

26 APRIL 2007

FORTUNE OIL PLC
(“Fortune Oil” or “the Company”)



Announcement of Preliminary Results for Year Ended 31 December 2006

Fortune Oil invests in and manages oil and gas infrastructure projects in China. Fortune Oil is quoted on the full list of the London Stock Exchange and has its headquarters in Hong Kong.

KEY POINTS

- Revenues including Group’s share of jointly controlled entities increased by 23 per cent to £176 million (2005: £143 million).
- Profit attributable to shareholders increased 54% to £4.3 million (2005: £2.8 million), due to both exceptional gains and improvements in underlying profits.
- Earnings per share increased to 0.24 pence (2005: 0.16 pence).
- Margin restored at Bluesky aviation refuelling business by the government compensation mechanism.
- Throughput at Maoming SPM the highest on record, with net profit increasing by 60% including exceptional gains.
- Total natural gas sales volume increased by 260 per cent to 122 million cubic metres (2005: 34 million cubic metres). Fortune Gas profit from operations was £1.2 million and now operates 511 km of gas distribution pipelines with 81,479 contracted customers.
- Significant progress in developing Coal Bed Methane project in Shanxi Province.
- Expansion of cross-border trading on a low-risk basis.
- Signing of US\$50 million term loan, to allow accelerated development of existing projects and provide funding to exploit new opportunities.

Mr. Qian Benyuan, Chairman of Fortune Oil, commented:

“Over the past year it has been clear that China’s energy markets are opening more rapidly, driven by increasing demand, particularly for clean energy. Fortune Oil is uniquely positioned as an international company operating both oil and gas ventures onshore China and we now have some significant projects in development. Fortune Oil is making major steps forward in helping China develop its energy industry and in providing profit growth for our shareholders.”

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CHAIRMAN’S STATEMENT

Introduction

In 2006 China achieved the highest growth rate for over a decade and China’s GDP exceeded that of the United Kingdom. Fortune Oil’s sales and profit continue to grow as we expand our operations in China and in 2006 achieved the largest operating profit to date: earnings attributable to shareholders increased by 54 per cent to £4.3 million. Fortune Oil also made a key strategic move upstream into coal bed methane development, becoming the first independent energy distributor in China to explore for gas.

Over the past year it has been clear that China’s energy markets are opening more rapidly, driven by increasing demand, particularly for clean energy. Fortune Oil is uniquely positioned as an international company operating both oil and gas ventures onshore China and we now have projects in development that will move the company to a different level. We have also today secured significant debt finance of US\$50 million in order to exploit these opportunities and fund more rapid development of the Company.

Results

In 2006 the natural gas business tripled its volume gas sales and achieved a profit from operations of £1.2 million after breaking even in 2005. Throughput of crude oil at the SPM was at a record high and exceptional gains from statutory funds augmented the profit increase. Jet fuel sales at Bluesky continued to grow and a government compensation mechanism for high jet fuel prices enabled profits to recover for the second half of the year. High diesel prices continued to affect operations at the West Zhuhai terminal but our trading business began to flourish in late 2006 as we commenced imports and exports of non-regulated products on a low risk but higher margin basis.

The Group’s revenues (including share of jointly controlled entities) increased by 23 per cent to £176 million. Earnings per share increased by 50 per cent to 0.24 pence from 0.16 pence in 2005. The Board does not recommend payment of a dividend in respect of 2006 but will continue to review dividend policy.

Over the last four years the Company has significantly exceeded its performance targets, as measured by our Key Performance Indicators. The underlying net profit attributable to equity shareholders before exceptionals was £3.5 million in 2006, an increase of 16 per cent over 2005. Since 2003 this has increased on average by 52 per cent per year, compared to our target of 15 per cent. Earnings per share have increased annually on average by 43 per cent in the same period, Group revenues (including share of jointly controlled entities) have increased by 21 per cent per year. The Company’s volume gas sales have increased annually by 180 per cent compared to our target of 30 per cent.

Governance

In 2006 the size of the Board was reduced and the proportion of Independent Directors increased. Mr. Li De, Mr. Feng Xuechang and Mr. Yang Chunshu had been Non-Executive Directors representing shareholders in the Company and they retired without

replacement in 2006, as did our Executive Vice-Chairman Mr. Bruce McGowan. We would like to thank them all for their invaluable contributions over the years.

Ms. Louisa Ho stepped down as Finance Director but remains on the Board as Non-Executive Director with responsibility for corporate governance issues. We strengthened the management team by promoting Mr. Sammy Ng to Group Financial Controller and appointing Mr. Tian Jun as Chief Operating Officer and we also appointed a CBM Operations Manager and Group HSE Manager during the year. There has been a particular focus on HSE in 2006 and our Annual Report will contain more details on safety and environmental issues.

Future Developments

Today we are pleased to announce with our 2006 preliminary results that the Company has raised significant debt financing. A syndicate of international banks has committed US\$50 million of term finance, the largest fund raising to date by the Company. For many years Fortune Oil relied upon its major shareholders for financing and the gearing ratio was very low. We have taken advantage of the current strong liquidity in the debt markets to finance the opportunities now emerging in the China energy market, particularly in energy infrastructure, methane recovery and oil products supply.

We have already been exploiting opportunities developing around our terminals and supply activities, such as the recent growth in cross-border trading. We have also declared our intent to create one of the first independent integrated gas companies in China, combining our gas distribution expertise and assets with our new coal bed methane opportunities. There are substantial growth opportunities in all sectors of the gas chain in China, particularly given the insatiable demand in China for clean energy and the steadily increasing gas prices. Fortune Oil is now making major steps forward in helping China develop its energy industry and in providing profit growth for our shareholders.

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Announcement of Preliminary Results for Year Ended 31 December 2006

CHIEF EXECUTIVE’S REVIEW

Overview

In 2006 revenues including the Group’s share of jointly controlled entities were £176 million compared with £143 million in 2005 and profit from operations increased 68 per cent to £9.6 million. The profit attributable to equity shareholders increased by over 50 per cent to £4.3 million from £2.8 million in 2005. Earnings per share were 0.24 pence in 2006, compared to 0.16 pence in 2005.

The natural gas business was a major contributor to profit growth. Gas sales increased substantially in every gas operation and the Tongzhou CNG station had its first full year of operation, resulting in a tripling in total sales. The net profit achieved at both Bluesky and West Zhuhai was similar to 2005 while exceptional items over the past two years contributed to a 60 per cent profit increase at the Maoming SPM for 2006.

Net assets at the end of 2006 were £50.0 million, little changed from the previous year because of a 10 per cent appreciation in sterling against China’s currency (RMB), the principle currency for the Group’s revenues and expenses. Under the terms of a Court approved capital reduction scheme during 2006, the Company cancelled the balance on its share premium account against a negative retained earnings balance, so as to create reserves for possible dividend distribution in future.

Over the past year Fortune Oil has made a strategic step of entering the upstream gas business by acquiring control of the exploration rights for coal bed methane (CBM) in the Liulin block, Shanxi Province. Within a few months of acquiring this interest we had assembled a professional CBM team and begun drilling two production wells. Development of China’s CBM resources is a government priority for preventing coal mine accidents, reducing emissions of greenhouse gases and recovering valuable methane gas. We are also very excited about the prospects for Fortune Oil in being able to integrate our gas distribution business with this and other CBM recovery opportunities.

China Energy Industry

Last year China’s energy industry resumed its surging growth after a brief slow-down in 2005. GDP has increased over 10 per cent per year since 2003 and growth over the past year is at a record high. The combination of higher energy prices, surging demand and pressures to liberalise markets create a dynamic environment. The Chinese authorities are increasingly emphasising the need for higher standards of safety, efficiency and environmental protection. Participation by companies such as Fortune Oil to implement these measures is thus particularly welcome.

Operations

In 2006 volume sales at the **Bluesky** aviation refuelling joint venture (South China Bluesky Aviation Oil Company) grew 12 per cent to 1.5 million tonnes. In the first half of 2006 Bluesky’s profit was adversely affected by high prices for international jet fuel that could not be passed onto customers but a government compensation mechanism restored the margin from mid-2006. As a result Bluesky’s net profit in 2006 was £9.4

million (US\$17.4 million), similar to 2005 (£9.6 million, US\$17.4 million). This ongoing compensation mechanism will ensure that the airlines, rather than Bluesky, pay for any price differential between domestic and international jet fuel. Bluesky continues to invest in new infrastructure, particularly at Guangzhou Baiyun International Airport where the new FedEx Asia hub will open in 2008. The aviation sector continues to boom and Fortune Oil is one of the few private sector participants in China's aviation refuelling business.

Throughput at the **Maoming SPM** (MKM subsidiary) was the highest on record. The volume of crude oil delivered increased 11 per cent to 10.8 million tonnes as a result of higher utilisation at the Maoming refinery and upgrades now allowing the single point mooring buoy to handle 300,000 dwt tankers. A change in PRC company law allowed MKM to write-back surplus amounts in the statutory staff welfare fund accrual, thereby providing an exceptional credit of £1.9 million. The net profit increased 60 per cent in 2006 to £6.7 million compared to £4.2 million in 2005 largely as a result of these exceptional write-backs in 2006 and a write-off for the old buoy in 2005. The Maoming SPM continues to be a unique asset. It is the only foreign-controlled crude oil facility and the only offshore oil import system in China and it has safely and reliably supplied the largest refinery in southern China for over a dozen years.

Net profit at the **West Zhuhai Oil Products Terminal** joint venture was similar to 2005, at £2.0 million (US\$3.7 million), of which the Group's share was £0.5 million. Supply disruptions continued in the region due to high diesel prices and a sunken barge in the port channel also affected operations for a month. As a result total throughput and trans-shipment volumes were 1.9 million tonnes, lower than in previous years. PetroChina, a 45 per cent shareholder in the terminal, remained the only customer in 2006 because of the import licensing regime. However we expect additional parties to use the facility in future following the granting of a long-awaited licence to store bonded-status products in December. This vindicated the Company's decision in 2006 to acquire Vitol's interest in the terminal, thereby increasing our shareholding to 37 per cent. As part of this acquisition we also agreed to purchase the Vitol Group's 22.5 per cent interests in the **Fu Duo LPG** subsidiary, which remains a break-even business.

Our independent **Trading** business expanded in late 2006 as our extensive network of commercial relationships in China enabled us to take advantage of new trading opportunities. We commenced the import and export of non-regulated products such as bitumen, base oil and petrochemicals on a low-risk agency or back-to-back basis, with a higher margin than our previous pure domestic activities. The trading business, including our gasoline retail stations, made an earnings contribution of £0.3 million, compared to break-even in 2005, and we expect further growth in 2007.

Sales of **Natural Gas** surged to 122 million cubic metres (m³), a 260 per cent increase over the previous year (34 million m³). The Fortune Gas subsidiary contributed £1.2 million in profit from operations in 2006 after a break-even year in 2005. A significant fraction of the sales (43 million m³) were as Compressed Natural Gas (CNG) from the Tongzhou station, which is now one of the largest suppliers of CNG in Beijing. In addition every gas operation achieved substantial growth in sales and profit in 2006, particularly the spur pipelines.

The Company's city gas operations had 81,479 customers by the end of the year and we operate 511 km of pipelines and a fleet of CNG trucks. There were 10,100 new contracted connections in 2006, mostly to new residential apartments. The China gas business is still at an early stage of development with low penetration rates, so our existing infrastructure has substantial growth opportunities. The Company continues to benefit from its partnership with the PetroChina affiliate which operates the supply

pipelines to Beijing. However, the Company needs to ensure independent reliable sources of supply for its future gas businesses, which we intend to source from coal bed methane.

In 2006 we made a strategic step into the development of **Coal Bed Methane (CBM)** through acquiring a controlling interest in the Liulin CBM block in Shanxi Province. Liulin is regarded as one of the top-ranked areas for CBM development in China. There is considerable geological data available and the gas in place was estimated at 40.5 bcm (1.4 trillion cubic feet) by a recent study commissioned by the Company. The foreign contractor rights in the block's Production Sharing Contract are now owned by Fortune Liulin Gas, a joint venture held 60 per cent by Fortune Oil and 40 per cent by Molopo Australia Limited, an experienced CBM developer. The block is still in the exploration phase and Fortune Oil's 60 per cent controlling interest is in return for funding the first US\$2.5 million of an initial appraisal programme. Two vertical pilot wells are now in production testing and further appraisal work including data wells are planned. Most of the initial funding commitment has now been provided but only US\$0.7 million of this was incurred in 2006.

Fortune Oil has rapidly acquired an important presence in China's CBM industry and an understanding of the key opportunities and risks. Development of the country's vast CBM resources is a government priority under the 11th Five Year Plan. Our focus is in Shanxi Province, the largest coal-mining and CBM region, and where the Company already has a natural gas distribution business. Fortune Oil is now one of the largest foreign companies in China's CBM industry and the first gas distributor to be exploring for gas.

Post Balance Sheet Term Loan

The Company has announced today the signing of a US\$50 million loan facility for Fortune Oil PRC Holdings Limited, the Company's principal holding company in Hong Kong. The facility is a dual currency (US dollars and Hong Kong dollars) term loan with a term of 3 years and a margin of 1.1% above LIBOR or HIBOR. The covenants are standard for this type of syndicated loan and the facility is guaranteed by Fortune Oil PLC.

The Mandated Lead Arrangers are Industrial and Commercial International Capital Ltd (ICIC) and Oversea-Chinese Banking Corporation Limited (OCBC). A total of 18 international and regional banks participated in the transaction. The facility size was over-subscribed to US\$50 million.

The proceeds will be used to finance Fortune Oil's investment requirements in the China energy sector. This will include further development of the Liulin CBM block, new opportunities in relation to the recovery and utilisation of methane gas in Shanxi Province, new downstream gas projects and acquisitions and new investments in the supply of refined products. We expect to make announcements concerning these new opportunities over the coming months.

Outlook

It is remarkable how rapidly China has changed from emerging giant to global leader, from closed energy market to the world's number two consumer. China understands the importance of making best use of its energy resources both from an economic and environmental perspective. Foreign companies are increasingly being encouraged to take a lead in this. Fortune Oil is one of the very few international companies to have made inroads into the onshore oil & gas markets and we intend to make a major

contribution to the development of China's domestic energy supplies. We intend to be at the leading edge of methane gas recovery and distribution, creating potentially the first independent integrated gas company in China; and we intend to exploit supply and terminals opportunities as the oil markets gradually open. We remain confident of sustained growth in shareholder value.

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Announcement of Preliminary Results for Year Ended 31 December 2006

FINANCIAL REVIEW

Revenue and Expenditure

Revenues including the Group's share of jointly controlled entities increased by 23 per cent to £175.8 million (US\$324.5 million) in 2006 from £143.1 million (US\$260.2 million) in 2005. Group revenue excluding jointly controlled entities decreased marginally in 2006 to £43.3 million from £45.0 million in 2005 despite higher sales of natural gas. This was because Fu Duo's operations were contracted out, resulting in a £11.2 million reduction in sales at Fu Duo.

The profit attributable to equity shareholders was £4.3 million (US\$7.9 million), an increase of 54 per cent over 2005 (£2.8 million, US\$5.1 million). The major differences were higher earnings from the natural gas business and exceptional items for Maoming SPM. Earnings per share were 0.24 pence compared with 0.16 pence in 2005.

Capital expenditure and acquisitions totalled £8.1 million (US\$15.0 million) (2005: £10.9 million). This comprised principally £4.7 million in purchase of fixed assets and £3.2 million in acquisition of an 18.5% shareholding in Southern China Petroleum (in respect of West Zhuhai Terminal) and a capital contribution to Tianjin Tianhui Natural Gas Limited. Debt secured on the Beijing hotel of £1.1million at the end of 2005 was fully repaid in 2006 and the hotel security is in the process of being released. The Group had a net borrowing position of £0.8 million (US\$1.5 million) as at 31 December 2006, compared to a net cash position of £2.6 million (US\$4.5 million) in the previous year. The change was mainly due to acquisitions in 2006.

Net assets of the Group decreased marginally in 2006 to £50.0 million (US\$ 98.1 million) from £50.7 million (US\$87 million) in 2005 as a result of the increase in retained earnings being offset by foreign currency translation differences on consolidation.

Financial Costs and Tax

Finance expenses for the Group were £471,000 (US\$869,000) in 2006, similar to the 2005 expense of £454,000 (US\$826,000). Loans to the Group at end 2006 totalled £9.0 million (US\$17.7 million), similar to outstanding loans at end 2005 (£9.1 million, US\$15.6 million). At end 2006 there was a £3.2 million (US\$6.3 million) loan outstanding to First Level Holdings Limited, the largest shareholder in the Company, compared to £4.2 million (US\$7.3 million) in the previous year.

The Group's tax charge in 2006 was £617,000 (2005: £544,000) representing an effective tax rate of 7 per cent (2005: 10 per cent). The decrease in effective tax rate resulted from the impact of exceptional gains and a higher contribution from natural gas.

The PRC government intends to unify the corporate tax rate at 25 per cent for domestic and foreign companies from January 2008. The current tax rate for most companies in China is 33 per cent but foreign enterprises have generally been eligible for a 15 per cent tax rate. The overall impact should be neutral for Fortune Oil in the medium term as most of the existing tax privileges will be grand-fathered for 5 years. Companies engaged in certain industries will enjoy preferential rates and tax concessions have

already been announced for coal bed methane development and energy conservation measures.

Foreign exchange

The revenues and expenses of the Group are primarily denominated in China's renminbi (RMB). Some expenses are denominated in pound sterling (£) and in Hong Kong dollars (HK\$), which is pegged to the US dollar (US\$). Since the RMB/US\$ peg was loosened in mid-2005 the RMB has appreciated 6 percent against the US\$. However in 2006 sterling appreciated 14 per cent against the US dollar and there was a net 10 per cent appreciation against the RMB.

This currency movement has had the effect of understating our performance improvements as measured in pound sterling. The Company has not hedged currency risk and any further revaluation of the RMB or change in US\$/£ exchange rate in 2007 is likely to affect the Group's results as denominated in sterling.

The Group requires both RMB for operating expenses in China and foreign exchange for equity investments in new joint ventures. A major element of the Group's foreign exchange needs currently comes from the dividend payments by the Maoming SPM and Bluesky joint ventures. Historically the Maoming SPM and Bluesky joint ventures have usually paid out the full net profit as dividend after contributions to statutory employee welfare funds.

Capital Structure

Most of the Group's investments and expenses take place in the PRC and are held through Fortune Oil PRC Holdings Limited, a 100 per cent-owned subsidiary of the Company in Hong Kong. To facilitate inter-company restructuring most of the investments in China are held through subsidiary Hong Kong registered companies. The Company's UK operations consist only of local representation as a direct expense to the Company.

Dividend Policy

In prior years a deficit in retained earnings had restricted Fortune Oil from declaring dividends. In 2006 a capital reduction exercise eliminated this restriction and the Group now has distributable reserves. However the Group's policy remains that we should currently reinvest profits rather than declare dividends.

FORTUNE OIL PLC

Announcement of Preliminary Results for Year Ended 31 December 2006

Group Income Statement for the Year Ended 31 December 2006

Amount in £'000	Note	2006	2005
Revenue including share of jointly controlled entities	2	175,771	143,057
Share of revenue of jointly controlled entities		(132,500)	(98,068)
Group revenue		43,271	44,989
Cost of sales		(33,912)	(36,851)
Gross profit		9,359	8,138
Exceptional gains	3	2,551	-
Exceptional charges	3	(834)	(629)
Administrative expenses		(4,444)	(4,617)
Share of results of jointly controlled entities		2,942	2,810
Profit from operations	2	9,574	5,702
Finance costs		(471)	(454)
Investment Income		168	156
Profit before taxation		9,271	5,404
Taxation	4	(617)	(544)
Profit for the year		8,654	4,860
Attributable to			
Equity shareholders		4,307	2,792
Minority interests		4,347	2,068
		8,654	4,860
Earnings per share			
Basic	6	0.24p	0.16p
Diluted	6	0.24p	0.16p

FORTUNE OIL PLC

Announcement of Preliminary Results for Year Ended 31 December 2006

Group Balance Sheet as at 31 December 2006

Amount in £'000	2006	2005
Assets		
Non-current assets		
Property, plant and equipment	24,539	26,747
Investment properties	1,577	1,800
Goodwill	943	1,074
Other intangible assets	992	914
Investments in jointly controlled entities	21,083	19,410
Other investment	101	117
	49,235	50,062
Current assets		
Inventories	1,070	2,151
Trade and other receivables	6,249	6,272
Cash and cash equivalents	8,202	11,713
	15,521	20,136
Total assets	64,756	70,198
Liabilities		
Current liabilities		
Borrowings	3,427	1,944
Trade and other payables	5,362	9,813
Current tax liabilities	170	241
	8,959	11,998
Non-current liabilities		
Borrowings	5,567	7,126
Deferred tax liabilities	264	336
	5,831	7,462
Total liabilities	14,790	19,460
Net assets	49,966	50,738
Shareholders' equity		
Ordinary shares	18,363	18,351
Treasury shares	(795)	(760)
Share premium account	22	37,344
Translation reserves	(2,717)	2,062
Retained earnings	23,805	(17,985)
Total shareholders' equity	38,678	39,012
Minority interests	11,288	11,726
Total equity	49,966	50,738

FORTUNE OIL PLC

Announcement of Preliminary Results for Year Ended 31 December 2006

Group Cash Flow Statement for the Year Ended 31 December 2006

Amount in £'000	2006	2005
Cash flows from operating activities		
Profit for the year	8,654	4,860
Adjustments for:		
Share of post-tax results of jointly controlled entities	(2,942)	(2,810)
Taxation	617	544
Amortisation and depreciation	2,508	2,419
Impairment	834	158
Loss on disposal of property, plant and equipment	35	803
Profit on disposal of subsidiary undertakings	(188)	-
Share based payment	139	63
Investment income	(168)	(156)
Finance costs	471	454
Decrease/ (Increase) in inventory	842	(413)
(Increase)/ decrease in trade and other receivables	(706)	2,076
Decrease in trade and other payables	(3,428)	(1,859)
Cash generated from operations	6,668	6,139
Finance costs	(471)	(454)
Taxation paid	(665)	(545)
Net cash generated from operating activities	5,532	5,140

FORTUNE OIL PLC

Announcement of Preliminary Results for Year Ended 31 December 2006

Group Cash Flow Statement for the Year Ended 31 December 2006 (cont.)

Amount in £'000	2006	2005
Cash flow from investing activities		
Investment income	168	156
Dividend received from a jointly controlled entities	2,463	1,496
Payments for property, plant and equipment	(4,708)	(7,383)
Payments for other intangible assets	(223)	(14)
Payments for investment properties	-	(187)
Receipt from disposal of subsidiary undertakings	305	-
Receipt from disposal of property, plant and equipment	66	99
Acquisition of business/ subsidiaries	-	(3,273)
Investment in jointly controlled entities	(3,072)	-
Repayment from jointly controlled entities	-	794
Loan to jointly controlled entities	(335)	-
Total cash flows used in investing activities	(5,336)	(8,312)
Cash flows from financing activities		
Proceeds from issue of share capital	34	41
Loan from minority shareholders	429	478
Repayment of loans to minority shareholders	(441)	-
Dividend paid to minority shareholders	(3,265)	(2,346)
Repayment of loans	(689)	(1,194)
Increase in loans	1,663	-
Total cash flows used in financing activities	(2,269)	(3,021)
Net decrease in cash and cash equivalents	(2,073)	(6,193)
Cash and cash equivalents at beginning of the year	11,713	16,086
Effect of foreign exchange rate changes	(1,438)	1,820
Cash and cash equivalents at end of the year	8,202	11,713

FORTUNE OIL PLC

Notes to financial statements in respect of year ended 31 December 2006

1. Basis of accounting

This preliminary announcement, which has been agreed with the auditors, was approved by the Board on 24 April 2007. The financial information set out in the announcement does not constitute the company's statutory financial statements, as defined by Section 240 of the Companies Act 1985, for the years ended 31 December 2006 or 2005. The financial information for the year ended 31 December 2005 is derived from the statutory financial statements for that year which have been delivered to the Registrar of Companies. The auditors reported on those financial statements; their report was unqualified and did not contain a statement under s.237 (2) or (3) Companies Act 1985. The statutory financial statements for the year ended 31 December 2006 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies in due course. The statutory accounts for the year ended 31 December 2006 have not yet been approved, audited or filed.

Whilst the financial reporting included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The company expects to publish full financial statements that comply with IFRSs in due course.

2. Segmental analysis

a) Business segments

Amount in £'000	Single point mooring facility		Aviation		Natural gas		Oil trading & storage *	
	2006	2005	2006	2005	2006	2005	2006	2005
Revenue including share of Jointly controlled entities	12,136	11,810	126,049	92,899	13,194	5,685	19,631	28,258
Share of revenue of jointly controlled entities	-	-	(126,049)	(92,899)	(724)	-	(966)	(814)
Group revenue	12,136	11,810	-	-	12,470	5,685	18,665	27,444
Exceptional gains	1,943	-	-	-	-	-	608	-
Exceptional charges	(424)	(629)	-	-	-	-	(410)	-
Profit from operations (including share of results of jointly controlled entities)	7,077	4,456	2,243	2,336	1,235	137	(331)	(749)
Finance costs								
Investment income								
Profit before taxation								
Taxation								
Profit for the year								
Attributable to								
Equity shareholders								
Minority interests								
Capital additions	2,488	3,223	-	-	2,108	7,298	564	335
Depreciation and amortisation	1,443	1,547	-	-	777	565	286	306
Impairment	424	-	-	-	-	-	410	158
Net assets: by class of business								
Assets	15,318	17,841	14,273	16,318	20,235	20,240	14,038	15,588
Liabilities	(1,291)	(3,239)	(13)	(14)	(4,826)	(5,421)	(8,538)	(10,657)
	14,027	14,602	14,260	16,304	15,409	14,819	5,500	4,931

Amount in £'000	Others* **		Central Administration		Group	
	2006	2005	2006	2005	2006	2005
Revenue including share of jointly controlled entities	4,761	4,405	-	-	175,771	143,057
Share of revenue of jointly controlled entities	(4,761)	(4,355)	-	-	(132,500)	(98,068)
Group revenue	-	50	-	-	43,271	44,989
Exceptional gains	-	-	-	-	2,551	-
Exceptional charges	-	-	-	-	(834)	(629)
Profit from operations (including share of results of jointly controlled entities)	93	143	(743)	(621)	9,574	5,702
Finance costs					(471)	(454)
Investment income					168	156
Profit before taxation					9,271	5,404
Taxation					(617)	(544)
Profit for the year					8,654	4,860
Attributable to						
Equity shareholders					4,307	2,792
Minority interests					4,347	2,068
Capital additions	305	-	-	2	5,465	10,858
Depreciation and amortisation	1	-	1	1	2,508	2,419
Impairment loss	-	-	-	-	834	158
Net assets: by class of business						
Assets	753	129	139	82	64,756	70,198
Liabilities	(5)	(2)	(117)	(127)	(14,790)	(19,460)
	748	127	22	(45)	49,966	50,738

b) Geographical operations

With the exception of operating loss of £561,000 (2005: £545,000) in respect of central administration in the United Kingdom, all of the Group's activities are carried out in the PRC and Hong Kong. The Directors are of the opinion that the PRC and Hong Kong form one geographic segment.

* Includes overheads in Hong Kong/PRC offices.

** Others include distribution and CBM unit.

3. Exceptional gains and charges

Exceptional gains

Amount in £'000	2006	2005
Write back of accrual for staff welfare	1,943	-
Waiver of borrowings	410	-
Gain on disposal of subsidiaries	198	-
Total exceptional gains	2,551	-

Exceptional charges

Amount in £'000	2006	2005
Impairment of fixed assets	834	-
Loss on disposal of a single point mooring buoy	-	629
Total exceptional charges	834	629

The staff welfare fund accrual has been written back to profit following changes in Company Law in the People's Republic of China effective from 1 January 2006. The Directors have obtained legal opinion that the changes are such that the relevant companies within the Group are no longer obliged to set aside profits in respect of staff welfare funds.

4. Taxation

The taxation charge for the year is analysed below:

Amount in £'000	2006	2005
Current tax		
Group current tax		
UK tax	-	-
Foreign tax	651	598
Total current tax	651	598
Deferred tax		
Net reversal of timing differences – Group	(34)	(54)
Total deferred tax	(34)	(54)
Tax on profit on ordinary activities	617	544

The tax charge for the year differs from the standard rate of corporation tax and is explained below.

Amount in £'000	2006	2005
Profit on ordinary activities before taxation	9,271	5,404
Theoretical tax at PRC corporation tax rate 33%	3,059	1,783
Effects of:		
- Share of results of joint controlled entities	(970)	(927)
- nil or lower tax in PRC	(1,768)	(832)
- tax losses carried forward	536	575
- utilization of tax losses credit not previously recognized	(204)	-
- other expenditure that is not tax deductible	198	173
- other timing differences	(200)	(174)
Total current tax	651	598

The above reconciliation uses a 33% standard rate of tax, being the standard rate of tax payable in the PRC, where the majority of the Group's activities take place.

The Group tax charge above does not include any amounts for jointly controlled entities, whose results are disclosed in the income statement net of tax.

5. Dividends were not paid in any of the periods reported upon and no dividend is proposed.

6. Earnings per share

Earnings per share have been calculated on the earnings activities after taxation and minority interest of £ 4,307,000. (2005:£ 2,792,000)

	2006 No. '000	2006 pence	2005 No. '000	2005 pence
Basic	1,775,985	0.24	1,774,293	0.16
Share option adjustment	6,281	-	8,618	-
Diluted	1,782,266	0.24	1,782,911	0.16

7. Copies of this report are available from the Group's Registered Office at 6/F, Belgrave House, 76 Buckingham Palace Road, London SW1W 9TQ.