ARKO HOLDINGS PLC
COMPANY NUMBER 01366078

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Arko

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DIRECTORS, SECRETARY AND ADVISERS

DIRECTORS

QIN Shun Chao *(Chairman)*
FENG Yue Ying *(Finance Director)*
LEUNG Suk Ching, Angela *(Executive Director)*
LIU Sheng Rong *(Non Executive Director)*
David THOMAS *(Non Executive Director)*

COMPANY SECRETARY

CHAN Kit Ching

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15 Queen's Road Central, Hong Kong

REGISTRARS

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NOMINATED ADVISER

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London EC2R 8DD

STOCKBROKERS

Daniel Stewart & Company
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London EC2R 8DD

INDEPENDENT AUDITORS

Baker Tilly UK Audit LLP
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

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Accountants Limited
Sanlihe, Guangshui, Hubei, China

Arko

RESULTS

I am pleased to report that 2008 was a year of progress. Despite the global recession, I am delighted to report to shareholders a profitable result for the financial year ended 31 December 2008.

Overall revenues from continuing operations, which are now made up exclusively of terminal operations and barging services grew to US$14.3m from US$10.9m in 2007, a 31.7% increase. Keen Chance Terminal revenues grew by 23.6% to US$12.3m (2007: US$9.9m) and Arko Shipping grew its revenues by 75.8% to US$2m (2007: US$1m). Keen Chance Terminal maintained its long term average of approximately 23% of the revenue generated by the Group in the period. Our gross margin was US$4.5m (2007: US$2.9m), representing a 54.1% increase in spite of difficult economic conditions. Depreciation charges of US$0.6m (2007: US$0.8m), exclusive of those charged to cost of sales, have decreased as no depreciation has been charged in respect of the power plant. Consequently, the profit for the year for continuing operations before taxation was US$1m (2007: loss of US$11m).

During 2008, the Company's net assets increased by US$2.4m to US$30m (2007: US$27.6m). The most significant contribution to this increase was the acquisition of new plant and equipment with a value of US$3.2m.

As of 31 December 2008, the cash position continued to improve at US$0.8m (2007: US$0.4m). Net cash generated from operating activities for the period was US$2.8m. Net cash of US$0.3m was applied in the repayment on finance leases and the interest incurred and this is expected to recur in the next financial year

DIVIDENDS

The Board does not recommend the payment of a dividend (2007: US$nil).

OPERATIONAL REVIEW

Despite the global recession, and with a modest level of revenue growth from our core businesses, we have now established solid foundations enabling us to progress towards our strategic goal of expanding our barge services provision in the Pearl River Delta and the diversified operation of the container terminal. Since the shutdown of the power plant, the overall performance of the Group has improved due to the fact that the loss contributed by the power plant has now been eliminated. I believe that we are now benefiting from being able to focus solely on the achievement of our strategic goal.

CHAIRMAN'S STATEMENT

Arko

Keen Chance Terminal

In the early part of the second quarter of 2008, Keen Chance Terminal rented a new depot near the container terminal with an area of approximately 13,000m^2. The new depot has a handling capacity of 3,500TEU which enables the terminal to increase its handling efficiency at the main depot and results in the overall increase in throughput during 2008, which was 0.34m TEU (2007: 0.27m TEU), representing an increase of 26% on 2007.

Keen Chance Terminal continues to invest in infrastructure, machinery and facilities with the aim of increasing its handling efficiency. In 2008, a new rail-mounted gantry, three sets of front loaders and two sets of reach stackers commenced operation. In early 2009, the management decided to demolish the oil tanks located in the adjacent quay so as to expand the area of the main depot as well as to allow the extension of the adjacent quay. As a result of its efforts Keen Chance Terminal is now the third busiest terminal of the Second Class Harbour (non Deep River Harbour) within Huangpu District.

Arko Shipping

The barging service business performed well in 2008. The reduction in bunker prices as well as the successful pursuit of container cargo agreements with worldwide liner companies such as K-Line, NYK and Wan Hai Lines, were the major reasons for the growth in turnover and profit margin. As I said in my Chairman's Statement for 2007, the Group will continue to invest in the shipping logistics business by means of chartering and buying new river trade vessels. In September 2008, a container vessel with deadweight and carrying capacity of 1,157 MT and 1,350 MT respectively commenced operation.

OUTLOOK

The current global economic environment continues to impact import and export activity and demand is likely to continue to be weak. Arko is not immune to these factors, in particular the export cargo handling in Keen Chance Terminal. We anticipate a challenging period ahead in the remainder of 2009 and 2010 for all our businesses, but our relative success in 2008 leads us to believe we are well placed to meet these challenges.

Arko

Existing Businesses

We face the challenges of the current economic situation with a much better balanced business, efficiently managed and with stronger positions in our chosen sectors, where long term growth will continue. In response to the downturn in the container export trade, we have reduced our reliance on export customers and expanded our customer base in domestic trading. In recent months, the Chinese government has implemented a number of measures and incentives to stimulate domestic demand, from which we expect to benefit.

As I have said, we will continue to invest in infrastructure, machinery and facilities in the terminal. The extension of the adjacent quay is now underway. After completion we will have a quay length of about 500 meters providing berths for 8 ships with a capacity of up to 1,000MT, served by existing and new quay cranes. Additionally, we expect to continue the procurement of front loaders and reach stackers by means of lease finance so as to satisfy the handling capacity in the depot. It is anticipated that the existing depot will expand to cover the area adjacent to the entrance of the main depot and we hope to conclude negotiations with the relevant party by the end of 2009. When completed a total area of approximately 50,000 m^2 could be used as our backup depot which will significantly increase our handling capacity, in particular it will strengthen our ability to pursue the empty container handling business with the worldwide liner companies. In my interim report for 2007, I told shareholders that a delay for the delivery of the new 45 tonne quayside container crane was anticipated. We now expect that the crane will be delivered to us by no later than end of July 2009.

Our past experience has shown that the terminal operation business has brought a synergistic effect to the barging service business. In 2010, our focus will be on expanding the feeder service to different districts within the Pearl River Delta and to reduce reliance on the Huangpu to Hong Kong and return route. To achieve this objective, we expect to increase from five container vessels to ten by way of chartering. In view of the uncertain economic climate, the Board does not intend to invest its capital in building new vessels in the short term.

The Board believes Arko's progress in recent years, together with its reputation in efficiency in the market, an excellent team, and ongoing tight cost control will position the Group well for continuing success.

Arko

The Quarry Mine in Fujian, China

In my Chairman's Statement for 2004, I told shareholders the quarry mine project in Fujian could not move ahead due to a shortage of funds. In recent months, greatly improved relations between Taiwan and mainland China has provided opportunities for increased commercial activities within the Strait. Taking advantage of the quarry's location, the management has decided to resume this project and has successfully renewed its business license and its mining rights. The board will keep shareholders updated on the progress of the project.

Changing the Company and its subsidiaries' name

Since the container vessels now in operation were named by numbering as Ying Gao 301, 302 etc, a resolution will be proposed at the Annual General Meeting to change the name of the Company to "Yinggao Holdings plc". Similar name changes have been made in subsidiary companies. The Board believes that the change will help the Group to build up a brand name and establish a strong image in the market.

The Board will continue to act in the best interests of our shareholders and ensure the Group is positioned to continue to grow. The Board believes the Group is well placed to meet the challenges ahead and views the outlook for the remainder of 2009 with confidence.

APPRECIATION

The Board would again like to thank all staff for the commitment, professionalism and loyalty they have shown during the last twelve months.

Qin Shun Chao
Chairman

17 June 2009

Arko

The directors submit their report and the financial statements of Arko Holdings plc for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were terminal operation and barging service provision.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

A review of the business and future developments is given in the Chairman's statement on page 3 to 6.

RISKS AND UNCERTAINTIES

The management of the business and the execution of the Group's strategy are subject to a number of risks.

The key business risks affecting the Group are considered to relate to competition from other shipping agents and employee retention.

Competition

The Group operates in a highly competitive market particularly around price and service availability/ quality. This results not only in downward pressure on our margins but also in the risk that we will not meet our customers' expectations. In order to mitigate this risk, management monitors market prices on an ongoing basis so as to keep prices competitive.

Employees

The Group's performance depends largely on regional managers and local staff. The resignation of key individuals and the inability to recruit people with the right experience and skills could adversely impact the Group's results. To mitigate these issues, the Group has implemented schemes linked to the Group's results that are designed to retain key individuals.

DIRECTORS' REPORT

Arko

KEY PERFORMANCE INDICATORS (KPIs)

There has been significant progress in the year on the Group's overriding objective of revenue growth. The board monitors progress with respect to the Group's strategy by reference to five KPIs.

Performance during the year, together with historical trend data is set out in the following table:

	2008	2007
Growth in sales (%)	**31.68%**	16.5%
Gross margin (%)	**31.11%**	26.6%
Net profit margin (%)	**7.46%**	(297%)
Net current ratio	**1.73 times**	1.87 times
Return on invested capital (%)	**3.56%**	(117%)

DIVIDENDS

The directors are unable to recommend the payment of a dividend (2007: Nil).

DIRECTORS

The following directors have held office since 1 January 2008:

QIN Shun Chao
ZHANG Jing *(Resigned 26 March 2009)*
FENG Yue Ying *(Appointed 26 March 2009)*
LEUNG Suk Ching, Angela
LIU Sheng Rong
David THOMAS

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

The directors who served the Company during the year together with their beneficial interests, including family holdings, in the shares of the Company were as follows:

	Ordinary shares	
	At 31 December 2008	At 1 January 2008
LEUNG Suk Ching, Angela	**870,000**	870,000
LIU Sheng Rong	–	–
QIN Shun Chao	–	–
David THOMAS	–	–
FENG Yue Ying	–	–

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Arko Holdings plc support the principles of good corporate governance. The Company has appointed an audit committee, which comprises the two independent non-executive directors, Mr David Thomas and Mr Liu Sheng Rong. The primary duties of the audit committee are to review and supervise the financial reporting and internal control procedures of the Group. Due to the size of the staff of the Group, it has been decided unanimously by the board that the remuneration committee will be dispensed with for the time being and matters involving any changes to the remuneration to the directors or senior employees will be determined by the board as a whole (with no director being involved in the consideration of his own remuneration).

EMPLOYEES

Group management are committed to training and motivating staff, and offering promotional prospects where possible. Where appropriate, company information is shared with staff, and employees are encouraged to work towards a continual improvement in the Group's performance.

ENVIRONMENT POLICY

The Group is committed to operating in an environmentally responsible manner and endeavours to adopt the best practicable means to reduce or eliminate polluting releases to the environment, or in the disposal of waste products. The Group is committed to complying with environmental legislative requirements.

DIRECTORS' INDEMNITY INSURANCE

The directors have not taken out an insurance policy to cover directors' and officers' liabilities. The Articles of Association of the Company permit the Company to indemnify directors to the extent permitted by the Companies Act.

SUBSTANTIAL INTERESTS

At the date of this report, the Company had been notified of the following substantial interest in the shares of the Company:

Chin Dynasty Foundation – 1,851,776,422 shares in the Company (92.06%) through Keen Lloyd Holdings Limited, a company incorporated in the British Virgin Islands.

CREDITOR PAYMENT POLICY

In order to maintain good relationships with major suppliers, it is the Group's policy to settle payment to creditors within the negotiated credit terms. The Group's creditor payment days in 2008 have been shortened to approximately 36 days (2007: 45 days).

FINANCIAL INSTRUMENTS

Disclosures in respect of the Group's financial risk objectives and policies are set out in note 23 to the financial statements.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

By order of the board

Qin Shun Chao
Chairman

17 June 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Arko

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

UK company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law the directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The Company financial statements are required by law to give a true and fair view of the state of affairs of the Company.

In preparing each of the Group and Company financial statements, the directors are required to:

a) select suitable accounting policies and then apply them consistently;

b) make judgements and estimates that are reasonable and prudent;

c) state whether they have been prepared in accordance with IFRSs adopted by the EU;

d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the Arko Holdings plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ARKO HOLDINGS PLC

We have audited the group and parent company financial statements on pages 15 to 59.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union ("IFRS") are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

INDEPENDENT AUDITORS' REPORT

Arko

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. However, we were unable to obtain sufficient appropriate audit evidence in respect of the bank loan of US$1,915,000 included in non-current liabilities in the balance sheet at 31 December 2008, nor in respect of interest of US$133,000 included in finance costs in the income statement for the year then ended.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

QUALIFIED OPINION ARISING FROM LIMITATION IN AUDIT SCOPE

Except for the financial effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the carrying value of the bank loan and related interest charge, in our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its profit for the year then ended;

- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2008;

- the financial statements have been properly prepared in accordance with the Companies Act 1985.

INDEPENDENT AUDITORS' REPORT

Arko

In respect solely of the limitation on our work relating to the bank loan and related interest charge:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper accounting records had been maintained.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

17 June 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008
(Expressed in United States dollars)

Arko

	Notes	**2008** **US$'000**	2007 US$'000
REVENUE	4	**14,300**	10,860
Cost of sales		**(9,850)**	(7,972)
GROSS PROFIT		**4,450**	2,888
Other income	5	**155**	605
Administrative expenses		**(3,114)**	(4,041)
Impairment of property, plant and equipment		**-**	(1,131)
Impairment of goodwill		**-**	(9,010)
PROFIT/(LOSS) FROM OPERATIONS		**1,491**	(10,689)
Finance costs	6(a)	**(176)**	(120)
PROFIT/(LOSS) BEFORE TAXATION	6	**1,315**	(10,809)
Taxation	7	**(247)**	(142)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**1,068**	(10,951)
LOSS FOR THE YEAR FROM DISCONTINUED OPERATION	4	**-**	(21,288)
PROFIT/(LOSS) FOR THE YEAR		**1,068**	(32,239)
Attributable to:			
Equity holders of the parent Company		**360**	(31,275)
Minority interest		**708**	(964)
		1,068	(32,239)
		US cents	US cents
EARNINGS/(LOSS) PER SHARE – Basic and fully diluted	10		
– From continuing operations		**0.02**	(0.50)
– From discontinued operation		**(0.00)**	(1.08)
		0.02	(1.58)

The notes on pages 21 to 59 form part of these financial statements.

BALANCE SHEETS

As at 31 December 2008

(Expressed in United States dollars)

Arko

	Notes	Group 2008 US$'000	Group 2007 US$'000	Company 2008 US$'000	Company 2007 US$'000
NON-CURRENT ASSETS					
Goodwill	11	**1,835**	1,834	**–**	–
Property, plant and equipment	12	**27,375**	24,376	**–**	–
Investments in subsidiaries	13	**–**	–	**18,756**	24,218
Available-for-sale investments	14	**12**	12	**–**	–
		29,222	26,222	**18,756**	24,218
CURRENT ASSETS					
Inventories	15	**137**	124	**–**	–
Trade and other receivables	16	**8,103**	8,312	**1**	63
Amounts due from subsidiaries		**–**	–	**120**	–
Cash and cash equivalents	17	**780**	428	**2**	1
		9,020	8,864	**123**	64
CURRENT LIABILITIES					
Trade and other payables	18	**3,907**	3,606	**31**	200
Amounts due to subsidiaries		**–**	–	**1,916**	2,299
Obligations under finance leases	19	**599**	–	**–**	–
Taxation		**695**	1,134	**–**	–
		5,201	4,740	**1,947**	2,499
NET CURRENT ASSETS/(LIABILITIES)		**3,819**	4,124	**(1,824)**	(2,435)
TOTAL ASSETS LESS CURRENT LIABILITIES		**33,041**	30,346	**16,932**	21,783
NON CURRENT LIABILITIES					
Bank loan	20	**1,915**	1,915	**–**	–
Obligations under finance leases	19	**330**	–	**–**	–
Loans from fellow investors in subsidiaries	21	**787**	787	**–**	–
		3,032	2,702	**–**	–
NET ASSETS		**30,009**	27,644	**16,932**	21,783
EQUITY					
Share capital	22	**14,922**	14,922	**14,922**	14,922
Reserves		**2,010**	687	**2,010**	6,861
Total equity attributable to equity shareholders		**16,932**	15,609	**16,932**	21,783
Minority interest		**13,077**	12,035	**–**	–
TOTAL EQUITY		**30,009**	27,644	**16,932**	21,783

Approved and authorised for issue by the board on 17 June 2009.

QIN Shun Chao 秦順朝
Director

Feng Yue Ying 馮月英
Director

The notes on pages 21 to 59 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY – CONSOLIDATED

Arko

For the year ended 31 December 2008
(Expressed in United States dollars)

Group	Share premium US$'000	(note i) Statutory surplus reserve US$'000	(note ii) Merger reserve US$'000	Exchange reserve US$'000	Retained profits US$'000	Total reserve US$'000	Share capital US$'000	Total attributable to equity holders of the parent US$'000	Minority interest US$'000	Total US$'000
Balance at 1 January 2007	15,662	1,681	26,043	(531)	(12,864)	29,991	14,922	44,913	12,932	57,845
Loss for the year	-	-	-	-	(31,275)	(31,275)	-	(31,275)	(964)	(32,239)
Exchange movements	-	-	-	1,971	-	1,971	-	1,971	67	2,038
Total recognised income and expense	-	-	-	1,971	(31,275)	(29,304)	-	(29,304)	(897)	(30,201)
Balance at 31 December 2007	15,662	1,681	26,043	1,440	(44,139)	687	14,922	15,609	12,035	27,644
Profit for the year	-	-	-	-	360	360	-	360	708	1,068
Overprovision in surplus reserve	-	(158)	-	-	158	-	-	-	-	-
Exchange movements	-	26	-	937	-	963	-	963	334	1,297
Total recognised income and expense	-	(132)	-	937	518	1,323	-	1,323	1,042	2,365
Balance at 31 December 2008	**15,662**	**1,549**	**26,043**	**2,377**	**(43,621)**	**2,010**	**14,922**	**16,932**	**13,077**	**30,009**

Notes:

(i) Statutory surplus reserve:

In accordance with the law of the People's Republic of China (the "PRC") and the Articles of Association of certain of the Company's subsidiaries, directors of these subsidiaries may at their discretion make appropriations to a statutory surplus reserve equivalent to 10% of the subsidiaries' net profits. Appropriations may also be made to statutory public welfare reserve equivalent to 5 to 10% of the net profits of these operating subsidiaries. Distribution of profits to shareholders can only be made after such appropriations.

The statutory surplus reserve may be used to reduce any losses incurred or be capitalised as paid up capital. The use of the statutory public welfare reserve is restricted to capital expenditure incurred for staff welfare facilities. The statutory public welfare reserve is not available for distribution.

(ii) The merger reserve represents the difference between the nominal value of shares of the subsidiary company acquired, and the nominal value of the Company's shares issued in 2002.

The notes on pages 21 to 59 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY – COMPANY

For the year ended 31 December 2008
(Expressed in United States dollars)

Arko

Company	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Exchange reserve US$'000	Retained profits US$'000	Total US$'000
Balance at 1 January 2007	14,922	15,662	26,043	–	(2,628)	53,999
Loss for the year	–	–	–	–	(32,216)	(32,216)
Total recognised income and expense	–	–	–	–	(32,216)	(32,216)
Balance at 31 December 2007	14,922	15,662	26,043	–	(34,844)	21,783
Loss for the year	–	–	–	–	(5,551)	(5,551)
Exchange movement	–	–	–	700	–	700
Total recognised income and expense	–	–	–	700	(5,551)	(4,851)
Balance at 31 December 2008	**14,922**	**15,662**	**26,043**	**700**	**(40,395)**	**16,932**

The notes on pages 21 to 59 form part of these financial statements.

CASH FLOW STATEMENT – CONSOLIDATED

Arko

For the year ended 31 December 2008
(Expressed in United States dollars)

	2008 US$'000	2007 US$'000
Cash flow from operating activities		
Profit/(loss) before taxation		
Continuing operations	**1,315**	(10,689)
Discontinued operation	**–**	(21,288)
	1,315	(31,977)
Adjustments for:		
– Interest on finance leases	**43**	120
– Interest on bank loan	**133**	–
– Interest income	**(1)**	(14)
– Depreciation	**1,748**	1,579
– Loss on disposal of property, plant and equipment	**3**	95
– Impairment loss – goodwill	**–**	18,977
– Impairment loss – property, plant and equipment	**–**	13,194
– Exchange adjustments	**(291)**	728
Operating profit before working capital changes	**2,950**	2,702
Decrease in trade and other receivables	**209**	1,836
Increase in inventories	**(13)**	(47)
Increase in trade and other payables	**301**	567
Net cash flow generated from operations	**3,447**	5,058
Interest paid	**–**	(120)
Taxes paid	**(686)**	(152)
Net cash generated from operating activities	**2,761**	4,786
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,959)**	(5,187)
Proceeds from disposal of property, plant and equipment	**–**	97
Interest income	**1**	14
Net cash used in investing activities	**(1,958)**	(5,076)
Cash flows from financing activities		
Repayment on finance lease obligations	**(275)**	–
Interest on finance leases	**(43)**	–
Interest on bank loan	**(133)**	(120)
Net cash used in financing activities	**(451)**	(120)
Net increase/(decrease) in cash and cash equivalents	**352**	(410)
Cash and cash equivalents at 1 January	**428**	838
Cash and cash equivalents at 31 December	**780**	428

The notes on pages 21 to 59 form part of these financial statements.

CASH FLOW STATEMENT – COMPANY

For the year ended 31 December 2008
(Expressed in United States dollars)

Arko

	2008 US$'000	2007 US$'000
Cash flow from operating activities		
Loss after taxation and before working capital changes	**(89)**	(32,216)
Adjustments for:		
– Impairment loss on investments in subsidiaries	–	31,797
– Exchange difference	**700**	–
Operating profit/(loss) before working capital changes	**611**	(419)
Decrease/(increase) in trade and other receivables	**62**	(19)
Increase in amount due from subsidiaries	**(120)**	–
(Decrease)/increase in trade and other payables	**(169)**	77
(Decrease)/increase in amount due to subsidiaries	**(383)**	362
Net increase in cash and cash equivalents	**1**	1
Cash and cash equivalents at 1 January	**1**	–
Cash and cash equivalents at 31 December	**2**	1

The notes on pages 21 to 59 form part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

General information

The Company is a public limited company incorporated and domiciled in the United Kingdom. The registered office of the Company is located at 2 Bloomsbury Street, London WC1B 3ST. Its principal place of business is in Hong Kong and the PRC.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are terminal operation and barging services provision.

The Company's shares were admitted to trading on the AIM Market of the London Stock Exchange. These consolidated financial statements are presented in United States Dollars, unless otherwise stated, and were reviewed by the Audit Committee and approved for issue by the Board of Directors on 17 June 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and statement of compliance

The financial statements are presented in United States dollars ("USD"), rounded to the nearest thousand, which is the presentation currency of the Group.

The financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which comprise International Financial Reporting Standards, International Accounting Standards ("IAS") and Interpretations ("IFRIC"), issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"), and the AIM Rules issued by the London Stock Exchange.

Impact of recently issued IFRSs

The Group has adopted certain new and revised IFRSs that are relevant to its operations and effective for the current accounting year. There have been no significant changes to the accounting policies applied in these consolidated financial statements for the years presented as a result of these developments.

The IASB and the IFRIC have issued certain new and revised IFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting year (see note 28).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

(b) Significant accounting policies

The consolidated financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities which are stated at fair values.

The accounting policies and methods of computation used in the preparation of these consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2007 except for the adoption of standards, amendments and interpretations issued by the IASB mandatory for annual financial year beginning 1 January 2008.

The adoption of these standards, amendments and interpretations was not material to the Group's results of operations or financial position.

(c) Basis of consolidation

On the acquisition of a subsidiary, the assets and liabilities of that subsidiary are recorded at their fair value, reflecting their condition at the date of acquisition.

The consolidated income statement and consolidated balance sheet include the financial statements of the Company and its subsidiary undertakings up to 31 December. The results of subsidiaries acquired are included in the consolidated income statement from the date on which control passes. Intra-group sales and profits are eliminated on consolidation.

As permitted by Section 230 of the Companies Act 1985, a separate income statement is not presented in respect of the Company.

(d) Revenue

Revenue comprises the value of sales in the year in respect of the operation of the terminal and provision of barging services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

(e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary companies.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is annually tested for impairment. In respect of associated companies, the carrying amount of goodwill is included in the carrying amount of the interests in the associated companies.

If the cost of acquisition is less than the fair value of net identifiable assets of the acquired subsidiary company, associated company, the difference is recognised immediately in the consolidated income statement.

Any gain or loss on disposal of a subsidiary company and an associated company includes the carrying amount of goodwill relating to the entity sold.

(f) Property, plant and equipment

Expenditure on additions and improvements is capitalised as incurred. Non-current assets are included at historical cost less accumulated depreciation and any impairment losses.

Property, plant and equipment, other than construction in progress, are depreciated over their estimated useful lives on a straight line basis. The following annual rates of depreciation have been used.

Land and buildings	20-30 years
Plant and machinery	10-20 years
Furniture, fixtures and equipment	5-10 years
Motor vehicles	5-10 years
Vessels	10 years

Construction in progress represents a building under construction, which is stated at cost less any impairment. Cost comprises the direct cost of construction.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

(f) Property, plant and equipment (Con't)

The carrying amounts of other property, plant and equipment are reviewed for indications of impairment at each balance sheet date. An impairment loss is recognised to the extent that the carrying amount of an asset, or the cash-generating unit to which it belongs, is more than its recoverable amount. The recoverable amount of an asset, or of the cash generating unit to which it belongs, 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 a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the assets. An impairment loss is reversed if there has been a favourable change in estimates used to determine the recoverable amount.

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.

(g) Subsidiaries

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

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment losses.

(h) Available for sale investments

Investments being those held for non-trading purposes, are classified as available-for-sale investments. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity in the fair value reserve, except foreign exchange gains and losses in respect of monetary items such as debt securities which are recognised directly in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

(h) Available for sale investments (Con't)

When there is objective evidence that available-for-sale investments are impaired, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale investments are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt investments are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

(j) 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 receivables, 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.

Impairment losses for bad and doubtful debts are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted where the effect of discounting is material.

(k) 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 Company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(l) Trade and other payables

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

(m) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

(n) Employee benefits

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.

(o) Translation of foreign currencies

i.) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in United States Dollars which is the Company's presentation currency.

ii.) Transactions and balances

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 and 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.

iii.) Group companies

The results of the subsidiary company in the PRC are translated into United States dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into United States 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

(p) 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. Apart from differences which arise on initial recognition of assets and liabilities, 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.

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.

(q) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

(q) Provisions and contingent liabilities (Con't)

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.

(r) Related parties

For the purposes of these financial statements, a party is considered to be related to the Company if:

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

ii.) the Company and the party are subject to common control;

iii.) the party is a subsidiary, an associate of the Company or a joint venture in which the Company is a venturer;

iv.) the party is a member of key management personnel of the Company or the Company'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

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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are currently evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Apart from information disclosed elsewhere in these financial statements, the following disclosures summarise: (1) estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and (2) significant judgements made in the process of applying the Group's accounting policies.

(i) Income taxes

The Group is subject to income taxes in the PRC, Hong Kong and the United Kingdom. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ii) Provision for doubtful receivables

The Group provides for doubtful receivables based on an assessment of the collectibility of trade receivables. Provisions for doubtful receivables are applied to trade and other receivables where events or changes in circumstances indicate that the balance may not be collectible. The identification of doubtful receivables requires the use of judgments and estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

4. REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are the provision of logistics and other related services including sea freight forwarding and barge hire.

Revenue represents income earned from the provision of logistic and other related services. Business (primary) segment information is as follows:

i) Segment revenue and result

	Revenue		Segment profit/(loss)	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Continuing operations				
Terminal and barging services	**14,300**	10,860	**1,068**	(820)
Trading and others	**–**	–	**–**	(8,776)
Mining	**–**	–	**–**	(1,235)
	14,300	10,860	**1,068**	(10,831)
Discontinued operation				
Power plant	**–**	–	**–**	(21,408)
	14,300	10,860	**1,068**	(32,239)

An analysis of the results of discontinued operation, after elimination of intra company transactions, is as follows:

	2008	2007
	US$'000	US$'000
Other income	**–**	1,142
Administrative expenses	**–**	(401)
Impairment of property, plant and equipment	**–**	(12,062)
Impairment of goodwill	**–**	(9,967)
Loss for the year	**–**	(21,288)

4. REVENUE AND SEGMENT INFORMATION (Con't)

ii) Segment assets and liabilities

	Assets		Liabilities	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Continuing operations				
Terminal and barging services	**35,015**	34,739	**4,784**	4,040
Trading and others	**3,224**	2,338	**117**	271
Mining	**–**	(9)	**150**	137
	38,239	37,068	**5,051**	4,448
Discontinued operations				
Power plant	**3**	(1,982)	**3,182**	2,994
Total	**38,242**	35,086	**8,233**	7,442

	Assets		Liabilities	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Represents in balance sheet				
Non-current	**29,222**	26,222	**5,201**	2,702
Current	**9,020**	8,864	**3,032**	4,740
Total	**38,242**	35,086	**8,233**	7,442

4. REVENUE AND SEGMENT INFORMATION (Con't)

iii) Other information

	Continuing Operations		
	Terminal and barging services	**Trading and others**	**Total**
	US$'000	US$'000	US$'000
Capital expenditure	2,811	352	3,163
Depreciation	1,431	317	1,748
Loss on disposal of property, plant and equipment	–	3	3

iv) Geographical (secondary) segment information

	Revenue		Segment assets	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Analysis by origin:				
Hong Kong	**2,048**	944	**3,242**	23,872
Mainland China	**12,252**	9,916	**26,796**	5,406
United Kingdom	**–**	–	**(29)**	(1,634)
	14,300	10,860	**30,009**	27,644

5. OTHER INCOME

	2008	2007
	US$'000	US$'000
Exchange gains	**44**	269
Rental income	**–**	224
Others	**111**	112
	155	605

6. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is stated after charging:

	2008 US$'000	2007 US$'000
a) Finance costs		
Interest on		
– Finance leases	**43**	–
– Bank loan	**133**	120
	176	120
b) Staff costs (including directors' remuneration)		
Wages and salaries		
– included in cost of sales	**1,681**	957
– included in administrative expenses	**635**	610
Other pension costs	**19**	20
Other staff welfare	**3**	23
	2,338	1,610

Employees	**2008 Number of staff**	2007 Number of staff
The average monthly number of persons (including directors) employed by the Group during the year was:		
Management and administration	**40**	31
Sales and distribution	**17**	7
Operations	**379**	282
	436	320

Staff costs are included within administrative expenses in the income statement.

6. PROFIT/(LOSS) BEFORE TAXATION (Con't)

	2008 US$'000	2007 US$'000
c) Other items		
Fees payable to Baker Tilly UK Audit LLP for the audit of Company's annual financial statements	**34**	36
Fees payable to associates of company's auditors for other services:		
The audit of the Company's subsidiaries	**41**	49
Depreciation	**1,748**	1,178
Loss on disposal of property, plant and equipment	**3**	95
Rentals under operating leases		
– land and buildings	**151**	77
– barges and containers	**–**	222
– motor vehicles	**–**	8
Directors' remuneration (note 8)		
– Directors' emoluments – salaries	**130**	176
– pension costs	**1**	6
Exceptional items:		
Impairment of goodwill	**–**	9,010
Impairment loss on property, plant and equipment	**–**	1,131
	–	10,141

7. TAXATION

The amount of income tax expense charged to the consolidated income statement represents:

	2008 US$'000	2007 US$'000
Overseas tax:		
current year	**247**	142

7. TAXATION (Con't)

The actual tax expense can be reconciled to the profit/(loss) before taxation in the consolidated income statement as follows:

	2008 **US$'000**	2007 US$'000
Profit/(loss) before tax	**1,315**	(10,809)
Notional tax at the standard rate of corporation tax in the UK of 28% (2007: 30%)	**368**	(3,243)
Effects of:		
Different tax rates on overseas earnings	**(173)**	93
Expenses not deductible for tax purposes	**134**	4,849
Non-taxable income	**(31)**	(1,564)
Temporary differences	**(14)**	–
Utilisation of tax losses previously not recognised	**(43)**	7
Addition to tax losses	**7**	–
Change in tax rate	**(1)**	–
Tax charge for the year	**247**	142

In respect of subsidiaries operating in Hong Kong, no provision for Hong Kong profits tax are provided as there are sufficient tax losses brought forward to set off against current year's assessable profit.

Subsidiaries operating in the PRC are subject to Enterprise Income Tax ("EIT") at a rate of 18%. However, certain subsidiaries are subject to tax holidays from the local tax authorities under income tax law. Others had tax losses brought forward from previous years.

On 16 March 2007, the National People's Congress passed the Corporate Income Tax Law of the PRC (the "new tax law"). Under the new tax law, the statutory income tax rate applicable to the company's subsidiaries in Shenzhen is changed from 15% to 25% progressively within five years from 1 January 2008 (2008: 18%; 2009: 20%; 2010: 22%; 2011: 25%). The new tax law has been applied when measuring the group's current tax payable as at 31 December 2008.

No deferred tax is recognised on the unremitted earnings of the overseas subsidiary companies, as no dividend payments due to UK parent company are expected to be made in the foreseeable future. A deferred tax asset of approximately US$665,000 (2007: approximately US$879,000) has not been recognised in respect of tax losses carried forward due to the uncertainty of the timing of future taxable profits against which these losses can be offset.

8. DIRECTORS' REMUNERATION

Apart from US$130,551 (2007: US$181,821), as disclosed in note 6(c), that were paid to the directors by Group companies, no additional fees (2007: US$47,494) were paid to directors through Winbest Resources Limited, a company which is ultimately controlled by Chin Dynasty Foundation Limited. For the purpose of this disclosure, the directors are considered to be key management of the Group.

9. DIVIDEND

The directors do not recommend the payment of any dividend.

10. EARNINGS/(LOSS) PER SHARE

i) From continuing operations

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Parent Company of US$0.360 million (2007: loss of US$9.987 million) and the weighted average number of shares in issue of 1,978,895,139 for the two years ended 31 December 2008.

ii) From discontinued operations

The calculation of basic earnings per share is based on the loss attributable to equity shareholders of the Parent Company of US$nil (2007: loss of US$21.288 million) and the weighted average number of shares in issue of 1,978,895,139 for the two years ended 31 December 2008.

11. GOODWILL

	Group 2008 US$'000	2007 US$'000
Cost:		
At 1 January	**22,806**	22,807
Exchange realignment	**1**	(1)
At 31 December	**22,807**	22,806
Provision:		
At 1 January	**20,972**	1,995
Impairment charge for the year	**-**	18,977
At 31 December	**20,972**	20,972
Net book value:		
At 31 December	**1,835**	1,834
At 1 January	**1,834**	20,812

Commencing from 1 January 2006, no amortisation of goodwill was provided and an annual impairment test is made to assess the fair value of goodwill.

The impairment charge in the year ended 31 December 2007 was in respect of the cessation of the Group's power plant operation and other discontinued activities during the prior year. The goodwill balance at 31 December 2008 relates to the Group's remaining operations.

12. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and buildings US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Oil storage tanks US$'000	Vessels US$'000	Motor vehicles US$'000	Construction in progress US$'000	Total US$'000
Cost								
At 1 January 2007	21,905	23,407	8,165	173	1,725	715	705	56,795
Exchange realignment	787	1,239	519	–	–	17	–	2,562
Additions	239	3,010	104	–	831	136	867	5,187
Transfer	693	–	–	–	–	–	(693)	–
Disposals	–	–	–	–	(430)	–	–	(430)
At 1 January 2008	23,624	27,656	8,788	173	2,126	868	879	64,114
Reclassification	9	138	(65)	–	–	(82)	–	–
Additions	1,313	779	39	–	324	60	648	3,163
Disposals	(27)	–	(4)	–	–	–	–	(31)
Transfer	–	965	–	–	–	–	(965)	–
Exchange realignment	2,705	468	(109)	–	–	36	32	3,132
At 31 December 2008	**27,624**	**30,006**	**8,649**	**173**	**2,450**	**882**	**594**	**70,378**
Depreciation								
At 1 January 2007	6,961	10,336	5,157	13	912	573	–	23,952
Exchange realignment	292	607	339	–	(5)	16	–	1,249
Charge for the year (Note)	546	509	272	–	177	75	–	1,579
Disposals	–	–	–	–	(236)	–	–	(236)
Impairment charge	2,999	7,891	2,257	–	–	27	20	13,194
At 1 January 2008	10,798	19,343	8,025	13	848	691	20	39,738
Reclassification	(87)	126	(13)	–	–	(26)	–	–
Charge for the year (Note)	631	704	142	–	213	58	–	1,748
Written-back on disposal	(27)	–	(1)	–	–	–	–	(28)
Exchange realignment	1,852	(106)	(197)	–	(1)	17	(20)	1,545
At 31 December 2008	**13,167**	**20,067**	**7,956**	**13**	**1,060**	**740**	**–**	**43,003**
Net book value								
At 31 December 2008	**14,457**	**9,939**	**693**	**160**	**1,390**	**142**	**594**	**27,375**
At 31 December 2007	12,826	8,313	763	160	1,278	177	859	24,376
At 31 December 2006	14,944	13,071	3,008	160	813	142	705	32,843

Note: Of the depreciation charge for the year, US$1,087,000 (2007: US$788,000) is included in cost of sales, US$661,000 (2007: US$390,000) is included in administrative expenses and US$nil (2007:US$401,000) is included in exceptional item, in the income statement. The impairment charge was made as a result of the cessation of the Group's power plant operation during the prior year.

12. PROPERTY, PLANT AND EQUIPMENT (Con't)

At 31 December 2008, the net book values of land and buildings, plant and machinery, furniture, fixtures and equipment are further analysed as follows:

	Terminal US$'000	Others US$'000	Total US$'000
Land			
– short lease	2,530	–	2,530
– unspecified leases	1,378	–	1,378
	3,908	–	3,908
Buildings	10,549	–	10,549
Land and buildings	14,457	–	14,457
Plant and machinery	9,939	–	9,939
Furniture, fixtures and equipment	125	568	693

On 31 December 2003, a guarantee was given by the Company's subsidiary, Keen Chance Terminal (GZ) Company Limited ("KCT") for banking facilities granted to a fellow investor, Miaotou Economic Development Company Limited ("MEDCL"), in KCT (see note 27(b)).

The Group has obtained land use right and real estates certificates on the terminal's land under short leases from the local land authority. Land with a value of US$1,378,309 held under unspecified leases of the terminal is land held for industrial use for which the relevant land use right certificate has not been obtained and thus the term of the lease has yet to be agreed.

Included in land and buildings is short lease land on which the power plant, related ash storage pools and ancillary facilities are located. In addition, they also include land held for industrial use in respect of which the Group has not obtained the relevant land use right certificate.

Under the law of the PRC, land held for industrial use and the buildings without building ownership certificates can only be used for identified industrial purposes. The Group has not obtained any building ownership certificates in respect of the buildings of the Group. The Group cannot legally sell or mortgage such properties until the relevant land taxes have been paid to the local land authority. However there is no binding agreement for the taxes to be paid.

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2008	2007
	US$'000	US$'000
Unlisted shares, at cost:		
At 1 January 2008 and 31 December 2008	**56,015**	56,015
Provision for impairment:		
At 1 January	**31,797**	–
Charge for the year	**5,462**	31,797
At 31 December	**37,259**	31,797
Net book value:		
At 31 December	**18,756**	24,218
At 1 January	**24,218**	56,015

(Expressed in United States dollars)

13. INVESTMENTS IN SUBSIDIARIES (Con't)

At 31 December 2008, the Company held 100% of the ordinary shares of Arko Offshore Holdings Limited#, a company incorporated in the British Virgin Island ("BVI"), whose principal activity was that of an investment holding company. Arko Offshore Holdings Limited had the following subsidiaries undertakings:

Name	Equity interests attributable to the group	Principal activities	Place of incorporation
Arko Energy Limited* #	100%	Investment holding	BVI
Arko Consultants Limited* #	100%	Providing management services	BVI
Arko Pacific Limited* #	100%	Investment holding	BVI
Long Prosperity Industrial Limited	100%	Investment holding	Republic of Seychelles
Arko Silicon (Hubei) Limited[1]	100%	Dormant	PRC
Sanko Mineral Limited	100%	Sub-letting of yachts, ships and vessels	BVI
Arko Shipping Limited# (Formerly known as Arko Logistics Limited)	100%	Providing logistics and related services	Hong Kong
Arko Satellite Limited[2]	100%	Dormant	BVI
Arko Terminal Limited ("ATL")#	100%	Investment holding	Republic of Seychelles
Changzhou Power Development Company Limited	59.2%	Inactive	PRC
Keen Chance Terminal (GZ) Company Limited ("KCT")	40%	Investing in and operation of a terminal and providing logistics services	PRC
Fujian Sanko Mining Limited	70%	Dormant	PRC

1 Subsequently deregistered in March 2009

2 Subsequently disposed on 23 March 2009

* Directly held by Arko Offshore Holdings Limited. All other subsidiaries are indirectly held.

\# Subsequent to the balance sheet date, the management of the Group recommended a change of name for certain of its subsidiaries as listed below by passing relevant board resolutions in each of the group companies to match their core businesses with present operating activities in terminal operation and barging service operation in Mainland China:

	Present names	New names	Board resolution date
1.	Arko Offshore Holdings Limited	Yinggao Investments Limited	18 May 2009
2.	Arko Energy Limited	Yinggao Energy Limited	18 May 2009
3.	Arko Consultants Limited	Yinggao Consultants Limited	18 May 2009
4.	Arko Pacific Limited	Yinggao Pacific Limited	18 May 2009
5.	Arko Terminal Limited	Yinggao Terminal Limited	18 May 2009
6.	Arko Shipping Limited	Yinggao Shipping (H.K.) Limited	8 June 2009

13. INVESTMENTS IN SUBSIDIARIES (Con't)

The 40% equity interest in Keen Chance Terminal (GZ) Company Limited ("KCT") previously held by Keen Lloyd Energy Limited ("KLEL"), a subsidiary of Keen Lloyd Holdings Limited ("KLHL"), has been transferred to ATL. The transfer has been submitted for registration to the relevant PRC authorities.

Pursuant to an agreement dated 5 April 2002 entered into between KLEL and Miaotou Economic Development Company Limited ("MEDCL"), (a shareholder of KCT who held a 30% equity interest in KCT), MEDCL agreed to vote in accordance with the instructions of KLEL at board meetings in view of its indebtedness to KLEL, for an approximate sum of RMB78 million (equivalent to US$9.4 million), and KLEL intended to convert the outstanding loan into registered capital of KCT.

On 22 April 2003, KLEL entered into a shareholder agreement with MEDCL and Harbour Economic Development Company Limited ("HEDCL"), another shareholder in KCT, whereby all parties agreed that MEDCL has unconditionally transferred the authority empowered to its directors representative (including their rights and obligations) to KLEL until KLEL transferred the 40% equity interests in KCL to ATL to reiterate the aforesaid agreement dated 5 April 2002.

On 16 May 2003, a supplemental agreement was entered into between ATL, KLEL, MEDCL and HEDCL by which all parties agreed that the above authority transferred to KLEL would be vested in ATL after KLEL completed the transfer of equity interests in KCT to ATL.

13. INVESTMENTS IN SUBSIDIARIES (Con't)

In accordance with the terms and conditions set out in the above agreements, KLEL effectively controls the board of KCT and this arrangement has been confirmed by the shareholders of KCT. In 2002, a Hong Kong lawyer expressed his view that KCT is a subsidiary of KLEL under Hong Kong Company Law. Control of KLEL has been transferred to ATL and therefore in the opinion of the directors, KCT is a subsidiary of ATL under the Companies Act 1985.

KCT will be a legal subsidiary of ATL immediately upon the registration of the transfer of the 40% of equity in KCT from KLEL to ATL.

During the second half of 2007, pursuant to an agreement signed with the Hubei Provincial Economic Committee Bureau, Suizhou City Government and the Hubei Provincial Electricity Co., Ltd. on 30 June 2007, the power plant factory of Changzhou Power Development Company Limited has been ordered to close down its operation from July 2007 onwards owing to the macroeconomic and administrative measures imposed by the order of State Council to clear off those ineffective coal-fired power plants in Hubei Province.

14. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2008	2007
	US$'000	US$'000
Unlisted in the PRC	**12**	12

The above investment represents 20% of the ordinary shares in a company incorporated in the PRC of China, Guangzhou Tonglai Shipping Agents Company Limited, at consideration of RMB100,000 (approximately US$12,000). The associate is principally engaged in provision of logistics and related services. It is not treated as an investment in associate on the ground of its immaterial amount.

15. INVENTORIES

Inventories represent consumables. There was no significant difference between the replacement cost and the value shown in the balance sheet.

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables	**2,656**	1,689	–	–
Deposits	**811**	700	–	–
Prepayments	**585**	3	**1**	–
Other receivables	**1,069**	2,198	–	63
Amount due from fellow investor of subsidiary	**2,039**	1,656	–	–
Amount due from related companies (note)	**943**	394	–	–
Amount due from immediate holding company	–	1,672	–	–
	8,103	8,312	**1**	63

Trade receivables are due within 30 days from the date of billing. Further details on the Company's credit policy are set out in note 23(a).

The ageing analysis of trade debtors and that are neither individually nor collectively considered to be impaired are as follows:

	2008	2007
	US$'000	US$'000
Neither past due nor impaired	**990**	751
Less than one month past due	**761**	443
1 to 3 months past due	**892**	–
>3 months past due	**13**	495
Total amounts past due	**1,666**	938
Total	**2,656**	1,689

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

16. TRADE AND OTHER RECEIVABLES (Con't)

Note

The balances with related companies are analysed as follows:

	Group 2008 US$'000	2007 US$'000	Maximum amount outstanding during the year US$'000
Guangzhou Keen Lloyd Copper Industry Company Limited	**12**	42	221
Guangzhou Tonglai Shipping Agency Company Limited	**360**	352	360
Guangdong Yinggao Investment Limited	**42**	–	42
Guangdong Yinggao Shipping Limited	**529**	–	529
	943	394	1,152

These amounts are interest free, unsecured and repayable on demand.

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Cash in hand and at bank	**780**	428	**2**	1

Currency	**2008 US$'000**	2007 US$'000	**2008 US$'000**	2007 US$'000
Hong Kong Dollars	**38**	405	–	–
Chinese RMB	**740**	22	–	–
UK Pound Sterling	**2**	1	**2**	1
	780	428	**2**	1

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Trade payables	**960**	991	**28**	105
Other payables and sundry creditors	**1,422**	1,801	–	–
Accruals	**746**	737	**3**	95
Amount due to related companies	**413**	77	–	–
Amount due to immediate holding company	**366**	–	–	–
	3,907	3,606	**31**	200

19. OBLIGATIONS UNDER FINANCE LEASES

	2008		2007	
	Present value of the minimum lease payments US$'000	**Total minimum lease payments US$'000**	Present value of the minimum lease payments US$'000	Total minimum lease payments US$'000
Within 1 year	**599**	**645**	–	–
After 1 year but within 5 years	**330**	**356**	–	–
	929	**1,001**	–	–
Less: total future interest expenses		**(72)**	–	–
Present value of lease obligations		**929**	–	–

20. BANK LOAN

	Group	
	2008 US$'000	2007 US$'000
Analysis of debt maturity		
Amounts payable and due within two to five years	**1,915**	1,915

The bank loan is unsecured, with interest accruing at the fixed rate of 5.85% per annum.

The Group holds financial instruments in order to finance its operations and to manage interest rate and currency risks. Group operations are financed by means of retained profits and a mixture of both short and medium term debts. The Group borrows, through banks and from related parties, in local currencies at fixed rates. The Group does not trade in any way in financial instruments.

(Expressed in United States dollars)

21. LOANS FROM FELLOW INVESTORS IN SUBSIDIARIES

These amounts are advanced from Miaotou Economic Development Company Limited of US$718,004 (2007: US$718,004) and a further amount from Walton Enterprises Limited of US$68,673 (2007: US$68,673). These amounts are unsecured, interest free and have no fixed term of repayment.

22. SHARE CAPITAL

		2008		2007	
		Number	**£**	Number	£
a)	Authorised:				
	Ordinary shares of 0.5p each	**30,000,000,000**	**150,000,000**	30,000,000,000	150,000,000
	Equivalent to:		**US$**		US$
			265,395,280		265,395,280
			US$		US$
	Allotted, called up and fully paid:				
	Ordinary shares of 0.5p each	**1,978,895,139**	**14,921,520**	1,978,895,139	14,921,520

b) Capital management

The Group's main objective when managing capital is to provide returns to shareholders by ensuring the Group will continue to trade in the foreseeable future. The Group also aims to maximise its capital structure of debt and equity so as to minimise its cost of capital.

The Group manages its capital with regard to the risks inherent in the business and the sector within which it operates by monitoring its gearing ratio on a regular basis.

The Group considers its capital to include share capital, share premium, translation reserve and retained earnings.

22. SHARE CAPITAL (Con't)

b) Capital management (Con't)

Net debt includes short and long-term borrowings net of cash and cash equivalents.

	2008 US$'000	2007 US$'000
Total debt	**8,233**	7,442
Less cash and cash equivalents	**(780)**	(428)
Net debt	**7,453**	7,014
Total equity	**30,009**	27,644
Debt to capital ratio	**25%**	25%

The Group does not have any externally imposed capital requirements.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The principal risks arising from the Group's financial instruments are credit risk, interest rate risk, liquidity risk and exchange rate risk. The Group board reviews and agrees policies for managing each of these risks and these are summarised below. These policies have been developed during the current accounting period as a consequence of the Group's expansion.

a) Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty in setting their financial and contractual obligations to the Group, as and when they fall due.

The Group's primary exposure to credit risk arises through its trade receivables. The management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Other financial assets of the Group with exposure to credit risk include cash and deposits that are placed with financial institutions which are regulated.

At the balance sheet date, there was no significant concentration of credit risk.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008
(Expressed in United States dollars)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Con't)

b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

	Group 2008					Group 2007				
	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	Within 1 year or on demand US$'000	More than 1 year but less than 2 years US$'000	More than 5 years US$'000	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	Within 1 year or on demand US$'000	More than 1 year but less than 2 years US$'000	More than 5 years US$'000
Trade payables	960	960	960	-	-	991	991	991	-	-
Other payables	1,422	1,422	1,422	-	-	529	529	529	-	-
Accruals	746	746	746	-	-	737	737	737	-	-
Finance Lease										
- within 1 year	599	599	599	-	-	-	-	-	-	-
- 2 to 5 years	330	330	-	330	-	-	-	-	-	-
Bank loan	1,915	1,915	-	-	1,915	1,915	1,915	-	-	1,915
Loans from fellow investors in subsidiary companies	787	787	-	-	787	787	787	-	-	787
Amount due to related companies	413	413	413	-	-	77	77	77	-	-
Amount due to immediate holding company	366	366	366	-	-	-	-	-	-	-
	7,538	7,538	4,506	330	2,702	5,036	5,036	2,334	-	2,702

	Group 2008					Group 2007				
	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	Within 1 year or on demand US$'000	More than 1 year but less than 2 years US$'000	More than 5 years US$'000	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	Within 1 year or on demand US$'000	More than 1 year but less than 2 years US$'000	More than 5 years US$'000
Trade and other payables	31	31	31	-	-	200	200	200	-	-
Amount due to subsidiary	1,916	1,916	1,916	-	-	2,299	2,299	2,299	-	-
	1,947	1,947	1,947	-	-	2,499	2,499	2,499	-	-

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Con't)

c) Foreign exchange risk

The Group's businesses include revenue and the expenses which are principally conducted in Chinese Renminbi ("RMB") through its subsidiaries in the PRC. The Group is largely exposed to foreign currency risk with respect to United States dollars. Foreign exchange risk mainly arises from recognised assets and liabilities and net investments in foreign operations.

The Group did not use any forward contract or currency borrowing to hedge its exposure to foreign currency risk. However, the directors will monitor the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise in the future.

No entity in the Group has material assets and liabilities denominated in currency other than functional currency of that entity, therefore no material foreign exchange risk arises.

d) Interest rate risk

Group borrowings are held in local currencies. Current loans are at fixed rates. The Group's policy for future borrowings will be to take floating rates unless fixed rate finance is available at particularly attractive rates.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Con't)

Sensitivity analysis

The Group is exposed to fair value interest rate risk as its bank borrowings and finance leases are at a fixed rate. Borrowings from fellow investors in subsidiaries are on an interest free basis. The Group monitors closely its interest rate exposure and will consider hedging significant interest rate exposure should the need arise in the future.

The interest rate risk profile of the Group's financial liabilities for the two years ended 31 December 2008 are as follows:

Group

Currency	Total	Interest-free	Fixed rate	Fixed rate weighted average interest rate at	Fixed rate weighted average period for which rate is fixed
	US$'000	US$'000	US$'000	%	Years
2008					
RMB	**2,702**	**787**	**1,915**	**5.85**	**1**
RMB	**921**	**–**	**921**	**4**	**2**
HKD	**8**	**8**	**–**	**–**	**–**
	3,631	**795**	**2,836**		
2007					
RMB	2,702	787	1,915	5.85	1

The Company incurs no interest rate risk as it does not have any bank or other borrowings.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Con't)

Summary of financial instruments by category

The carrying amounts of the Group's financial assets are categorised as loans and receivables:

Financial assets

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables	**2,656**	1,689	–	–
Deposits	**811**	700	–	–
Other receivables	**1,069**	2,198	–	63
Amount due from subsidiary	–	–	**120**	–
Amount due from fellow investor of subsidiary	**2,039**	1,656	–	–
Amount due from related companies	**943**	394	–	–
Amount due from immediate holding company	–	1,672	–	–
Cash and cash equivalents	**780**	428	**2**	1
Total	**8,298**	8,737	**122**	64

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Con't)

Financial liabilities

	Other financial liabilities	
Group	**2008**	2007
	US$'000	US$'000
Trade payables	**960**	991
Other payables	**1,422**	529
Accruals	**746**	737
Amount due to related companies	**413**	77
Amount due to immediate holding company	**366**	–
Obligation under finance lease		
– Within 1 year	**599**	–
– 2 to 5 years	**330**	–
Bank loan	**1,915**	1,915
Loans from fellow investors in subsidiaries	**787**	787
Total	**7,538**	5,036

Financial liabilities

	Other financial liabilities	
Company	**2008**	2007
	US$'000	US$'000
Trade and other payables	**28**	200
Accruals	**3**	-
Amount due to a subsidiary	**1,916**	2,299
Total	**1,947**	2,499

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Con't)

e) Fair value estimation

The fair value of the Group's trade receivables is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The carrying amounts of the Group's financial assets, including cash and cash equivalents, other receivables and financial liabilities, including trade and other payables, obligations under finance leases and bank borrowings approximate to their fair values as at 31 December 2008 and 2007.

24. RELATED PARTY TRANSACTIONS

Other than transactions otherwise disclosed in the financial statements, the Group and the Company had the following material transactions which were carried out on an arm's length basis with related parties during the year:

Name of company	Notes	Nature	**2008** **US$'000**	2007 US$'000
Guangzhou Tonglai Shipping Agency Company Limited	(a)	Agency charges	**82**	77
Winko Metal Limited	(b)	Hiring charges for motor vehicle	–	8

Notes:

(a) A company in which the Chairman, Mr Qin Shun Chao, is a director.

(b) Companies which are controlled by Keen Lloyd Holdings Limited.

25. OPERATING LEASE COMMITMENTS

At 31 December 2008, the Group had total commitments in respect of land and building under operating leases:

	2008	2007
	US$'000	US$'000
Leases which expire:		
– in the next year	**354**	171
– in the second to fifth years	**1,089**	741
	1,443	912

26. CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December 2008 in respect of the acquisition of a quayside container crane from a non-related supplier in the financial statements were as follows:

	Group	
	2008	2007
	US$'000	US$'000
Contracted, but not provided for	**740**	8,438

27. CONTINGENT LIABILITIES

(a) On 23 July 1998, a subsidiary of the Company, Keen Chance Terminal (GZ) Company Limited ("KCT"), gave a guarantee for RMB50 million (equivalent to approximately US$5.9 million) in favour of the Huangpu Branch of the Industry and Commercial Bank of China for banking facilities granted to Harbour Economic Development Company Limited ("HEDCL"), a fellow investor in KCT and its ultimate controlling party, Guangzhou Huangpu Foreign Trade Group Company Limited and secured over their equity interests in KCT. HEDCL was unable to repay the loans due to the bank. The bank took action against KCT to enforce the guarantee for the outstanding loan.

(b) On 9 November 1999, KCT gave a guarantee for RMB18 million (equivalent to approximately US$2.1 million) in favour of Nangang Rural Credit Co-operation Bank for banking facilities granted to Miaotou Economic Development Company Limited ("MEDCL"), a fellow investor in KCT, secured over its equity interests in KCT. MEDCL was unable to repay the outstanding loan.

27. CONTINGENT LIABILITIES (Con't)

On 27 September 2001, the Guangzhou Law Court delivered an order and notice that the guarantees above were invalid and MEDCL's equity interest in KCT was frozen.

Based on legal advice, the equity interests had no material impact on the operations of KCT and the directors consider that no provision is required.

KCT maintains that the guarantee given was invalid on the following grounds:

(1) such guarantee did not have approval from the board of directors of KCT;

(2) in accordance with the law of the People's Republic of China, the board of directors and the management of KCT cannot give KCT's properties for guarantee to its shareholder; and

(3) the controlling party of HEDCL has not held a valid business licence since 1998 and ceased operations in 1999. In accordance with the banking regulations of the People's Republic of China, the bank cannot lend money to enterprises which do not have a valid business licence.

The legal proceedings are still in progress. Based on legal advice, the directors are of the opinion that, the loan agreement was void because it was illegal and accordingly, the guarantee contract was also invalid.

Furthermore, Keen Lloyd Holdings Limited, the Company's parent company, has indemnified the Group against any loss KCT will suffer should the guarantee be enforceable.

Accordingly, the directors are of the opinion that no provision should be made in the financial statements for any possible claim from the bank in respect of the litigation.

(c) Following the closure of the power plant on 30 June 2007, the group may be required to incur decommissioning costs in respect of the power plant site. The Group is unable to estimate such costs since the power plant can be sold to other larger power plant companies in China before the end of 2010 (the date at which the plant is required to be demolished). If a sale is achieved, no decommissioning costs will be incurred. Accordingly, no provision is made in respect of these costs in these financial statements.

28. ADOPTION OF NEW AND REVISED STANDARDS

At the date of authorisation of these financial statements, the following standards and interpretations, which are issued but not yet effective, have not been applied:

- IFRS 1 Revised IFRS 1 First-time adoption of IFRS
- IFRS 2 Share-based payments – Amendment, vesting conditions and cancellations
- IFRS 3 Business combinations – Comprehensive revision on applying the acquisition method
- IFRS 7 Financial Instruments: Disclosures – Amendment; Reclassification of Financial Assets
- IFRS 8 Operating segments
- IAS 1 Presentation of Financial Statements – comprehensive revision including requiring a statement of comprehensive income
- IAS 23 Borrowing Costs – Comprehensive revision to prohibit immediate expensing
- IAS 27 Consolidated and Separate Financial Statements – Amendments arising from IFRS 3
- IAS 27 Consolidated and Separate Financial Statements – Amendment; Cost of an investment in a subsidiary, jointly controlled entity or associate
- IAS 28 Investment in Associates – Consequential amendments arising from IFRS 3
- IAS 39 Financial Instruments: Recognition and Measurement – Amendment; Reclassification of Financial Assets
- IAS 39 Financial Instruments: Recognition and Measurement – Amendment; Eligible hedged items

Amendments to IFRSs arising from Annual Improvements Project

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10 Events after the Reporting Period
- IAS 16 Property, Plant and Equipment
- IAS 18 Revenue
- IAS 23 Borrowing Costs
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investment in Associates
- IAS 32 Financial Instruments: Presentation
- IAS 36 Impairment of Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The directors anticipate that the adoption of these Standards and Interpretations as appropriate in future periods will have no material impact on the financial statements of the Group when the relevant standards come into effect for periods commencing after 1 January 2009.

29. EXCHANGE RATE

The US Dollar to Pound Sterling exchange rate at 31 December 2008 was US$1.44056/£ (2007: US$1.9994/£).

30. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

31. ULTIMATE CONTROLLING PARTY

The directors consider that Chin Dynasty Foundation Limited ("CDFL"), a company incorporated in the British Virgin Islands is the ultimate holding company. CDFL is controlled by the Chin Dynasty Fund. No group financial statements for CDFL are published.

The Chin Dynasty Fund is a discretionary trust where Mr. Qin Shun Chao is the settler. Members of Mr. Qin's family are the potential beneficiaries of the trust.

The Company's immediate parent company is Keen Lloyd Holdings Limited, a company incorporated in the British Virgin Islands.

NOTICE OF ANNUAL GENERAL MEETING

Arko

Notice is hereby given that the Annual General Meeting of the Company will be held at 12:00 noon on 7 August 2009 at the Registered Office for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive and adopt the directors' report and financial statements for the year ended 31 December 2008.

2. To re-elect Mr. LIU Sheng Rong as a director of the Company.

3. To elect FENG Yue Ying as a director of the Company.

4. To re-elect Mr. QIN Shun Chao as a director of the Company.

5. To re-elect Ms. LEUNG Suk Ching, Angela as a director of the Company.

6. To re-elect Mr. David Thomas as a director of the Company.

7. To re-appoint Baker Tilly UK Audit LLP, Chartered Accountants as auditors of the Company to hold office until the next General Meeting at which financial statements are laid before the Company and that their remuneration be fixed by the directors.

SPECIAL BUSINESS

As special business, to consider and, if thought fit, to pass the following resolution as a Special Resolution:

8. "That the name of the Company be changed to Yinggao Holdings plc.（盈高控股有限公司）."

By order of the Board
CHAN Kit Ching
Company Secretary

17 June 2009

Registered office:
2 Bloomsbury Street
London WC1B 3ST

Notes:

a. A shareholder entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company.

b. A form of proxy is enclosed with this notice for your use in respect of the business set out above. To be effective, the form of proxy together with the power of attorney or other authority (if any) under which it is signed (or a notary certified or an office copy of such power of authority) must be lodged at the Company's Registrars, Capita Registrars, Proxy Department, PO Box 25, The Registry, 34 Beckenham Road, Beckenham Kent BR3 4TU at least forty-eight hours before the time appointed for the meeting.

ARKO

ARKO HOLDINGS PLC

Form of Proxy for use at the Annual General Meeting

I/We____

of____

being a member of the above named Company, hereby appoint the Chairman of the meeting or as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 12:00 noon on 7 August 2009 at the Registered Office, and at any adjournment thereof.

Please delete as appropriate below to indicate how you wish your votes to be cast:

RESOLUTION 1
To receive and adopt the directors' report and financial statements for the year ended 31 December 2008. **FOR/AGAINST**

RESOLUTION 2
To re-elect Mr. LIU Sheng Rong as a director of the Company. **FOR/AGAINST**

RESOLUTION 3
To elect FENG Yue Ying as a director of the Company. **FOR/AGAINST**

RESOLUTION 4
To re-elect Mr. QIN Shun Chao as a director of the Company. **FOR/AGAINST**

RESOLUTION 5
To re-elect Ms. LEUNG Suk Ching, Angela as a director of the Company. **FOR/AGAINST**

RESOLUTION 6
To re-elect Mr. David Thomas as a director of the Company. **FOR/AGAINST**

RESOLUTION 7
To re-appoint Baker Tilly UK Audit LLP, Chartered Accountants as auditors of the Company to hold office until the next General Meeting at which financial statements are laid before the Company and that their remuneration be fixed by the directors. **FOR/AGAINST**

SPECIAL BUSINESS

As special business, to consider and, if thought fit, to pass the following resolution as a Special Resolution:

"That the name of the Company be changed to Yinggao Holdings plc. (盈高控股有限公司)." **FOR/AGAINST**

Signature ______________________________ Date ______________________2009

Number of shares held: ____________________

Notes:

a. A member may appoint a proxy of his/her own choice. If such an appointment is made, delete the words "the Chairman of the meeting" and insert the name of the person appointed proxy in the space provided.

b. In the case of joint holders, the signature of any holder will be sufficient, but the names of all the joint holders should be stated.

c. If this form is returned without any indication as to how the person appointed proxy shall vote, he/she will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.

d. To be valid, this form must be completed and deposited at the Company's Registrars, Capita Registrars, Proxy Department, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.

POSTAGE
WILL BE
PAID BY
LICENSEE

NO POSTAGE
STAMP
NECESSARY

BUSINESS RETURN LICENSE NUMBER: MB 122

Capita Registrars,
Proxy Department,
PO Box 25, Beckenham, Kent,
BR3 4BR