Yinggao Holdings Plc

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

31 December 2009

Company Number: 01366078

CONTENTS

	Pages
Directors, Secretary and Advisers	2
Chairman's Statement	3
Directors' Report	6
Statement of Directors' Responsibilities	11
Independent Auditor's Report	12
Consolidated Income Statement	14
Consolidated Statement of Comprehensive Income	15
Balance Sheets	16
Statements of Changes in Equity	17
Statements of Cash Flows	19
Notes to the Financial Statements	21
Notice of Annual General Meeting	68

DIRECTORS, SECRETARY AND ADVISERS

DIRECTORS

LEUNG Suk Ching, Angela *(Chairman)*
FENG Yue Ying *(Finance Director)*
CHAN Ping Kwan *(Executive Director)*
LIU Sheng Rong *(Non Executive Director)*
David THOMAS *(Non Executive Director)*

COMPANY SECRETARY

CHAN Kit Ching

REGISTERED OFFICE

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London WC1B 3ST

HEAD OFFICE

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Company website www.yinggaoholdings.com

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
15 Queen's Road Central, Hong Kong

REGISTRARS

Capita Registrars
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Huddersfield, West Yorkshire HD8 0GA

NOMINATED ADVISER

Daniel Stewart & Company
Becket House
36 Old Jewry
London EC2R 8DD

STOCKBROKERS

Daniel Stewart & Company
Becket House
36 Old Jewry
London EC2R 8DD

INDEPENDENT AUDITOR

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

SUBSIDIARY AUDITORS

Baker Tilly Hong Kong Limited
Certified Public Accountants
12th Floor, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Guangshui Hongxin Certified Public
Accountants Limited
Sanlihe, Guangshui, Hubei, China

CHAIRMAN'S STATEMENT

I am pleased to present the financial statements for the year ended 31 December 2009 I took the position of Chairman following the retirement of Qin Shun Chao in September 2009 I would like to take this opportunity to express my sincere gratitude on behalf of the board to Mr Qin for his five years of service in the Company Mr Qin sadly passed away in March 2010

FINANCIAL RESULTS

Group turnover for the year ended 31 December 2009 increased by 65% to US$23 6 million (2008 US$14 3 million) Earnings before interest, tax, depreciation and amortization (EBITDA) rose to US$12 0 million (2008 US$3 2 million) The profit before taxation was US$10 0 million (2008 US$1 3 million) after an exceptional item on the gain on disposals of subsidiaries of US$6 6 million is taken into account (2008 US$nil) The profit after taxation was US$9 6 million (2008 US$1 1 million) The resulting basic profit per share was US$0 44 (2008 US$0 02)

Our gross margin, which is calculated by deducting the variable cost of sales and the relatively fixed costs of operating the barges and container terminal from revenue, was US$7 1 million (2008 US$4 5 million) This substantial increase was as a direct result of higher revenues from both Keen Chance Terminal and Yinggao Shipping Although in percentage terms the gross margin was maintained at 29 9% of revenue (2008 31 1%)

As of 31 December 2009, the net cash position continued to improve at US$1 4 million (2008 US$0 4 million) Net cash generated from operating activities for the period was US$7 7 million (2008 US$2 8 million) Trade receivables increased to US$2 8 million (2008 US$2 7 million) for the period, in which the trade debtors increased 5% and the obligation under finance leases increased 37 6% The net cash outflow for the period of US$5 4 million (2008 US$2 million) was impacted by the purchase of property, plant and equipment

Revenues have grown from both segments of our continuing operations resulting in a 65% overall increase We disposed of badly performing subsidiaries in September 2009, resulting in a gain from disposals of US$6 6 million As we indicated at the time of that disposal this had the double benefit of removing a non-profit generating business whilst setting aside liabilities that sit in the disposed group

A combination of increased revenues, continued high gross margin and strong control of costs resulted in a profit after tax of US$3 0 million excluding the exceptional items of US$6 6 million, an increase of 200% compared to the prior year (2008 US$1 1 million)

The Board does not recommend the payment of a dividend (2008 US$nil)

CHAIRMAN'S STATEMENT

OPERATIONAL REVIEW

Despite a reduction in market activity in the last quarter of year 2009, container terminal revenues of US$14 6 million increased by 18 7% compared to the previous year (2008 – US$12 3 million) Overall there was a reasonable increase in throughput of 14 7%, which was 0 39 million TEU (2008 0 34 million TEU) Underlying operating profits increased by 3 3% to US$2 3 million (2008 US$2 2 million), due principally to the impact of stable growth in turnover and a reduction in general and administrative expenses Operating margins were similar to last year at 16%, although throughput in bulk cargos has dropped by 28% which was offset by the increase in throughput in containers by 16 8%

Turnover in barging services has substantially increased by 340% to US$9 million (2008 US$2 1 million) reflecting the higher average number of vessels in our fleet, and our increasingly effective utilization of that fleet The vessel operating expenses increased to a total of US$7 7 million compared to US$2 9 million in 2008 mainly as the result of the larger fleet size and the overall increase in the number of voyages made as well as the increased handling capacity of each vessel The profit margin has grown by 133 9% to 13 7% (2008 loss 40 4%)

OUTLOOK

During the year there were two main elements to the progress Firstly, the excellent developments we have made in growing our core business Secondly, the rapid growth in carrying capacity of our vessels in our fleet accelerated the increase in turnover of our barging service The '32' series vessels each with a capacity of 228TEU represented the largest size of similar form of vessel running the corridor between Huangpu and Hong Kong The high carrying capacity of our fleet, coupled with the strength of our specialist team managing the fleet, means we are well placed to trade through the challenging market conditions still being experienced

As our market share in the industry is relatively low, we believe there is considerable room for growth in this sector The Group will benefit from the plan of its majority shareholder to construct around 10 vessels each with a capacity of 228TEU each year These vessels will then be leased to the Group With the benefit of this arrangement, we are now in a much stronger position when pursuing Connecting Carrier Agreements ("CCA") with the worldwide container liner companies

CHAIRMAN'S STATEMENT

Although the recent recovery in global markets remains uncertain, the performance of our container terminal business in the first quarter of year 2010 leads us to believe that steady growth for the whole year can be anticipated Taking advantage on the lease finance provided by the machinery and equipment supplier, Sany Group Co Ltd , we have now established a strong and long term partnership with them and most of the profits generated from the terminal operation itself will be used for the future procurement of machinery and equipment to expand our facilities During 2010, we expect to complete the extension of the adjacent quay, as well as the commencement of operation of the new 45 tonnes quayside container crane This will provide a robust platform for the expansion of throughput Orders for the procurement of three sets of quayside container cranes and four sets of rail-mounted container cranes have been placed and delivery is expected progressively by the end of this year With the permission granted by the relevant authorities for the extension of the main quay, the number of berths at the terminal will be significantly increased

APPRECIATION

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

Leung Suk Ching, Angela
Chairman

2 June 2010

DIRECTORS' REPORT

The directors submit their report and the financial statements of Yinggao Holdings plc for the year ended 31 December 2009

PRINCIPAL ACTIVITIES

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

CHANGE OF COMPANY NAME

Pursuant to a written resolution of the shareholders of the company in writing signed on 24 August 2009, the company's name was changed from Arko Holdings plc to Yinggao Holdings plc

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 5

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

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

	2009	2008
Growth in sales (%)	64 78%	31 68%
Gross margin (%)	29 92%	31 11%
Net profit margin (%)	40 66%	7 46%
Net current ratio	1 48 times	1 73 times
Return on invested capital (%)	26 50%	3 56%

DIVIDENDS

The directors are unable to recommend the payment of a dividend (2008 Nil)

DIRECTORS

The following directors have held office since 1 January 2009

LEUNG Suk Ching, Angela
LIU Sheng Rong
FENG Yue Ying *(Appointed on 26 March 2009)*
CHAN Ping Kwan *(Appointed on 18 September 2009)*
David THOMAS
QIN Shun Chao *(Resigned on 18 September 2009)*
ZHANG Jing *(Resigned on 26 March 2009)*

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 2009	At 1 January 2009
LEUNG Suk Ching, Angela	**870,000**	870,000
LIU Sheng Rong	-	-
QIN Shun Chao	-	-
CHAN Ping Kwan	-	-
David THOMAS	-	-
FENG Yue Ying	-	-

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Yinggao 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 as well as the effectiveness and cost of the audit Associate members of Baker Tilly UK Audit LLP reviewing non-audit services for the Group, but the Audit committee is satisfied that their objectivity is not impaired by such work 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 – 1,821,776,422 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 2009 have been shortened to approximately 12 days (2008 36 days)

FINANCIAL INSTRUMENTS

Disclosures in respect of the Group's financial risk objectives and policies are set out in note 25 to the financial statements

DIRECTORS' REPORT

STATEMENT AS TO DISCLOSURE INFORMATION TO THE AUDITOR

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 auditor is 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 auditor

By order of the board

Leung Suk Ching, Angela
Chairman

2 June 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare group and company Financial Statements for each financial year The directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under Company law to prepare the company financial statements in accordance with IFRS as adopted by the EU

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the group and the company and the financial performance of the group The Companies Act 2006 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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period

In preparing 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 adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF YINGGAO HOLDINGS PLC

We have audited the group and parent company financial statements ("the financial statements") on pages 14 to 67 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's 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

As more fully explained in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb scope/UKNP

QUALIFIED OPINION ON THE FINANCIAL STATEMENTS ARISING FROM LIMITATION IN AUDIT SCOPE

At 31 December 2008 the consolidated balance sheet included a bank loan of US$1,915,000 and the consolidated income statement for the year then ended included related finance costs of US$133,000 in respect of which we were unable to obtain sufficient appropriate audit evidence

Included in the consolidated income statement for the year ended 31 December 2009 is a gain on disposal of subsidiaries of US$6,598,000 As a consequence of there being insufficient appropriate audit evidence in respect of the bank loan and related finance costs referred to above, there was insufficient appropriate audit evidence available in respect of the gain on disposal

Had this information been available to us we might have formed a different opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT

Except for the financial effects of any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the previous carrying value of the bank loan and related accrued finance costs, in our opinion

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended,

- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,

- the parent financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006, and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In respect solely of the limitation on our work relating to the gain on disposal of subsidiaries, described above, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or

- the parent company financial statements are not in agreement with the accounting records and returns, or

- certain disclosures of directors' remuneration specified by law are not made

Baker Tilly UK Audit LLP **DAVID CLARK**

(Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

2 Bloomsbury Street

London WC1B 3ST

2 June 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009
(Expressed in United States dollars)

	Notes	2009 US$'000	2008 US$'000
Revenue	4	**23,563**	14,300
Cost of sales		**(16,513)**	(9,850)
Gross profit		**7,050**	4,450
Other income	5	**398**	155
Gain on disposals of subsidiaries	14	**6,598**	–
Administrative expenses		**(3,970)**	(3,114)
Profit from operations		**10,076**	1,491
Finance costs	6(a)	**(80)**	(176)
Profit before taxation	6	**9,996**	1,315
Taxation	7	**(416)**	(247)
Profit for the year		**9,580**	1,068
Attributable to			
Owners of the parent		**8,751**	360
Non-controlling interests		**829**	708
		9,580	1,068
		US cents	US cents
Earnings per share			
– Basic and diluted	10	**0 44**	0 02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009
(Expressed in United States dollars)

	2009 US$'000	2008 US$'000
Profit for the year	**9,580**	1,068
Other comprehensive income for the year		
Exchange differences arising on translation of foreign operations	**(3)**	1,297
Total comprehensive income for the year	**9,577**	2,365
Total comprehensive income attributable to		
Owners of the parent	**8,748**	1,323
Non-controlling interests	**829**	1,042
	9,577	2,365

BALANCE SHEETS

As at 31 December 2009

(Expressed in United States dollars)

Company Registration No. 01366078

	Notes	Group 2009 US$'000	Group 2008 US$'000	Company 2009 US$'000	Company 2008 US$'000
NON-CURRENT ASSETS					
Goodwill	11	**1,835**	1,835	–	–
Property, plant and equipment	12	**32,086**	27,375	–	–
Investments in subsidiaries	13	–	–	**29,435**	18,756
Available-for-sale investment	15	–	12	–	–
		33,921	29,222	**29,435**	18,756
CURRENT ASSETS					
Inventories	16	**156**	137	–	–
Trade and other receivables	17	**8,203**	8,103	**1**	1
Amounts due from subsidiaries		–	–	**294**	120
Cash and cash equivalents	18	**2,165**	780	**11**	2
		10,524	9,020	**306**	123
CURRENT LIABILITIES					
Trade and other payables	19	**5,318**	3,907	**93**	31
Amounts due to subsidiaries		–	–	**2,520**	1,916
Obligations under finance leases	20	**870**	599	–	–
Taxation		**916**	695	–	–
		7,104	5,201	**2,613**	1,947
NET CURRENT ASSETS/(LIABILITIES)		**3,420**	3,819	**(2,307)**	(1,824)
TOTAL ASSETS LESS CURRENT LIABILITIES		**37,341**	33,041	**27,128**	16,932
NON CURRENT LIABILITIES					
Bank loan	21	–	1,915	–	–
Obligations under finance leases	20	**408**	330	–	–
Loans from fellow investors in subsidiaries	22	**718**	787	–	–
Deferred tax liabilities	23	**68**	–	–	–
		1,194	3 032	–	–
NET ASSETS		**36,147**	30,009	**27,128**	16,932
EQUITY					
Share capital	24(a)	**14,922**	14,922	**14,922**	14,922
Reserves		**11,152**	2,010	**12,206**	2,010
Total equity attributable to owners of the parent		**26,074**	16,932	**27,128**	16,932
Non-controlling interests		**10,073**	13,077	–	–
TOTAL EQUITY		**36,147**	30,009	**27,128**	16,932

The consolidated financial statements on pages 14 to 67 were approved and authorised for issue by the board of directors on 2 June 2010, and signed on its behalf by

Leung Suk Ching, Angela
Director

Feng Yue Ying
Director

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2009

(Expressed in United States dollars)

Group	Attributable to owners of the parent								
	Share capital US$'000	Share premium US$'000	(Note i) Statutory surplus reserve US$'000	(Note ii) Merger reserve US$'000	Exchange reserve US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2008	14,922	15,662	1,681	26 043	1,440	(44,139)	15,609	12 035	27 644
Comprehensive income									
Profit for the year	-	-	-	-	-	360	360	708	1,068
Other comprehensive income									
Exchange differences arising on translation of foreign operations	-	-	26	-	937	-	963	334	1 297
Total comprehensive income for the year	-	-	26	-	937	360	1 323	1,042	2,365
Transactions with owners									
Overprovision in statutory surplus reserve	-	-	(158)	-	-	158	-	-	-
Balance at 31 December 2008 and 1 January 2009	14 922	15 662	1,549	26 043	2,377	(43 621)	16 932	13,077	30,009
Comprehensive income									
Profit for the year	-	-	-	-	-	8 751	8 751	829	9,580
Other comprehensive income									
Exchange differences arising on translation of foreign operations	-	-	-	-	(3)	-	(3)	-	(3)
Disposals of subsidiaries	-	-	(1,102)	-	394	1,102	394	(3,833)	(3 439)
Total other comprehensive income for the year	-	-	(1 102)	-	391	1 102	391	(3 833)	(3 442)
Total comprehensive income for the year	-	-	(1,102)	-	391	9 853	9,142	(3 004)	6,138
Transactions with owners									
Transfer of statutory surplus reserve	-	-	117	-	-	(117)	-	-	-
Balance at 31 December 2009	**14,922**	**15,662**	**564**	**26,043**	**2,768**	**(33,885)**	**26,074**	**10,073**	**36,147**

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2009
(Expressed in United States dollars)

Company	Share capital US$'000	Share premium US$'000	*(Note ii)* Merger reserve US$'000	Exchange reserve US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 January 2008	14,922	15,662	26,043	–	(34,844)	21,783
Comprehensive income						
Loss for the year	–	–	–	–	(5,551)	(5,551)
Other comprehensive income						
Exchange differences arising on translation	–	–	–	700	–	700
Total comprehensive income for the year	–	–	–	700	(5,551)	(4,851)
Balance at 31 December 2008 and 1 January 2009	14 922	15,662	26,043	700	(40,395)	16,932
Comprehensive income						
Profit for the year	–	–	–	–	8,751	8,751
Other comprehensive income						
Exchange differences arising on translation	–	–	–	1,445	–	1,445
Total comprehensive income for the year	–	–	–	1,445	8,751	10,196
Balance at 31 December 2009	**14,922**	**15,662**	**26,043**	**2,145**	**(31,644)**	**27,128**

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

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2009
(Expressed in United States dollars)

Group	Notes	2009 US$'000	2008 US$'000
Cash flow from operating activities			
Profit before taxation		**9,996**	1,315
Adjustments for			
– Interest income	5	**(1)**	(1)
– Gain on disposals of subsidiaries	14	**(6,598)**	–
– Depreciation	6(c)	**1,732**	1,748
– Finance costs	6(a)	**80**	176
– Loss on disposals of property, plant and equipment	6(c)	**144**	3
– Exchange difference		**337**	(44)
Operating cash flow before working capital changes		**5,690**	3,197
Increase in inventories		**(19)**	(13)
(Increase)/decrease in trade and other receivables		**(344)**	44
Increase in trade and other payables		**2,495**	218
Net cash flow generated from operations		**7,822**	3,446
Income tax paid		**(127)**	(686)
Net cash generated from operating activities		**7,695**	2,760
Cash flows from investing activities			
Purchases of property, plant and equipment		**(5,730)**	(1,959)
Proceeds from disposals of property, plant and equipment		**325**	–
Proceeds from disposal of available-for-sale investment		**12**	–
Disposals of subsidiaries	14	**(2)**	–
Interest received		**1**	1
Net cash used in investing activities		**(5,394)**	(1,958)
Cash flows from financing activities			
Repayments on obligations under finance leases		**(837)**	(275)
Interests paid		**(80)**	(176)
Net cash used in financing activities		**(917)**	(451)
Net increase in cash and cash equivalents		**1,384**	351
Cash and cash equivalents at 1 January		**780**	428
Effect of foreign exchange rate changes		**1**	1
Cash and cash equivalents at 31 December		**2,165**	780

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2009
(Expressed in United States dollars)

Company	2009 US$'000	2008 US$'000
Cash flow from operating activities		
Profit/(loss) for the year	**8,751**	(5,551)
Adjustments for		
– Impairment on investments in subsidiaries	–	5,462
– Reversal of impairment on investments in subsidiaries	**(9,020)**	-
– Exchange difference	**21**	(11)
Operating cash outflow before working capital changes	**(248)**	(100)
Decrease in trade and other receivables	–	79
Increase in amounts due from subsidiaries	**(187)**	(120)
Increase/(decrease) in trade and other payables	**58**	(113)
Increase in amounts due to subsidiaries	**386**	255
Net increase in cash and cash equivalents	**9**	1
Cash and cash equivalents at 1 January	**2**	1
Cash and cash equivalents at 31 December	**11**	2

1 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 Peoples Republic of China ("PRC")

Following the annual general meeting of the Company held on 7 August 2009, the Company's name was changed to Yinggao Holdings plc

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 2 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and statement of compliance

The consolidated financial statements have been prepared under the historical cost convention

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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs"), Interpretations ("IFRICs") and the Companies Act 2006 applicable to Companies Reporting under IFRSs

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Impact of recently issued IFRSs

The IASB have issued certain new and revised IFRSs and new IFRICs that are first effective or available for early adoption for the current accounting period of the Group

Except as disclosed below, the adoption of the new and revised IFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods

IAS 1 (revised 2007) "Presentation of financial statements" has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and has resulted in a number of changes in presentation and disclosure However, IAS 1 (revised 2007) has had no impact on the reported results or financial position of the group

IFRS 8 "Operating Segments" is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 4) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities

Amendments to IFRS 7 "Financial Instruments Disclosures – improving disclosures about financial statements" expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value However, the amendments to IFRS 7 do not contain any additional disclosure requirements specifically applicable to the Group's consolidated financial statements

The "Improvements to IFRSs (2008)" comprise a number of minor and non-urgent amendments to a range for IFRSs which the IASB has issued as an omnibus batch of amendments There have been no significant changes to the Group's accounting policies as a result of these amendments

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective

(Expressed in United States dollars)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Impact of recently issued IFRSs (Continued)

IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs 2008[1]
IFRSs (Amendments)	Improvements to IFRSs 2009[2]
IAS 24 (Revised)	Related Party Disclosures[5]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 32 (Amendment)	Classification of Rights Issues[4]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
IFRS 3 (Revised)	Business Combinations[1]
IFRS 9	Financial Instruments[7]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
IFRIC 17	Distributions Non-cash Assets to Owners[1]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 July 2010
7 Effective for annual periods beginning on or after 1 January 2013

The application of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009 IAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate

Where necessary adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group

All intra-group transactions, balances, income and expenses are eliminated on consolidation

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses

As permitted by Section 408 of the Companies Act 2006, a separate income statement is not presented in respect of the Company The profit of the Company for the year is US$8,751,000 (2008 loss of US$5,551,000)

(d) Business combinations

The acquisition of subsidiaries and businesses are accounted for using the purchase method The consideration or cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Business combinations (Continued)

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised

(e) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, that are expected to benefit from the synergies of the acquisition A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit Any impairment loss for goodwill is recognised directly in profit or loss An impairment loss for goodwill is not reversed in subsequent periods

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leased assets

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

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the exception that land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(f) Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(f) Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period Contingent rentals are charged to profit or loss in the accounting period in which they are incurred

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leased assets (Continued)

(iii) Operating lease charges

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

(h) 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

(i) Available-for-sale investments

Investments held for non-trading purposes are classified as available-for-sale investments At each balance sheet date the fair value is remeasured, with resultant gain or loss being recognised directly in equity, 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 (CONTINUED)

(i) Available-for-sale investments (Continued)

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

(j) 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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009
(Expressed in United States dollars)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition

(m) 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

(n) 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 (CONTINUED)

(o) Revenue

Revenue is measured at the fair value of the consideration received or receivable Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows

Service income comprises the value of sales in the year in respect of the operation of the terminal and provision of barging services rendered to the customers which is taken to be the point in time when the customer has accepted the services and the related risks and rewards been transferred

(p) Employee benefits

(i) 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

(ii) The employees of the subsidiaries in the PRC are members of the state-sponsored central retirement benefit scheme operated by the local municipal government in the PRC The subsidiaries are required to contribute, based on a certain percentage of the payroll costs, to the central retirement benefit scheme to fund the benefits The only obligation of the group with respect to the retirement benefit scheme is to make the required contributions under the scheme and such contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the pension scheme

(q) 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 USD for the convenience of the readers, which is different from the functional currency of the Company which is British Pound

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Translation of foreign currencies (Continued)

(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

(r) 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 in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly recognised in equity respectively

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax (Continued)

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

(s) 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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009
(Expressed in United States dollars)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Related parties

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

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

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

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

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

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

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

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

(u) Going concern

The Group's business activities, together with the factors likely to affect its future performance and position are set out in the Chairman's statement Note 25 to the financial statements sets out the Group's financial risk management policies, and its exposure to credit risk and liquidity risk

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Going concern (Continued)

The Directors have assessed the financial risks facing the business, and compared this risk assessment to the net current assets position The Directors have also reviewed relationships with key customers and are satisfied that the appropriate contracts and contingency plans are in place The directors have prepared income statement and cash flow forecasts to assess whether the Group has adequate resources for the foreseeable future

The directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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 REPORTING

The principal activities of the Group are the provision of logistics and terminal operation together with other related services including sea freight forwarding and barge hire

(a) Segment results, assets and liabilities

The Group has adopted IFRS 8 "Operating Segments" with effect from 1 January 2009 IFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance In contrast, the predecessor Standard (IAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach In the past, the Group's primary reporting format was business segments The application of IFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14

Specifically, in prior years, segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions (i e terminal and barging services, trading and others and mining) However, information reported to the chief operating decision maker is more specifically focused on the category of customer for each type of goods and services The principal categories of customers for these goods and services are terminal services, barging services, trading and others and mining

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (Continued)

Information regarding the above segments is reported below Amounts reported for the prior year have been restated to conform to the requirements of IFRS 8

Group	Terminal services 2009 US$'000	Terminal services 2008 US$'000	Barging services 2009 US$'000	Barging services 2008 US$'000	Trading and others 2009 US$'000	Trading and others 2008 US$'000	Mining 2009 US$'000	Mining 2008 US$'000	Total 2009 US$'000	Total 2008 US$'000
Revenue from external customers	14,546	12,252	9,017	2,048	-	-	-	-	23,563	14,300
Reportable segment revenue	14,546	12,252	9,017	2,048	-	-	-	-	23,563	14,300
Reportable segment profit/(loss)	2,689	2,481	1,301	(827)	(432)	(163)	(80)	-	3,478	1,491
Finance costs	(78)	(43)	(2)	-	-	(133)	-	-	(80)	(176)
Taxation	(348)	(247)	(68)	-	-	-	-	-	(416)	(247)
	2,263	2,191	1,231	(827)	(432)	(296)	(80)	-	2,982	1,068
Gain on disposals of subsidiaries (note 14)									6,598	-
Profit for the year									9,580	1,068
Reportable segment assets	37,501	34,154	3,901	947	3,012	3,141	31	-	44,445	38,242
Reportable segment liabilities	6,028	4,023	1,272	438	769	3,622	229	150	8,298	8,233

For the purposes of monitoring segment performance and allocating resources between segments

- all assets are allocated to reportable segments Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments, and

- all liabilities are allocated to reportable segments Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009
(Expressed in United States dollars)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Other information

	Terminal services		Barging services		Trading and others		Mining		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Capital expenditure	5,475	2,811	1,436	27	-	325	1	-	6,912	3,163
Depreciation	1,363	1,431	65	12	304	305	-	-	1,732	1,748
Loss on disposals of property, plant and equipment	144	-	-	3	-	-	-	-	144	3

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's properties, plants and equipment and goodwill ("specified non-current assets") The geographical locations of customers are based on the locations at which the services are provided or the goods delivered The geographical locations of the specified non-current assets are based on the physical locations of the assets, in the case of property, plant and equipment and the locations of the operations to which they are allocated, in the case of goodwill

	Revenue from external customers		Specified non-current assets	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Hong Kong	**9,017**	2,048	**3,071**	2,477
Mainland China	**14,546**	12,252	**30,850**	26,733
	23,563	14,300	**33,921**	29,210

(d) Information about major customers

For the year ended 31 December 2009, there was one customer who accounted for over 10% of total revenue with revenue of US$5,573,000 related to barging services segment

For the year ended 31 December 2008, there was one customer who accounted for over 10% of total revenue with revenue of US$2,045,000 related to terminal services segment

5 OTHER INCOME

	2009 US$'000	2008 US$'000
Exchange gains	–	44
Bad debts recovery – on other receivables	391	–
Bank interest income	1	1
Others	6	110
	398	155

6 PROFIT BEFORE TAXATION

Profit before taxation is stated after charging

	2009 US$'000	2008 US$'000
(a) Finance costs		
Interests on		
– Finance leases	80	43
– Bank loan	–	133
	80	176

	2009 US$'000	2008 US$'000
(b) Staff costs (including directors' remuneration)		
Wages and salaries		
– included in cost of sales	1,872	1,681
– included in administrative expenses	764	635
Other pension costs	36	18
Other staff welfare	14	3
Social security costs	3	1
	2,689	2,338

Other than specified, staff costs are included in administrative expenses in the consolidated income statement

6 PROFIT BEFORE TAXATION (CONTINUED)

	2009 Number of staff	2008 Number of staff
The average monthly number of persons (including directors) employed by the Group during the year was		
Management and administration	**42**	40
Sales and distribution	**15**	17
Operations	**421**	379
	478	436

	2009 US$'000	2008 US$'000
(c) Other items		
Fees payable to Baker Tilly UK Audit LLP for the statutory audit of the parent and consolidated annual financial statements	**35**	34
Fees payable to associates of the Company's auditors for the statutory audit of the Company's subsidiaries	**43**	41
Depreciation	**1,732**	1,748
Loss on disposal of property, plant and equipment	**144**	3
Exchange losses	**337**	–
Rentals under operating leases		
– land and buildings	**186**	151
– barges and containers	**727**	–

7 TAXATION

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

	2009 US$'000	2008 US$'000
Current tax		
– overseas tax for the year	**348**	247
Deferred tax (note 23)		
– current year	**68**	–
	416	247

The actual tax expense can be reconciled to the profit before taxation in the consolidated income statement as follows

	2009 US$'000	2008 US$'000
Profit before taxation	**9,996**	1,315
Notional tax at the standard rate of corporation tax in the UK of 28% (2008 28%)	**2,799**	368
Effects of		
Different tax rates on overseas earnings	**(447)**	(173)
Expenses not deductible for tax purposes	**233**	134
Non-taxable income	**(2,092)**	(31)
Temporary differences not recognised	**(1)**	(14)
Utilisation of tax losses previously not recognised	**(76)**	(43)
Addition to tax losses	**–**	7
Change in tax rate	**–**	(1)
Tax charge for the year	**416**	247

7 TAXATION (CONTINUED)

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 25% However, the Company's subsidiary in Guangzhou is now subject to a preferential tax rate of 20% as described below 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 "Tax Law") Under the Tax Law, the EIT tax rate applicable to the Company's subsidiary in Guangzhou is increased from 15% to 25% progressively within five years from 1 January 2008 (2008 18%, 2009 20%, 2010 22%, 2011 24%, 2012 25%) The Tax Law has been applied when measuring the Group's current tax payable as at 31 December 2009 and 2008

8 DIRECTORS' REMUNERATION

Included in staff costs are amounts paid to directors for services during the year

	2009	2008
	US$'000	US$'000
Directors' remuneration		
– Directors' emoluments – salaries	**123**	130
– Directors' emoluments – pension costs	**4**	1
	127	131

9 DIVIDEND

The directors do not recommend the payment of any dividend

10 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the earnings attributable to owners of the parent by the weighted average number of ordinary shares in issue during the years ended 31 December 2009 and 2008 respectively

	2009	2008
Profit attributable to owners of the parent (US$'000)	**8,751**	360
Weighted average number of shares in issue	**1,978,895,139**	1,978,895,139
Basic and diluted earnings per share (US cents)	**0 44**	0 02

11 GOODWILL

Group	**2009**	2008
	US$'000	US$'000
Cost		
At 1 January	**22,807**	22,806
Disposal of subsidiaries	**(11,967)**	-
Exchange realignment	**-**	1
At 31 December	**10,840**	22,807
Impairment		
At 1 January	**20,972**	20,972
Disposal of subsidiaries	**(11,967)**	-
At 31 December	**9,005**	20,972
Carrying values		
At 31 December	**1,835**	1,835
At 1 January	**1,835**	1,834

11 GOODWILL (CONTINUED)

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to individual cash generating units ("CGUs") that are expected to benefit from the business combination At the balance sheet date, the carrying value of goodwill (net of accumulated impairment losses) is allocated to the following CGUs

	2009 **US$'000**	2008 US$'000
Terminal services	**1,835**	1,835

During the year ended 31 December 2009, management of the Group determines that there is no impairment (2008 US$nil) of any goodwill of its CGUs

The recoverable amount of the terminal services CGU has been determined based on a value in use calculation That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 10% (2008 10%) The key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the terminal services unit to exceed the aggregate recoverable amount of that unit

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 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
Additions	11	4,145	65	–	1 231	114	1 346	6 912
Disposals	–	–	(9)	(173)	(324)	(3)	–	(509)
Disposals of subsidiaries	(6 238)	(16 205)	(6 785)	–	–	(223)	–	(29 451)
Transfer	2	–	–	–	–	–	(2)	–
Exchange realignment	1	2	–	–	1	(1)	–	3
At 31 December 2009	**21,400**	**17,948**	**1,920**	**–**	**3,358**	**769**	**1,938**	**47,333**
Depreciation								
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
Charge for the year (Note)	600	712	136	–	243	41	–	1 732
Written back on disposal	–	–	(2)	(13)	(22)	(3)	–	(40)
Disposals of subsidiaries	(6 238)	(16 205)	(6 784)	–	–	(223)	–	(29 450)
Exchange realignment	1	1	–	–	–	–	–	2
At 31 December 2009	**7,530**	**4,575**	**1,306**	**–**	**1,281**	**555**	**–**	**15,247**
Carrying values								
At 31 December 2009	**13 870**	**13 373**	**614**	**–**	**2 077**	**214**	**1,938**	**32,086**
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

Note Of the depreciation charge for the year US$1 057 000 (2008 US$1 087 000) is included in cost of sales and US$675 000 (2008 US$661 000) is included in administrative expenses in the consolidated income statement

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net book values of property, plant and equipment held under finance leases are as follows

	2009	2008
	US$'000	US$'000
Land and buildings	**13,870**	14,457
Plant and machinery	**3,175**	1,854
Motor vehicles	**161**	65
	17,206	16,376

At 31 December 2009, the carrying values of land and buildings, plant and machinery and furniture, fixtures and equipment are further analysed as follows

	Terminal	**Others**	**Total**
	US$'000	US$'000	US$'000
Land			
– short lease	1,828	–	1,828
– unspecified leases	1,378	–	1,378
	3,206	–	3,206
Buildings	10,664	–	10,664
Land and buildings	13,870	–	13,870
Plant and machinery	13,287	–	13,287
Furniture, fixtures and equipment	125	575	700

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 approximately US$1,378,000 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

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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	**2009 US$'000**	2008 US$'000
Unlisted shares, at cost		
At 1 January	**56,015**	56,015
Exchange realignment	**4,956**	–
At 31 December	**60,971**	56,015
Impairment		
At 1 January	**37,259**	31,797
Charge for the year	–	5,462
Impairment loss reversed in profit and loss	**(9,020)**	–
Exchange realignment	**3,297**	–
At 31 December	**31,536**	37,259
Carrying values		
At 31 December	**29,435**	18,756
At 1 January	**18,756**	24 218

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009
(Expressed in United States dollars)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

At 31 December 2009, the Company held 100% of the ordinary shares of Yinggao Investments Limited (formerly known as Arko Offshore Holdings Limited), a company incorporated in the British Virgin Islands ("BVI"), whose principal activity was that of an investment holding company Yinggao Investments Limited had the following subsidiary undertakings

Name	Equity interests attributable to the Group		Principal activities	Place of incorporation
	2009	2008		
Yinggao Energy Limited * #	100%	100%	Investment holding	BVI
Yinggao Consultants Limited * #	100%	100%	Providing management services	BVI
Yinggao Pacific Limited * #	100%	100%	Investment holding	BVI
Sanko Mineral Limited	100%	100%	Sub-letting of yachts, ships and vessels	BVI
Yinggao Shipping (H K) Limited #	100%	100%	Providing logistics and related services	Hong Kong
Yinggao Shipping Limited ("YSL")	100%	-	Providing logistics and related services	Hong Kong
Yinggao Ship Chartering Limited	100%	-	Barge hiring and agency services	Hong Kong
Arko Terminal Limited ("ATL") *	100%	100%	Investment holding	Republic of Seychelles
Keen Chance Terminal Limited ("KCT")	40%	40%	Investing in and operation of a terminal and providing logistics services	PRC
Fujian Sanko Mining Limited	70%	70%	Dormant	PRC

Details of subsidiaries disposed of in the year are set out in note 14

* Directly held by Yinggao Investments Limited All other subsidiaries are indirectly held

\# During the year the group has changed the name of 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 the PRC

Present names	Previous names	Effective Date
Yinggao Investments Limited	Arko Offshore Holdings Limited	09 June 2009
Yinggao Energy Limited	Arko Energy Limited	11 June 2009
Yinggao Consultants Limited	Arko Consultants Limited	09 June 2009
Yinggao Pacific Limited	Arko Pacific Limited	09 June 2009
Yinggao Shipping (H K) Limited	Arko Shipping Limited	12 June 2009

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The 40% equity interest in KCT previously held by Keen Lloyd Energy Limited ("KLEL"), a subsidiary of Keen Lloyd Holdings Limited ("KLHL"), has been transferred to ATL The transfer had 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 (GZ) 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

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 2006

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

14 DISPOSALS OF SUBSIDIARIES

On 4 September 2009, the Group disposed of its 100% equity interest in Long Prosperity Industrial Limited ("LPIL") to Winko Foundation Limited ("WFL"), a wholly owned subsidiary of KLHL, at a consideration of US$1

On 23 March 2009, the Group disposed of its 100% equity interest in Arko Satellite Limited ("ASL") to a third party at a consideration of US$1,000

In March 2009, the business licence of Arko Silicon (Hubei) Limited ("ASHL") was de-registered by the PRC Business Bureau The Group has therefore written-off its 100% interests in ASHL

The consolidated net liabilities of LPIL and its subsidiary (i e Changzhou Power Development Company Limited ("CPDCL")), net assets of ASL and net assets of ASHL disposed of were as follows

	LPIL and its subsidiary	**ASL**	**ASHL**	**Total**
	US$'000	US$'000	US$'000	US$'000
Property, plant and equipment	–	–	1	1
Other receivables	22	–	–	22
Cash and cash equivalents	2	–	1	3
Trade and other payables	(1,200)	–	–	(1,200)
Bank loan	(1,915)	–	–	(1,915)
Loans from fellow investors	(69)	–	–	(69)
	(3,160)	–	2	(3,158)
Minority interest	(3,833)	–	–	(3,833)
Exchange loss realised	394	–	–	394
	(6,599)	–	2	(6,597)
Gain/(loss) on disposals	6,599	1	(2)	6,598
Total consideration	–	1	–	1

14 DISPOSALS OF SUBSIDIARIES (CONTINUED)

	LPIL and its subsidiary US$'000	ASL US$'000	ASHL US$'000	Total US$'000
Net cash inflow/(outflow) arising on disposals				
Cash consideration received	–	1	–	1
Cash and cash equivalents disposed of	(2)	–	(1)	(3)
	(2)	1	(1)	(2)

15 AVAILABLE-FOR-SALE INVESTMENT

Group	2009 US$'000	2008 US$'000
Unlisted in the PRC	–	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 The investment was disposed of at book value during the year

16 INVENTORIES

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009
(Expressed in United States dollars)

17 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables	**2,875**	2,721	**–**	–
Less allowance for doubtful debts	**(86)**	(65)	**–**	–
	2,789	2,656	**–**	–
Deposits	**852**	811	**1**	–
Prepayments	**275**	585	**–**	1
Other receivables	**1,352**	193	**–**	–
Amounts due from fellow investors of a subsidiary	**2,935**	2,915	**–**	–
Amounts due from related companies (Note 26)	**–**	943	**–**	–
	8,203	8,103	**1**	1

Trade receivables are due within 30 days from the date of billing Further details on the Group's credit policy are set out in note 25(a)

The maximum amount outstanding from related companies during the year was US$943,000 These amounts are interest free, unsecured and repayable on demand

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis

The ageing analysis of the Group's trade receivables, net of allowance for doubtful debts, that are neither individually nor collectively considered to be impaired are as follows

	2009	2008
	US$'000	US$'000
Neither past due nor impaired	**1,324**	990
Less than one month past due	**646**	761
1 to 3 months past due	**729**	892
>3 months past due	**90**	13
Total amounts past due	**1,465**	1,666
Total	**2,789**	2,656

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 independent 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

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 2(k))

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables (Continued)

The movement in the allowance for doubtful debts during the year is as follows

	2009	2008
	US$'000	US$'000
At 1 January	**65**	5
Impairment loss recognised	**21**	60
At 31 December	**86**	65

Included in the allowance for doubtful debts are individually impaired trade debtors with an aggregate balance of US$86,000 (2008 US$65,000) that are in financial difficulties The Group does not hold any collateral over these balances

18 CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Cash in hand and at bank	**2,165**	780	**11**	2

	2009	2008	**2009**	2008
Currency	**US$'000**	US$'000	**US$'000**	US$'000
Hong Kong Dollars	**1,344**	38	**2**	–
Chinese Renminbi	**812**	740	–	–
British Pound	**9**	2	**9**	2
	2,165	780	**11**	2

19 TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Trade payables	**541**	960	**15**	28
Other payables and sundry creditors	**2,810**	1,422	**-**	-
Accruals	**606**	746	**78**	3
Amounts due to related companies (Note 26)	**688**	413	**-**	-
Amount due to immediate holding company	**673**	366	**-**	-
	5,318	3,907	**93**	31

The average credit period on purchases of goods is 60 days The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009
(Expressed in United States dollars)

20 OBLIGATIONS UNDER FINANCE LEASES

	2009		2008	
Group	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	**870**	**906**	599	645
After 1 year but within 5 years	**408**	**433**	330	356
	1,278	**1,339**	929	1,001
Less total future interest expenses		**(61)**		(72)
Present value of lease obligations		**1,278**		929

It is the Group's policy to lease certain of its motor vehicles and fixtures and equipment under finance leases The average lease term is 2 years (2008 2 years) Interest rate underlying all obligations under finance leases are fixed at respective contract dates ranging from 2 60% to 6 15% (2008 2 56% to 4 73%)

21 BANK LOAN

Group	2009 US$'000	2008 US$'000
Analysis of debt maturity		
Amounts payable and due within two to five years	–	1,915

The bank loan last year was unsecured, with interest accruing at the fixed rate of 5 85% per annum During the year, the Group disposed of its subsidiary holding this bank loan to a related party as detailed in note 14

22 LOANS FROM FELLOW INVESTORS IN SUBSIDIARIES

The amount represents advances from MEDCL of approximately US$718,000 (2008 US$718,000) The amount advanced from MEDCL is unsecured, interest free and is not repayable within next year Last year another amount advanced from Walton Enterprise Limited of approximately US$69,000 was assigned to a related party this year upon disposal of subsidiaries of the Group as mentioned in note 14

23 DEFERRED TAXATION

The components of the Group's deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows

	Accumulated temporary difference on tax depreciation US$'000	**Tax losses** US$'000	**Total** US$'000
At 1 January 2008, 31 December 2008 and 1 January 2009	–	–	–
Charged/(credited) to profit or loss	149	(81)	68
At 31 December 2009	149	(81)	68

No deferred tax is recognised on the unremitted earnings of the overseas subsidiaries, as no dividend payments to the UK parent company are expected to be made in the foreseeable future

At 31 December 2009, the Group has unused tax losses of US$692,000 (2008 US$665,000) available for offset against future profits A deferred tax asset has been recognised in respect of US$492,000 (2008 US$nil) of such losses No deferred tax assets has been recognised in respect of the remaining US$200,000 (2008 US$665,000) due to the unpredictability of future profit streams The unrecognised tax losses may be carried forward indefinitely

24 SHARE CAPITAL AND CAPITAL MANAGEMENT

(a) Share capital

	2009		2008	
	Number	**£'000**	Number	£'000
Authorised				
Ordinary shares of 0 5p each	**30,000,000,000**	**150,000**	30,000,000,000	150,000
Equivalent to		**US$'000**		US$'000
		265,395		265,395
		US$'000		US$'000
Allotted, called up and fully paid				
Ordinary shares of 0 5p each	**1,978,895,139**	**14,922**	1,978,895,139	14,922

(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, merger reserve, exchange reserve and accumulated losses

24 SHARE CAPITAL AND CAPITAL MANAGEMENT

(b) Capital management (Continued)

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

Group	2009 US$'000	2008 US$'000
Total debt	**8,298**	8,233
Less Cash and cash equivalents	**(2,165)**	(780)
Net debt	**6,133**	7,453
Total equity	**36,147**	30,009
Debt to capital ratio	**17%**	25%

The Group does not have any externally imposed capital requirements

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The principal risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign currency risk and interest rate risk The directors 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 2009
(Expressed in United States dollars)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities 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) and the earliest date the Group can be required to pay

	2009					2008				
		Contractual undiscounted cash outflow					Contractual undiscounted cash outflow			
Group	Consolidated balance sheet carrying amount US$'000	Total US$'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$'000	Consolidated balance sheet carrying amount US$'000	Total 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	5,318	5 318	5 318	-	-	[illegible]	3 907	[illegible]	-	-
Obligations under finance lease	1,278	1 339	906	433	-	979	1 001	645	356	-
Bank loan	-	-	-	-	-	[illegible]	1 915	-	-	1,915
Loans from fellow investors in subsidiaries	718	718	-	-	718	787	787	-	-	787
	7,314	7,375	6,224	433	718	[illegible]	7,610	4 552	356	2 702

	2009					2008				
		Contractual undiscounted cash outflow					Contractual undiscounted cash outflow			
Company	Balance sheet carrying amount US$'000	Total US$'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$'000	Balance sheet carrying amount US$'000	Total 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	93	93	93	-	-	31	31	[illegible]	-	-
Amounts due to subsidiaries	2,520	2 520	2,520	-	-	[illegible]	1 916	1 916	-	-
	2,613	2,613	2 613	-	-	1 947	1,947	1 947	-	-

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Foreign currency risk

The Group's businesses include revenue and the expenses which are principally conducted in Chinese Renminbi ("RMB") through its subsidiaries in the PRC Foreign currency 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 the functional currency of that entity, therefore no material foreign exchange risk arises

(d) Interest rate risk

Group borrowings are held in local currencies Current interest-bearing 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

The Group is exposed to fair value interest rate risk as its loan borrowings and obligations under 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 Company incurs no significant interest rate risk as it does not have any liability to bank or other borrowings alike

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Interest rate risk (Continued)

(i) Interest rate profile

The interest rate risk profile of the Group's financial liabilities for the years ended 31 December 2009 and 2008 are as follows

	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
2009					
Obligations under finance leases	**1,278**	**16**	**1,262**	**4**	**2**
Loans from fellow investors in subsidiaries	**718**	**718**	**–**	**–**	**N/A**
	1,996	**734**	**1,262**		
2008					
Bank loan	1,915	–	1,915	5 85	1
Obligations under finance leases	929	8	921	4	2
Loans from fellow investors in subsidiaries	787	787	–	–	N/A
	3,631	795	2,836		

(ii) Sensitivity analysis

At 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit and equity by approximately US$13,000 (2008 US$28,000)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Categories of financial instruments

	Group		Company	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Financial assets				
Available-for-sale investments	**–**	12	**–**	–
Loan and receivables				
– Trade receivables and other receivables (excluding prepayments)	**7,928**	7,518	**295**	120
– Cash and cash equivalents	**2,165**	780	**11**	2
	10,093	8,310	**306**	122
Financial liabilities				
Financial liabilities at amortised cost				
– Trade and other payables	**5,318**	3,907	**93**	31
– Amounts due to subsidiaries	**–**	–	**2,520**	1,916
– Borrowings	**1,996**	3,631	**–**	–
	7,314	7,538	**2,613**	1,947

(f) Fair values

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2009 and 2008

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009
(Expressed in United States dollars)

26 RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

All members of key management personnel are the directors of the Company, and their remuneration is disclosed in note 8

(b) Transactions with other related parties

Group

The Group had the following material transactions which were carried out on an arm's length basis with related parties during the year

Notes	Nature	2009 US$'000	2008 US$'000
(i)	Agency charge paid by the Group	**66**	77
	Barging services cost paid by the Group	**3,137**	-
	Barging services income received by the Group	**3,722**	-
	Disposals of property, plant and equipment	**323**	-
(ii)	Gain on disposal of subsidiaries	**6,598**	-

Notes

(i) Services provided by companies with significant influence These ceased to be related parties of the Group on 18 September 2009

(ii) Details of the disposal of subsidiaries to WFL during the year are set out in note 14

Balances with related parties are disclosed in the balance sheet and in notes 17 and 19

Company

The Company had the following material transactions which were carried out on an arm's length basis with related parties during the year

	2009 US$'000	2008 US$'000
Management fee income received from a subsidiary	**157**	154
Management fee paid to a subsidiary	**78**	72

27 OPERATING LEASE COMMITMENTS

At 31 December 2009, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows

	2009	2008
	US$'000	US$'000
Leases which expire		
– in the next year	**181**	354
– in the second to fifth years	**782**	1,089
	963	1,443

The Group is the lessee in respect of a number of properties held under operating leases The leases typically run for an initial period of 1 to 5 years, at the end of which period all terms are renegotiated None of the leases includes contingent rentals

28 CAPITAL COMMITMENTS

The Group's capital commitments outstanding at 31 December 2009 in respect of the acquisition of property, plant and equipment in the financial statements are as follows

	2009	2008
	US$'000	US$'000
Contracted, but not provided for	**803**	740

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009
(Expressed in United States dollars)

29 CONTINGENT LIABILITIES

On 23 July 1998, a subsidiary of the Company, 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 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

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 MEDCL, a fellow investor in KCT, secured over its equity interests in KCT MEDCL was unable to repay the outstanding loan

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 guarantees given were invalid on the following grounds

(i) such guarantees did not have approval from the board of directors of KCT,

(ii) 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 guarantees to its shareholder, and

(iii) 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 finalized on November 2009 The jurisdiction said that the loan agreement was void because it was illegal and accordingly, the guarantees contract were also invalid

29 CONTINGENT LIABILITIES (CONTINUED)

Furthermore, KLHL, the Company's parent company, has indemnified the Group against any loss KCT will suffer should the guarantees 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

Save as disclosed above, the Group does not have any material contingent liabilities as at balance sheet date

30 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 KLHL, a company incorporated in the British Virgin Islands

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at 5 30 p m on Wednesday, 30 June 2010 at 2 Bloomsbury Street, London WCIB 3ST 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 2009

2 To re-elect LEUNG Suk Ching, Angela as a director of the Company

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

4 To re-elect CHAN Ping Kwan as a director of the Company

5 To re-elect LIU Sheng Rong as an independent non-executive director of the Company

6 To re-elect David Thomas as an independent non-executive 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

By order of the Board
CHAN Kit Ching
Company Secretary

2 June 2010

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 PXS 34 Beckenham Road, Beckenham BR3 4TU at least forty-eight hours before the time appointed for the meeting