HANS ENERGY COMPANY LIMITED
漢思能源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 554)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

The Board of Directors (the "Directors") of Hans Energy Company Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007 as follows:

Consolidated income statement
for the year ended 31 December 2007
(Expressed in Hong Kong dollars)

	Note	***2007***	*2006*
		$'000	$'000
Turnover	2	**160,286**	166,936
Cost of sales		**(47,595)**	(50,645)
Gross profit		**112,691**	116,291
Compensation income	3	**-**	87,805
Other net income	4	**5,226**	16,646
Administrative expenses		**(32,480)**	(45,464)
Profit from operations		**85,437**	175,278
Finance costs	5(a)	**(7,135)**	(13,583)
Profit before taxation	5	**78,302**	161,695
Income tax	6	**(6,986)**	(13,003)
Profit for the year		**71,316**	148,692
Attributable to:			
Equity shareholders of the Company		**64,014**	134,218
Minority interests		**7,302**	14,474
Profit for the year		**71,316**	148,692
Earnings per share	7		
- basic		**2.07 cents**	5.17 cents
- diluted		**1.91 cents**	3.82 cents

Consolidated balance sheet at 31 December 2007

(Expressed in Hong Kong dollars)

	Note	*2007*	*2006*
		$'000	*$'000*
Non-current assets			
Fixed assets			
- Property, plant and equipment		**290,689**	281,612
- Construction in progress		**249,196**	126,777
- Interests in land held for own use under operating leases		**21,350**	21,194
Prepayments		**11,504**	886
Intangible assets		**1,979**	1,641
		574,718	432,110
Current assets			
Interests in land held for own use under operating leases		**1,619**	1,480
Inventories - consumable parts		**2,679**	2,522
Trade and other receivables	9	**13,491**	12,284
Tax recoverable		**176**	-
Cash and cash equivalents		**323,284**	212,811
		341,249	229,097
Current liabilities			
Other payables and accruals		**39,727**	32,270
Deferred revenue	10	**91,085**	84,239
Amount due to a related company		**1,525**	630
Current taxation		**-**	4,196
		132,337	121,335
Net current assets		**208,912**	107,762
Total assets less current liabilities		**783,630**	539,872
Non-current liabilities			
Deferred revenue	10	**118,509**	188,771
Convertible notes	12	**-**	349,351
Deferred tax liabilities		**6,861**	5,539
Bank loans	11	**213,584**	-
		338,954	543,661
Net assets/(liabilities)		**444,676**	(3,789)
Capital and reserves			
Share capital		**373,264**	247,715
Reserves		**40,272**	(274,622)
Total equity attributable to equity shareholders of the Company		**413,536**	(26,907)
Minority interests		**31,140**	23,118
Total equity		**444,676**	(3,789)

Consolidated statement of changes in equity
for the year ended 31 December 2007
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Special reserve	Translation reserve	Capital reserve	PRC statutory reserve	Accumulated profits/(losses)	Total	Minority interests	Total equity
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2006	262,000	492,002	(251,428)	2,355	41,856	22,074	(671,648)	(102,789)	19,371	(83,418)
Exchange adjustment	-	-	-	-	-	-	-	-	504	504
Exchange differences arising from translation of operations outside Hong Kong	-	-	-	5,037	-	-	-	5,037	-	5,037
Shares repurchased - par value and premium paid	(14,285)	(49,088)	-	-	-	-	-	(63,373)	-	(63,373)
Transfer to PRC statutory reserves	-	-	-	-	-	8,950	(8,950)	-	-	-
Profit for the year	-	-	-	-	-	-	134,218	134,218	14,474	148,692
Dividend to minority shareholders	-	-	-	-	-	-	-	-	(11,231)	(11,231)
At 31 December 2006	247,715	442,914	(251,428)	7,392	41,856	31,024	(546,380)	(26,907)	23,118	(3,789)
At 1 January 2007	247,715	442,914	(251,428)	7,392	41,856	31,024	(546,380)	(26,907)	23,118	(3,789)
Exchange adjustment	-	-	-	-	-	-	-	-	2,245	2,245
Exchange differences arising from translation of operations outside Hong Kong	-	-	-	25,173	-	-	-	25,173	-	25,173
Shares repurchased - par value and premium paid	(1,451)	(6,465)	-	-	-	-	-	(7,916)	-	(7,916)
Shares issued upon exercise of convertible notes	127,000	274,028	-	-	(41,856)	-	-	359,172	-	359,172
Transfer to PRC statutory reserves	-	-	-	-	-	923	(923)	-	-	-
Profit for the year	-	-	-	-	-	-	64,014	64,014	7,302	71,316
Dividend to minority shareholders	-	-	-	-	-	-	-	-	(1,525)	(1,525)
At 31 December 2007	373,264	710,477	(251,428)	32,565	-	31,947	(483,289)	413,536	31,140	444,676

(Expressed in Hong Kong dollars)

1 Significant accounting policies

(a) Statement of compliance

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "Group").

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

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

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

2 Turnover

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

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

	2007	2006
	$'000	$'000
Port income	**10,681**	14,823
Storage and transshipment income	**149,605**	152,113
	160,286	166,936

3 Compensation income

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

4 Other net income

	2007	2006
	$'000	$'000
Interest income	**3,683**	7,714
Rental receivable from investment properties less direct outgoings of $130,668 (2006: $127,298)	**488**	467
Net foreign exchange gain	**254**	3,420
Net realised gain on trading securities	**-**	3,379
Others	**801**	1,666
	5,226	16,646

5 Profit before taxation

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

	2007	2006
	$'000	$'000
(a) Finance costs:		
Interest on convertible notes	**7,135**	13,583
Interest on bank loans	**1,473**	-
Less: Borrowing costs capitalised as construction in progress	**(1,473)**	-
	7,135	13,583

The borrowing costs during 2007 have been capitalised at a rate of 6.89% - 6.97% per annum (2006: Nil) for construction in progress.

	2007	2006
	$'000	$'000
(b) Staff costs:		
Contributions to defined contribution retirement plans	**733**	964
Salaries, wages and other benefits	**14,499**	15,534
Directors' salaries and other benefits	**5,837**	14,908
Total staff costs	**21,069**	31,406

	2007	2006
	$'000	$'000
(c) Other items:		
Depreciation and amortisation	**26,880**	29,243
Auditors' remuneration		
- audit services	**1,180**	1,080
- review services	**368**	338
Net foreign exchange gain	**(254)**	(3,420)
Operating lease charges: minimum lease payments - buildings	**2,861**	3,022

6 Taxation

Taxation in the consolidated income statement represents:

	2007	2006
	$'000	$'000
Current tax - PRC Enterprise Income Tax for the year	**5,614**	14,713
Tax refund	**(4,314)**	-
Deferred tax - origination and reversal of temporary differences	**5,686**	(1,710)
	6,986	13,003

Notes:

No Hong Kong Profits Tax was provided as the Group sustained a loss for Hong Kong Profits Tax purposes for the year (2006: Nil).

Pursuant to the approval from the PRC authority issued in 2002 regarding port operating business, one of the subsidiaries in the PRC, Guangdong (Panyu) Petrochemical Storage & Transportation Ltd. ("GD (Panyu)") has been granted certain tax relief whereby the profit for the five years starting from its first profit-making year is exempted from income tax in the PRC and the profit for each of the subsequent five years is taxed at 50% of the prevailing tax rate set by the local tax authority. The full PRC Enterprise Income Tax rate applicable to GD (Panyu) is 15% and the reduced rate is 7.5% for the year ended 31 December 2007.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new CIT Law") which takes effect on 1 January 2008. Under the new CIT Law and in accordance with implementation rules and notices issued by the State

Council and the State Administration of Taxation (collectively "Implementation Rules"), the income tax rate of GD (Panyu) will be adjusted to the standard rate of 25% progressively. According to the Implementation Rules, GD (Panyu), which is currently eligible for 50% relief from PRC Foreign Enterprise Income Tax Law, will be eligible for 50% relief from the transitional rate of 18% for the year ending 31 December 2008. The enactment of the new CIT Law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable. The new applicable tax rates for future years have been applied in the measurement of GD (Panyu)'s deferred tax liabilities as at 31 December 2007.

In addition, under the new CIT Law, dividends paid by a foreign-invested enterprise to its foreign investors are subject to withholding tax at a rate of 10% unless reduced by treaty. Under the grandfathering treatments, the undistributed profits of GD (Panyu) as at 31 December 2007 are exempted from withholding tax. The Group will be liable to withholding tax on dividends distributed from GD (Panyu) in respect of its future profits generated after 31 December 2007.

Pursuant to notices issued by the local tax bureau, PRC income tax of $4,314,000 (2006: $Nil) was refunded to GD (Panyu)'s foreign investor in relation to the reinvestment of profits in the PRC in accordance with the relevant tax rules and regulations for the year ended 31 December 2007.

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $64,014,000 (2006: $134,218,000) and the weighted average of 3,085,579,063 (2006: 2,595,172,723) ordinary shares in issue during the year, calculated as follows:

	2007	2006
	'000	'000
Issued ordinary shares at 1 January	**2,477,146**	2,620,000
Effect of shares repurchased	**(13,403)**	(24,827)
Effect of issue of shares on exercise of convertible notes	**621,836**	-
Weighted average number of ordinary shares at 31 December	**3,085,579**	2,595,173

(b) Diluted earnings per share

The calculation of the diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $71,149,000 (2006: $147,801,000) and the weighted average number of ordinary shares of 3,733,743,447 shares (2006: 3,865,172,723 shares), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2007	2006
	$'000	$'000
Profit attributable to ordinary equity shareholders (basic)	**64,014**	134,218
Effect of effective interest on the liability component of convertible notes	**7,135**	13,583
Profit attributable to ordinary equity shareholders (diluted)	**71,149**	147,801

(ii) Weighted average number of ordinary shares (diluted)

	2007	2006
	'000	'000
Weighted average number of ordinary shares at 31 December	**3,085,579**	2,595,173
Effect of conversion of convertible notes	**648,164**	1,270,000
Weighted average number of ordinary shares (diluted) at 31 December	**3,733,743**	3,865,173

8 Segment reporting

Business segments

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

Business segment information about these businesses is presented below:

2007	**Provision of transshipment and storage facilities**	**Port income**	**Consolidated**
	$'000	**$'000**	**$'000**
Turnover			
External sales	**149,605**	**10,681**	**160,286**
Results			
Segment results	**103,412**	**9,279**	**112,691**
Interest income			**3,683**
Unallocated corporate income			**1,543**
Unallocated corporate expenses			**(32,480)**
Profit from operations			**85,437**
Finance costs			**(7,135)**
Profit before taxation			**78,302**
Income tax			**(6,986)**
Profit for the year			**71,316**
Assets			
Segment assets	**353,357**	**3,788**	**357,145**
Unallocated corporate assets			**558,822**
Total assets			**915,967**
Liabilities			
Segment liabilities	**211,645**	**961**	**212,606**
Unallocated corporate liabilities			**258,685**
Total liabilities			**471,291**
Other information			
Capital expenditure	**132,031**	**-**	**132,031**
Depreciation and amortisation			
- Segment depreciation and amortisation	**25,830**	**-**	**25,830**
- Unallocated depreciation and amortisation			**1,050**
Total depreciation and amortisation			**26,880**
Loss on disposal of property, plant and equipment	**941**	**-**	**941**

8 Segment reporting (continued)

2006

	Provision of transshipment and storage facilities $'000	Port income $'000	Consolidated $'000
Turnover			
External sales	152,113	14,823	166,936
Results			
Segment results	103,514	12,777	116,291
Interest income			7,714
Compensation income			87,805
Unallocated corporate income			8,932
Unallocated corporate expenses			(45,464)
Profit from operations			175,278
Finance costs			(13,583)
Profit before taxation			161,695
Income tax			(13,003)
Profit for the year			148,692
Assets			
Segment assets	340,245	3,360	343,605
Unallocated corporate assets			317,602
Total assets			661,207
Liabilities			
Segment liabilities	275,504	1,819	277,323
Unallocated corporate liabilities			387,673
Total liabilities			664,996
Other information			
Capital expenditure	90,352	-	90,352
Depreciation and amortisation			
- Segment depreciation and amortisation	28,888	-	28,888
- Unallocated depreciation and amortisation			355
Total depreciation and amortisation			29,243
Loss on disposal of property, plant and equipment	18	-	18

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

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

	Carrying amount of segment assets		*Additions to property, plant and equipment*	
	2007	*2006*	***2007***	*2006*
	$'000	$'000	**$'000**	$'000
PRC (other than Hong Kong)	**870,636**	605,150	**125,128**	90,346
Hong Kong	**45,331**	56,057	**19**	6
	915,967	661,207	**125,147**	90,352

9 Trade and other receivables

	2007	*2006*
	$'000	$'000
Trade receivables	**13,070**	11,811
Less: Allowance for doubtful debts	**(5,571)**	(5,138)
	7,499	6,673
Prepayments and other receivables	**5,992**	5,611
	13,491	12,284

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

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

	2007	*2006*
	$'000	$'000
Due within 30 days	**6,397**	6,673
Over 30 days	**1,102**	-
	7,499	6,673

Receivables that past due but not impaired relate to a number of independent customers that have 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 still 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.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, represented the effect of change of exchange rate only.

At 31 December 2007, the Group's trade receivables of $5,571,000 (2006: $5,138,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts of $5,571,000 (2006: $5,138,000) were recognised. The Group does not hold any collateral over these balances.

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

10 Deferred revenue

	2007	*2006*
	$'000	$'000
Within one year	**91,085**	84,239
More than one year, but not exceeding two years	**86,188**	79,483
More than two years, but not exceeding five years	**32,321**	109,288
	209,594	273,010
Less: Amount due within one year shown under current liabilities	**(91,085)**	(84,239)
Amount due after one year	**118,509**	188,771

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

11 Bank loans

At 31 December 2007, the bank loans are repayable as follows:

	2007	*2006*
	$'000	$'000
After 2 years but within 5 years	**213,584**	-
	=========	=========

At 31 December 2007, the Group's banking facilities totaling $573,473,000 were secured by the Group's future non-cancelable operating leases receivables with an aggregate carrying value of $1,389,791,000. The facilities were utilised to the extent of $213,584,000 as at 31 December 2007.

12 Convertible notes

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

On 29 June 2007 and 13 July 2007, Vand Petro-Chemicals exercised its rights to convert all the convertible notes with a principal amount of $381 million in aggregate for the issuance of 1.27 billion ordinary shares of $0.10 each at the conversion price of $0.30 each.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS

The operations of the Group for the year ended 31 December 2007 was improved as compared with that of 2006. The gross margin was improved from 69.7% to 70.3%. Taking out the effect of the one-off compensation payment received in 2006, the profit attributable to equity shareholders of the Company for 2006 was HK$54.0 million. When comparing to that of HK$64.0 million of 2007, there was an increase of 18.5%. The Group's turnover was HK$160.3 million (2006: HK$166.9 million), a slight drop of 4.0%. When taking into full accounts, the profit attributable to equity shareholders was HK$64.0 million (2006: HK$134.2 million), representing a decrease of 52.3%. The basic and diluted earnings per share ('EPS') for the year were 2.07 Hong Kong cents and 1.91 Hong Kong cents (2006: 5.17 Hong Kong cents and 3.82 Hong Kong cents respectively). The decreases of both basic and diluted EPS were mainly attributable to the compensation payment received in 2006 which did not recur in 2007. The new shares issued during the year to the convertible note holder upon the conversion also accounted for the decrease of the basic EPS as well.

	2007 (HK$'000)	2006 (HK$'000)	Changes
Turnover	160,286	166,936	-4.0%
Gross profit	112,691	116,291	-3.1%
Earnings before interest and tax ("EBIT")	85,437	175,278	-51.3%
Profit attributable to equity shareholders of the Company	64,014	134,218	-52.3%
EBITDA	112,317	204,521	-45.1%
Gross margin	70.3%	69.7%	
Net profit margin	39.9%	80.4%	
Basic earnings per share (HK cents)	2.07	5.17	-60.0%
Diluted earnings per share (HK cents)	1.91	3.82	-50.0%

BUSINESS REVIEW

The operational results of the Group's core business of the oil and petrochemical terminal located in Xiao Hu Island of Nasha, Panyu, Guangdong Province in the PRC ('XHIT') were as follows:

Operational Statistics	**2007**	2006	Changes
Number of vessels visited			
- foreign	**264**	270	-2.3%
- domestic	**1,427**	2,752	-48.1%
Number of trucks served to pick up cargoes	**20,931**	25,023	-16.4%
Number of drums filled	**32,993**	48,053	-31.3%
Transshipment volume (metric ton)			
- oils	**2,000**	26,349	-92.4%
- petrochemicals	**186,314**	214,999	-13.3%
Port jetty throughput (metric ton)	**2,528,000**	4,328,000	-41.6%
Tank farm throughput (metric ton)	**2,892,000**	4,774,000	-39.4%

XHIT continues to contribute the major source of revenue to the Group. During the year, it recorded that 264 foreign tankers berthed for unloading cargoes (2006: 270) and total port jetty throughput of 2,528,000 metric tons (2006: 4,328,000 metric tons) in XHIT. The number of foreign tankers berthed in 2007 was still hampered by the hanging-high international oil price.

Revenue Breakdown

The major revenue items breakdown of the Group were as follows:

	2007 **(HK$'000)**	%	2006 (HK$'000)	%
Terminal, storage and transshipment services	**149,605**	**93.3**	152,113	91.1
Port income	**10,681**	**6.7**	14,823	8.9

Segment results of XHIT

The turnover from the provision of terminal storage and transshipment facilities segment during the year ended 31 December 2007 was 149.6 million, a decrease of HK$2.5 million, representing a drop of 1.6% from last year, whereas the segment profit for the same period decreased from HK$103.5 million to HK$103.4 million, representing a slide of 0.1%. The drop in turnover and profit was attributable to the decrease in transshipment business as the international oil price remained high while domestic oil price was controlled by the Government at relatively low level. Importers thus stopped importing oils and their trading activities, and the demand for transshipment services dropped accordingly.

For the year ended 31 December 2007, turnover from port income dropped approximately 27.7% from HK$14.8 million to HK$10.7 million and the segment profit decreased from approximately HK$12.8 million to HK$9.3 million, representing an decrease of 27.3%. The decrease in turnover and profit for this segment was in line with the decrease in port throughput and the drop in number of tankers berthed in XHIT during the year.

Other income

In 2006, GD (Panyu) received a compensation payment of HK$87.8 million from Sinopec Guangdong, which was one-off in nature and did not recur in current year. In this connection, the other income line in 2007 was lower than that in last year.

OUTLOOK

The Group continued to focus its core business in the midstream of the energy sector, providing specialized integrated terminal, storage and logistics services for oil and liquid petrochemical products in the PRC for growth. Since the China retail market of product oils has been opened to foreign investors and operators since late 2006, sizeable renowned international oil players have been preparing to enter into this exciting market. We expect the demand for product oil storage and terminal facilities and services will surge in coming years.

- **XHIT Terminal Business**

Following several phases of expansion since the commencement of its operation, XHIT has reached it full strength in both docking capacity and storage capacity. However, in order to keep up with the demand of terminal and storage facilities, the existing site plan has been shuffled and additional land has been requested for an expansion of storage capacity of about 110,000 cubic metres for new petrochemical tanks in XHIT. The expansion plan has been carried out since the second half of 2007 and new facilities will be commissioned in 2008. XHIT is among the very few terminals in the Pearl River Delta region that can provide specialized and integrated terminal and storage services with facilities of its size, which distinguishes itself as a sizable port to distribute large volume frequent flows of oil products from other storage service providers. The proven track records in professionally handling complicated, dangerous, hazardous and perhaps poisonous products with high standards in safety and environmental preservation earn customers confidence. The management is confident that the leasing orders for the new facilities will be filled upon completion, bringing in new sources of revenue and profits to the Group.

- **Dongzhou International Terminal project ("DZIT")**

The opening up of the refined oil retail market in China attracted international oil players into the growing market. DZIT is designed to become a distribution centre and a logistic hub for raw materials, energy resources and finished products. Various multinationals have expressed their interests in utilizing DZIT facilities to establish their presence and inventories in preparing the entrance into the most affluent region of the country. As the PRC Government stayed alert on fighting against the inflation to the general public, the price controls upon retail oil prices remained tight. International oil players have been taking a more prudent approach before making their investment commitments for the time being.

The DZIT, upon completion, will be a comprehensive terminal and storage complex in Dongguan in Guangdong Province, specialized in oil and liquid petrochemical products, which will comprise of a wharf with docking spaces of capacity ranging from 500 dwt. to 80,000 dwt. Apart from these, DZIT will build a tank farm with a storage capacity of 960,000 cubic metres, and is expandable up to 1,600,000 cubic metres.

During the year, the construction of a new jetty terminal in Dongguan has been started and completion may extend to the second half of 2008. The terminal will be equipped with state-of-art machinery for loading-unloading, transshipment, and storage facilities plus technologies to maintain high standard of environmental protection and safety measures. The management is confident to capture the opportunity of the growing demand of storage and distribution facilities with the customer base established over the years and with new customers from overseas.

- **Taishan Crude oil Terminal project ("TSOT")**

The domestic and international demand for crude oil has been constantly surging and oil refining capacities have been increasing. The PRC government encouraged the private sector to involve in national oil reserves in the country and the petrochemical production industry has flourished with robust development in the country. At present, the supply of large-scale modernized crude oil terminals and storage ancillary facilities in the Asia Pacific region and China is inadequate. In order to sustain the leadership of the Group in the industry, and the development of the Group's core business, increase our market share and strengthen ourselves through expansion, the Group is perusing the development of a deep water crude oil terminal in an offshore Island outside the Taishan City. We will expand our bonded storage and terminal business in order to extend our coverage into the Asia Pacific region. The preparation works have been started and plan to apply with all relevant authorities for approval this year to strive for substantial return to shareholders by capitalizing on this golden opportunity and leveraging on robust growth in China.

FINANCIAL REVIEW

Capital structure, liquidity and gearing

The Company repurchased from the market 14,508,000 shares of the Company thus the capital structure of the Group changed during the year. Accordingly, the share capital account was reduced by HK$1.5 million. The share premium account was also decreased by HK$6.5 million in this regard.

Furthermore, the entire balance of the convertible note with face value of HK$381 million was converted to 1,270,000,000 common shares of the Company during the year. In this connection, the shareholders' equity increased by HK$359 million while the non-current liabilities were reduced by HK$349 million.

As at 31 December 2007, the Group had a cash balance of HK$323 million (2006: HK$213 million). Most of the funds were held in HK$, RMB and US$.

As at 31 December 2007, the current ratio was 2.58 (31 December 2006: 1.89). The improvement was related to the draw down of the long-term banking facilities made available to the Group during the year.

The Group's gearing ratio of as at 31 December 2007 was 0.51 (31 December 2006: 1.01) (defined as total liabilities to total assets). The improvement was mainly due to the conversion of the convertible notes to common shares during the year.

Financial resources

The current cash reserves and recurrent operating cash flow is sufficient for the daily requirements for current operations. During the year, the Group has successfully secured long-term banking facilities to finance the development of DZIT terminal and the expansion of XHIT storage capacity. The banking facilities were backed by collateralizing the receivables under the long-term lease already entered with customer. Due attention will be paid to the capital and debt markets as well as the latest developments of the Group in order to ensure the efficient use of financial resources.

Finance cost

The finance cost for the year ended 31 December 2007 decreased by HK$6.5 million from HK$13.6 million to HK$7.1 million. The drop was attributable to the fact that the interest bearing convertible notes were converted during the year.

DIVIDEND

Taking into account of tremendous ongoing capital commitment of the Group for those undergoing construction works, the directors do not recommend the payment of a final dividend for the year ended 31 December 2007 (2006: Nil). However, the Board of Directors will determine dividend distribution policies once the Group has secured long-term stable income by successfully entering into long-term leases with our customers during the year.

CORPORATE GOVERNANCE

The Company is committed to a high standard of corporate governance. The Company's corporate governance practices are based on the Principles and the Code Provisions as set out in the CG Code contained in Appendix 14 of the Listing Rules. The Company regularly reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company repurchased its shares through the Stock Exchange as follows:

Month of purchase	Number of ordinary shares repurchased	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
January 2007	4,174,000	0.5	0.5	2,129
February 2007	10,334,000	0.55	0.52	5,787
	14,508,000			7,916

The repurchased shares were cancelled, and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares and related expenses, in the amount of HK$6,465,000, was charged to the share premium account.

The repurchase of the Company's shares during the year were effected by the directors pursuant to the mandate from shareholders received at the previous annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2007, the Group had a workforce of 264 employees, 247 of which worked for the terminals. Every year, the Group devises a budget which states total salary and bonus plan for the year to encourage the Group's employees to contribute their best efforts and to make maximum economic benefits to the Group. In accordance with the relevant government regulations in the PRC, the Group is required to cover social insurance, including but not limited to retirement, medical, workman compensation and unemployment insurance as well as housing fund for every qualified employee in the PRC. With these insurance policies and staff benefits, the Group hopes to provide a reasonable welfare for each qualified employee.

REVIEW OF THE ANNUAL RESULTS

The Group’s annual results for the year ended 31 December 2007 has been reviewed by the Audit Committee of the Company.

By Order of the Board
David An
Chairman

Hong Kong, March 27, 2008

As at the date of this announcement, the Board comprises Mr. David An (Chairman), Mr. Fung Chi Kwan, Nicholas, Ms. Liu Zhijun and Mr. Zhang Lei as Executive Directors and Mr. Li Wai Keung, Mr. Liu Jian and Mr. Chan Chun Wai, Tony being as Independent Non-Executive Directors.