary differences *(note 21)*	**(1,710)**	(2,039)
	13,003	7,631

No Hong Kong Profits Tax was provided as the Group sustained a loss for Hong Kong Profits Tax purposes for the year (2005: nil).

One of the subsidiaries in the PRC, Guangdong (Panyu) Petrochemical Storage & Transportation Ltd. ("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.

(b) Reconciliation between tax expense and accounting profit at applicable tax rate:

	2006	2005
	$'000	*$'000*
Profit before taxation	**161,695**	110,740
Notional tax on profit before taxation, calculated at the applicable tax rate of 15%	**24,254**	16,611
Tax effect of non-deductible expenses	**2,584**	1,488
Tax effect of non-taxable income	**(1,389)**	(1,202)
Tax effect of tax losses not recognised	**2,406**	1,963
Over-provision in prior years	**–**	(535)
Effect of tax relief granted to a PRC subsidiary	**(14,852)**	(10,694)
Actual tax expense	**13,003**	7,631

7 DIRECTORS' REMUNERATION

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

2006

	Directors fee $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Total $'000
Executive directors					
David An	–	879	10,000	30	10,909
Feng Ya Lei	–	540	545	–	1,085
Zhou Nan Zheng	–	540	45	12	597
William W Liu	–	630	–	9	639
Fung Chi Kwan, Nicholas	–	585	65	9	659
Liu Zhi Jun	–	637	–	22	659
Independent non-executive directors					
Li Wai Keung	120	–	–	–	120
Liu Jian	120	–	–	–	120
Chan Chun Wai, Tony	120	–	–	–	120
	360	3,811	10,655	82	14,908

7 DIRECTORS' REMUNERATION (Continued)

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows (Continued):

2005

	Directors fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'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

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the group, five (2005: two) were directors of the Company whose emolument is included in the disclosure in note 7 above. The emoluments of the remaining three individuals in 2005 are as follows:

	2006	2005
	$'000	*$'000*
Salaries and other benefits	–	4,748
Retirement benefits scheme contributions	–	46
	–	4,794

The emoluments of the three individuals in 2005 with the highest emoluments are within the following bands:

	2006	2005
	Number of individuals	*Number of individuals*
$		
Nil – 1,000,000	–	2
1,000,001 – 3,000,000	–	–
3,000,001 – 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 $22,021,000 (2005: $15,951,000) which has been dealt with in the financial statements of the Company.

10 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 $134,218,000 (2005: $92,569,000) and the weighted average of 2,595,172,723 (2005: 2,397,534,247) ordinary shares in issue during the year, calculated as follows:

	2006	2005
	'000	*'000*
Issued ordinary shares at 1 January	**2,620,000**	1,520,000
Effect of shares repurchased	**(24,827)**	–
Effect of issue of shares on exercise of convertible notes	**–**	800,000
Effect of issue of shares	**–**	77,534
Weighted average number of ordinary shares at 31 December	**2,595,173**	2,397,534

(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 $147,801,000 (2005: $108,489,000) and the weighted average of 3,865,172,723 (2005: 3,870,273,973) ordinary shares in issue during the year, calculated as follows:

	2006	2005
	$'000	*$'000*
Profit attributable to ordinary equity shareholders (basic)	**134,218**	92,569
Effect of interest on liability component of convertible notes	**13,583**	15,920
Profit attributable to ordinary equity shareholders (diluted)	**147,801**	108,489

10 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share (Continued)

	2006	2005
	Number of shares	Number of shares
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,595,173**	2,397,534
Effect of conversion of convertible notes	**1,270,000**	1,472,740
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**3,865,173**	3,870,274

11 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.

11 SEGMENT REPORTING (Continued)

Business segments (Continued)

Business segment information about these businesses is presented below:

2006

	Provision of transshipment and storage facilities *$'000*	Port income *$'000*	Consolidated *$'000*
Turnover			
External sales *(note 2)*	152,113	14,823	166,936
Results			
Segment results	103,514	12,777	116,291
Interest income *(note 4)*			7,714
Compensation income *(note 3)*			87,805
Unallocated corporate income			8,932
Unallocated corporate expenses			(45,464)
Profit from operations			175,278
Finance costs			(13,583)
Profit before taxation			161,695
Income tax			(13,003)
Profit for the year			148,692

11 SEGMENT REPORTING (Continued)

Business segments (Continued)

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

2006 (Continued)

	Provision of transshipment and storage facilities *$'000*	Port income *$'000*	Consolidated *$'000*
Assets			
Segment assets	340,245	3,360	343,605
Unallocated corporate assets			317,602
Total assets			661,207
Liabilities			
Segment liabilities	275,504	1,819	277,323
Unallocated corporate liabilities			387,673
Total liabilities			664,996
Other information			
Capital expenditure	90,352	–	90,352
Depreciation and amortisation			
– Segment depreciation and amortisation	29,146	–	29,146
– Unallocated depreciation and amortisation			355
Total depreciation and amortisation			29,501
Loss on disposal of property, plant and equipment	18	–	18

11 SEGMENT REPORTING (Continued)

Business segments (Continued)

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

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			5,057
Unallocated corporate expenses			(36,940)
Profit from operations			129,800
Finance costs			(19,060)
Profit before taxation			110,740
Income tax			(7,631)
Profit for the year			103,109

11 SEGMENT REPORTING (Continued)

Business segments (Continued)

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

2005 (Continued)

	Provision of transshipment and storage facilities	Port income	Consolidated
	$'000	*$'000*	*$'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

11 SEGMENT REPORTING (Continued)

Business segments (Continued)

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).

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**	
	2006	2005	**2006**	2005
	$'000	*$'000*	***$'000***	*$'000*
PRC (other than Hong Kong)	**605,150**	626,523	**90,346**	26,515
Hong Kong	**56,057**	108,115	**6**	225
	661,207	734,638	**90,352**	26,740

12 FIXED ASSETS

(a) The Group

	Buildings	Investment property	Dock and storage facilities	Office equipment	Motor vehicles	Leasehold improvements	Sub-total	Construction in progress	Interests in leasehold land held for own use under operating leases	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
		(note (b))							*(note (c))*	
Cost:										
At 1 January 2006	12,216	2,036	432,934	3,841	9,736	149	460,912	32,760	36,302	529,974
Exchange adjustments	300	50	10,551	73	197	–	11,171	803	890	12,864
Additions	543	–	464	224	788	–	2,019	88,333	–	90,352
Disposals	–	–	(2,545)	(1)	–	–	(2,546)	–	–	(2,546)
At 31 December 2006	13,059	2,086	441,404	4,137	10,721	149	471,556	121,896	37,192	630,644
Accumulated depreciation and amortisation:										
At 1 January 2006	3,326	60	151,410	2,179	3,599	31	160,605	–	12,713	173,318
Exchange adjustments	85	4	3,941	50	91	–	4,171	–	325	4,496
Charge for the year	449	244	25,327	448	1,167	31	27,666	–	1,480	29,146
Written back on disposal	–	–	(2,497)	(1)	–	–	(2,498)	–	–	(2,498)
At 31 December 2006	3,860	308	178,181	2,676	4,857	62	189,944	–	14,518	204,462
Net book value:										
At 31 December 2006	9,199	1,778	263,223	1,461	5,864	87	281,612	121,896	22,674	426,182

12 FIXED ASSETS (Continued)

(a) The Group (Continued)

	Buildings	Investment property	Dock and storage facilities	Office equipment	Motor vehicles	Leasehold improvements	Sub-total	Construction in progress	Interests in leasehold land held for own use under operating leases	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
		(note (b))							*(note (c))*	
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 disposal	–	–	–	–	(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

12 FIXED ASSETS (Continued)

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

The fair value of the investment property of the Group as at 31 December 2006 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 2006 includes an amount of $1,480,000 (2005: $1,425,000) which is disclosed as interest in leasehold land held for own use under operating leases under current assets.

(d) **The Company**

	Office equipment	Motor vehicles	Total
	$'000	*$'000*	*$'000*
Cost:			
At 1 January 2006	647	1,274	1,921
Exchange adjustment	11	–	11
Transferred to a subsidiary	–	(1,274)	(1,274)
At 31 December 2006	658	–	658
Accumulated depreciation and amortisation:			
At 1 January 2006	71	187	258
Exchange adjustment	2	3	5
Charge for the year	131	4	135
Written back on transfer	–	(194)	(194)
At 31 December 2006	204	–	204
Net book value:			
At 31 December 2006	454	–	454

12 FIXED ASSETS (Continued)

(d) The Company (Continued)

	Office equipment	Motor vehicles	Total
	$'000	*$'000*	*$'000*
Cost:			
At 1 January 2005	–	–	–
Additions	647	1,274	1,921
At 31 December 2005	647	1,274	1,921
Accumulated depreciation and amortisation:			
At 1 January 2005	–	–	–
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 2005	576	1,087	1,663

13 INTANGIBLE ASSETS

	The Group		
	Club membership	**Terminal development rights**	**Total**
	$'000	*$'000*	*$'000*
Cost:			
At 1 January 2006	935	5,080	6,015
Exchange adjustment	–	125	125
Additions	850	–	850
At 31 December 2006	1,785	5,205	6,990
Accumulated amortisation:			
At 1 January 2006	47	64	111
Exchange adjustment	–	2	2
Charge for the year	97	258	355
At 31 December 2006	144	324	468
Net book value:			
At 31 December 2006	1,641	4,881	6,522

13 INTANGIBLE ASSETS (Continued)

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

The amortisation charge for the year is included in "administrative expenses" in the consolidated income statement.

14 INTEREST IN SUBSIDIARIES

	The Company	
	2006	2005
	$'000	*$'000*
Unlisted equities	**1,051,500**	1,051,500
Amount due to a subsidiary	**(121,399)**	–
Amounts due from subsidiaries	**–**	26,963
	930,101	1,078,463

The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

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.

(Expressed in Hong Kong dollars)

14 INTEREST IN SUBSIDIARIES (Continued)

Details of the company's principal subsidiaries at 31 December 2006 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
Guangdong Petro-Chemicals Company Limited	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
Union Petro-Chemicals (BVI) Company Limited ("UPC")	Hong Kong	British Virgin Islands	Ordinary shares – US$100	100%	–	Investment holding
Guangdong (Panyu) Petrochemical Storage & Transportation Limited ("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
東莞市東洲國際石化倉儲有限公司 ("東洲國際")	PRC	PRC	RMB5,000,000	–	92%	Storage and transshipment

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

15 TRADE AND OTHER RECEIVABLES

Subject to negotiation, credit is generally only available to 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 $6,673,000 (2005: $8,860,000) with the following ageing analysis as of the balance sheet date.

	The Group	
	2006	2005
	$'000	*$'000*
Due within 30 days	**6,673**	8,860
Over 30 days	**–**	–
	6,673	8,860

Included in trade and other receivables, amounts denominated in United States Dollars were US$223,000 (2005: US$355,000).

All the trade and other receivables are expected to be recovered within one year.

16 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 and the effective interest rates of cash and cash equivalents are:

	The Group				The Company			
	2006		2005		**2006**		2005	
		$'000		*$'000*		***$'000***		*$'000*
Effective interest rate:								
– Time deposit	**3.5%**	**99,159**	3.0%	191,555	**3.5%**	**17,370**	3.0%	59,628
– Other cash and cash equivalents	**1.5%**	**113,652**	1.2%	162,679	**1.5%**	**13,025**	1.2%	1,563
		212,811		354,234		**30,395**		61,191
United States dollar		**USD2,239**		USD4,390		**USD –**		USD –

17 DEFERRED REVENUE

	The Group	
	2006	2005
	$'000	*$'000*
Within one year	**84,239**	85,918
More than one year, but not exceeding two years	**79,483**	77,580
More than two years, but not exceeding five years	**109,288**	184,086
	273,010	347,584
Less: Amount due within one year shown under current liabilities	**(84,239)**	(85,918)
Amount due after one year	**188,771**	261,666

17 DEFERRED REVENUE (Continued)

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.

18 AMOUNT DUE TO A RELATED COMPANY

Details of the amount due to related company are as follows:

	The Group	
Name of company	**2006**	2005
	$'000	*$'000*
廣州市粵盈石油化工發展有限公司 ("粵盈石化")	**630**	615

粵盈石化 is 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.

19 CONVERTIBLE NOTES

On 24 December 2004, the Company issued convertible notes with a principal amount of $681,000,000 to Vand Petro-Chemicals (BVI) Limited ("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.

No convertible notes were converted during the year ended 31 December 2006.

20 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 remaining amount of $105,000,000 of the promissory notes were repaid during 2006.

21 DEFERRED TAX LIABILITIES

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

	The Group and the Company Convertible notes
	$'000
Deferred tax arising from:	
At 1 January 2005	15,869
Credited to reserves	(6,581)
Credited to income statement *(note 6(a))*	(2,039)
At 31 December 2005	7,249
Credited to income statement *(note 6(a))*	(1,710)
At 31 December 2006	5,539

In accordance with the accounting policy set out in note 1(n), the Group has not recognised deferred tax assets in respect of the cumulative tax losses of approximately $56 million (2005: $40 million) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under the current tax legislation.

22 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 and its employees contributes 5% of relevant payroll costs to the scheme respectively.

The employees of GD (Panyu), 東洲國際 and 中穗石化 are members of a state-managed retirement benefit scheme operated by the PRC government. GD (Panyu), 東洲國際 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.

23 SHARE CAPITAL

	The Company	
	Number of ordinary shares	**Amount**
	'000	*$'000*
Ordinary shares of $0.10 each:		
Authorised:		
At 1 January 2005	5,000,000	500,000
Increase in authorised share capital	5,000,000	500,000
At 31 December 2005 and 2006	10,000,000	1,000,000
Issued and fully paid:		
At 1 January 2005	1,520,000	152,000
Issue of shares on exercise of convertible notes *(note 19)*	1,000,000	100,000
Issue of shares	100,000	10,000
At 31 December 2005	2,620,000	262,000

23 SHARE CAPITAL (Continued)

Issued and fully paid:

	The Company	
	Number of ordinary shares	**Amount**
	'000	*$'000*
Ordinary shares of $0.10 each:		
At 1 January 2006	2,620,000	262,000
Shares repurchased *(note (ii))*	(142,854)	(14,285)
At 31 December 2006	2,477,146	247,715

(i) 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.

(ii) During the year, the Company repurchased 142,854,000 own ordinary shares on The Stock Exchange of Hong Kong Limited at weighted average price of $0.435 per share. The repurchased shares were cancelled and accordingly the issued capital of the Company was reduced by the nominal value of these shares. The premium paid on the repurchase of the shares of $49,088,000 was charged to share premium.

24 RESERVES

The Company

	Share premium	Translation reserve	Capital reserve	Accumulated losses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
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
At 1 January 2006 after opening balance adjustment	492,002	91	41,856	(107,562)	426,387
Shares repurchased *(note 23(ii))* – premium paid	(49,088)	–	–	–	(49,088)
Exchange difference	–	65	–	–	65
Loss for the year	–	–	–	(22,021)	(22,021)
At 31 December 2006	442,914	156	41,856	(129,583)	355,343

The Company's reserves available for distribution to its shareholders comprise share premium and accumulated losses which in aggregate amounted to approximately $313.3 million as at 31 December 2006 (2005: $384.4 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.

25 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.

26 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 25% (2005: 30%) 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.

(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 parent 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 19.

26 FINANCIAL INSTRUMENTS

(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 Yuan. 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 hours on 21 July 2005.

Other than the amounts as disclosed in notes 15 and 16, the amounts of other financial assets and liabilities of the group are substantially denominated in the functional currency of respective entities of the group.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2006 and 2005 except as follows:

	2006		2005	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$'000	***$'000***	*$'000*	*$'000*
The Group and the Company				
Convertible notes	**349,351**	**337,537**	339,578	326,960

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 and amount due to related company are not materially different from their carrying amounts.

27 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	
	2006	2005	**2006**	2005
	$'000	*$'000*	***$'000***	*$'000*
Within one year	**3,137**	3,399	**–**	1,905
In the second to fifth year inclusive	**367**	3,909	**–**	2,540
More than five years	**–**	–	**–**	–
	3,504	7,308	**–**	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. None of the leases includes contingent rentals.

The Group as lessor

The Group leases out certain dock and storage facilities under operating leases.

Rental and storage income earned during the year was approximately $152 million (2005: $183 million). The leases are negotiated for a lease term of 1 to 20 years. None of the leases includes contingent rentals.

27 OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor (Continued)

The Group's total future minimum lease payments under non-cancellable operating leases are receivables as follows:

	The Group	
	2006	2005
	$'000	*$'000*
Within one year	**120,304**	111,204
In the second to fifth year inclusive	**328,608**	331,274
More than five years	**1,033,274**	1,086,166
	1,482,186	1,528,644

28 CAPITAL COMMITMENTS

At 31 December 2006, the Group had capital expenditure contracted for but not provided in the financial statements in respect of acquisition of port facilities amounted to $112,387,000 (2005: $375,000).

At 31 December 2006, 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 $390 million (2005: $600 million).

29 PLEDGED ASSETS

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

	The Group	
	2006	2005
	$'000	*$'000*
Pledged bank deposits	**–**	600

30 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

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

(a) Related parties, other than connected persons

			The Group	
	Nature of		**2006**	2005
Name of party	**transactions**	*Note*	***$'000***	*$'000*
Vand Petro-Chemicals	Interest paid or payable on convertible notes	*(i)*	**3,810**	*4,567*

Notes:

(i) Interest paid was charged at 1% on the principal amount of the convertible notes. As at 31 December 2006, interest due to Vand Petro-Chemicals amounted to $1,921,000 (2005: $1,613,000).

Vand Petro-Chemicals is under common control by a director of the company.

(b) 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:

	2006	2005
	$'000	*$'000*
Short-term employee benefits	**15,075**	9,423
Post-employment benefits	**82**	155
	15,157	9,578

31 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2006, the directors consider the immediate parent and ultimate controlling party of the Group to be Vand Petro-Chemicals, which is incorporated in the British Virgin Island. This entity does not produce financial statements available for public use.

32 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.

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.

32 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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.

Lease classification

Leases are classified as operating leases if the duration of the arrangement are for less than a major part of the facilities' useful lives and the present value of the minimum payments under the arrangement does not amount to at least substantially all of the fair value of the facilities. The classification of leases may change if there are significant changes from previous estimates of the facilities' useful lives and the present value of the minimum payments. The Group uses all readily available information in estimating the useful lives and present value of minimum payments.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2006

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2006 and which have not been adopted in these financial statements.

In addition, the following developments may result in new or amended disclosures in the financial statements:

		Effective for accounting periods beginning on or after
HKFRS 7	Financial instruments: disclosures	1 January 2007
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007

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 them is unlikely to have a significant impact on the Company's results of operations and financial position.

34 POST BALANCE SHEET EVENT

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("new tax law") which will take effect on 1 January 2008. Pursuant to the approval by the Tax authorities in 2002, the applicable income tax rate of one of the subsidiaries in PRC is 15%. However, the detailed implementation rules regarding the specific tax policies for port operation business have yet to be made public under the new tax law. Consequently, the Group is not able to make an estimate of the expected financial effect of the new tax law on its deferred tax liabilities. The expected financial effect of the new tax law, if any, will be reflected in the Group's 2007 financial statements. The enactment of the new tax law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable.