HANS ENERGY COMPANY LIMITED
漢 思 能 源 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

ANNUAL REPORT 2004

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. David AN *(Chairman)*
Ms. FENG Ya Lei
Mr. ZHOU Nan Zheng
Ms. KWAN Po Wan
Mr. LI Wai Keung*
Mr. LIU Jian*
Mr. LIU Wei*

* *Independent non-executive director*

AUDIT COMMITTEE

Mr. LI Wai Keung *(Committee Chairman)*
Mr. LIU Jian
Mr. LIU Wei

AUTHORISED REPRESENTATIVES

Mr. ZHOU Nan Zheng
Ms. KWAN Po Wan

COMPANY SECRETARY

Ms. KWAN Po Wan

REGISTERED OFFICE

P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

PRINCIPAL OFFICE

Room 2708–12, 27th Floor
Office Tower, Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China
Hang Seng Bank Limited
Standard Chartered Bank
Shenzhen Development Bank Co., Ltd.

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Secretaries Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

CHAIRMAN'S STATEMENT

2004 was a prosperous year for the global economy. Internationally, as the U.S. currency remained low and the global energy consumption increased, which coupled with the turbulent situations in the oil-producing regions, the prices of crude oil increased. In the PRC, since the implementation of the macro-control policy by the Chinese government, over-heated economy has been avoided and favorable conditions have been created for the healthy development for all industries.

In 2004, with the concerted effort of all staff, the Group's turnover reached HK$192,184,000 and the profit attributable to shareholders was HK$114,769,000 for the year, representing an increase of 15.97% and 32.97% respectively as compared with last year. It is also recommended that there would be a final dividend of 1 Hong Kong cent. The overall performance was satisfactory.

The Group underwent a substantial business restructuring last year. Since 2003, apart from its existing paper packaging business, the Group commenced to engage in the trading of petroleum products. At the end of 2004, the Group also succeeded in the acquisition of UPC and its Xiao Hu Island Terminal as well as exercising its put option to sell its existing paper packaging business in order to have a clear direction of the Group's future development, which realized the restructuring of the Group's existing business from the trading of oil products and paper packaging to the petrochemicals storage and terminal business as well as trading of oil products. Leverage on the Group's advantageous assets of the Xiao Hu Island terminal, together with the customer base that the Group has established over the years, the Group will have better competitive edge in the development of the Group's future business.

Looking forward to 2005, the Group will continue its development in its existing petrochemical terminal and storage business. Besides, the Group will continue to seek for more appropriate investment opportunities and to expand its existing petrochemical terminal and storage business. In the short-run, the Group will focus on developing the Pearl River Delta project and the project relating to pipeline, terminal and storage facilities outside the PRC. In the long-run, by the way of investing and acquisition, the Group will gradually establish its oil and liquid petrochemical terminal and storage facilities network in the Mainland China, striving to be a mid-stream player in the energy sector, and to become one of the leading integrated service provider for oil and liquid petrochemical products terminal and storage facilities in the PRC for reasonable returns to the shareholders of the Company.

The Group achieved an enhanced business results in 2004. On behalf of the board, I would like to express my heartfelt gratitude for the continuing support of the shareholders and business partners to the Group over the years, as well as the efforts and hard work of all directors, the management and staff of the Group.

David An
Chairman

Hong Kong, 25th April, 2005

Storage Tank Farm of Xiao Hu Island Terminal

GENERAL DESCRIPTION

Xiao Hu Island Terminal ("XHIT") is an integrated provider for oil and liquid petrochemical storage and transshipment. It is strategically located at the centre of the Pearl River Delta region, Xiao Hu Island, Nansha Economic & Technological Development Zone, Guangzhou, Guangdong Province, the PRC. XHIT is about 38 km away from the centre of Guangzhou and 74 km away from Hong Kong. The strategic location and the enabling transport infrastructure allow for oil and liquid petrochemical products to be transported to the Pearl River Delta region efficiently and as a result, XHIT has become one of the key centres and the largest ports for storage and transshipment of oil and liquid petrochemical products in Guangdong Province.

ADVANCED AND COMPREHENSIVE FACILITIES

XHIT has 82 storage tanks for storage of oil and liquid petrochemical products with a total capacity of 325,750 cubic metres, among which 25 storage tanks with a total capacity of 231,000 cubic metres are for oil products and 57 storage tanks with a total capacity of 94,750 cubic metres are for liquid petrochemical products. It is capable for storage of approximately 60 types of different oil and liquid petrochemical products including those highly poisonous petrochemical products and is a bonded warehouse for storing oil and petrochemical products approved by the Customs General Administration of China.

The terminal in XHIT comprises five jetties with capacities ranging from 500 to 30,000 deadweight tons, providing docking, loading and unloading services to storage tanks' customers and transshipment, a ship-shore-ship service to other users of the terminal. XHIT is authorized by the State Council as a port which allows both foreign and domestic vessels to embark and disembark at its terminal facilities. Meanwhile, XHIT is one of the terminals designated by the Shanghai Futures Exchange for physical delivery of fuel oil futures contracts.

XHIT also houses other ancillary facilities such as oil and liquid petrochemical products loading platforms, drum filling stations, laboratories, on-site offices for two international independent surveyors, SGS and Saybolt, customs office of Panyu, Guangzhou as well as a professional fire-fighting team.

Designated pipelines and 30,000 deadweight tons Jetty

RELATIONSHIP WITH CUSTOMERS

XHIT provides terminalling and storage, transshipment, transmission as well as other related services to its customers and the contracts negotiated are usually one to two years' long and some are as long as 10 years or above. The customers of XHIT are mainly leading domestic and international oil and petrochemical industry giants and the Group has established a long-term business relationship with these strong and loyal customers.

MARKETING STRATEGIES

To continue XHIT's success in the industry, XHIT intends to adopt the following strategies:

— expand the international client base and increase the number of clients for storage of high-end products;

— secure large-scale and long-term contracts with a goal to increase revenue streams and maintain stable profits;

— ally with other petrochemical service providers to provide complementary value-added services to the customers.

SOCIAL RESPONSIBILITY

XHIT considers itself an active community participant. It places great emphasis on social responsibility and environmental protection and preservation such that XHIT seeks to comply with all relevant laws and regulations and to obtain all the necessary licences and permits from the relevant government authorities to operate the business in a safe and lawful manner. XHIT believes continuous good performance of "Safety, Health and Environment" drive XHIT's business excellence and create its competitive edge particularly over other local operators. Wastes from XHIT are professionally treated before discharge.

MANAGEMENT DISCUSSION AND ANALYSIS



GROUP RESULTS

The following is the key financial figures of the Group for the two years ended 31st December, 2004:

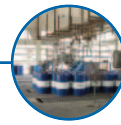
	2004 (HK$'000)	2003 (HK$'000)	Increase
Turnover	192,184	165,712	15.97%
Earnings before interest and tax ("EBIT")	136,666	103,673	31.82%
Profit for the year	114,769	86,315	32.97%
Earnings per share (HK cents)	20.81	16.29	
Diluted earnings per share (HK cents)	19.09	N/A	
EBIT Margin	71.11%	62.56%	
Net profit margin	59.72%	52.09%	

For the year ended 31st December, 2004, the Group's turnover and earnings before interest and tax increased from HK$165,712,000 and HK$103,673,000 for the previous year to HK$192,184,000 and HK$136,666,000, representing increases of 15.97% and 31.82% respectively. The profit for the year reached HK$114,769,000 (2003: HK$86,315,000), an increase of 32.97% from for the previous year. The basic and diluted earnings per share for the year were 20.81 Hong Kong cents and 19.09 Hong Kong cents respectively (2003: 16.29 Hong Kong cents for basic earnings per share).

For better information to the shareholders, the Company advises that on the basis of the number of issued ordinary shares of the Company at the report date of 2,620,000,000, the pro-forma basic earnings per share of the Company for the year ended 31st December, 2004 would be 4.38 Hong Kong cents. In the circumstances that the outstanding convertible note issued by the Company with a principal amount of HK$381,000,000 were to be converted into 1,270,000,000 ordinary shares of the Company at the conversion price of HK$0.30 each, the number of issued ordinary shares of the Company would thus be increased to 3,890,000,000. On the basis of 3,890,000,000 ordinary shares which would then be in issue, the pro-forma basic earnings per share for the year ended 31st December, 2004 would be 2.95 Hong Kong cents.

BUSINESS RESTRUCTURING

During the year, the Company changed its long-term business strategy to become a midstream player in the energy sector, providing specialized integrated terminalling and storage services for oil and liquid petrochemical products in the PRC. The Company achieved this end by the acquisition of an oil and petrochemical storage and terminalling business in the PRC and the disposal of the paper packaging business.

On 5th October, 2004, the Company, Vand Petro-Chemicals (BVI) Company Ltd ("Vand Petro-Chemicals) and Mr. An entered into a sale and purchase agreement. Pursuant to the agreement, the Company conditionally agreed to purchase from Vand Petro-Chemicals its entire interest in Union Petro-Chemicals (BVI) Company Limited ("UPC") which indirectly owns 92% interest in Guangdong (Panyu) Petrochemical Storage & Transportation Ltd. ("GD (Panyu)"), the operator of Xiao Hu Island Terminal ("XHIT"), for a consideration of HK$1,040,000,000. The consideration was satisfied by issuing 530,000,000 new shares of HK$0.10 each at an issue price of HK$0.30, promissory note of HK$200,000,000 and convertible note of HK$681,000,000 with a conversion price of HK$0.30. The acquisition was completed on 24th December, 2004.

After the completion of the acquisition, the Company exercised its put option granted by Good Partner Trading Limited in June 2002 and disposed of its entire 51% interest in the paper packaging business for a consideration of HK$96,900,000. The disposal was completed on 29th December, 2004. The portion of proceeds of the disposal amounting HK$95,000,000 was used to repay partially the promissory note created in the acquistion of the UPC. After the disposal, the Group is no longer engaged in the paper packaging business and focuses itself on developing its oil and petrochemical products storage and terminal business as well as the trading of petroleum products business.

As the acquisition is financed mainly by new shares and convertible note issued to the vendor, under the accounting principles generally accepted in Hong Kong, the acquisition is accounted for as a reverse acquistion and UPC and its subsidiaries (the "UPC Group") is treated as the acquirer while the Company and its subsidiaries are deemed to be acquired by the UPC Group. Further details of this accounting treatment are set out in note 3 to the financial statements. Because of this reason, the following business and financial review sessions cover the results and activities of the UPC Group for the year under review.

BUSINESS REVIEW

Revenue breakdown

The following is the breakdown of major revenue items and its related percentage of the Group for the two years ended 31st December, 2004:

	2004		2003	
	(HK$'000)	%	(HK$'000)	%
Terminal and storage services	142,516	74.2	125,027	75.5
Transshipment services	26,009	13.5	6,288	3.8
Port income	23,632	12.3	24,592	14.8
Trading of oil or petrochemical products	27	—	9,805	5.9
	192,184	100.0	165,712	100.0



Oil and petrochemical products storage and terminalling business

The oil and petrochemical products storage and terminalling business is conducted by a sino-foreign equity joint venture in the PRC, GD (Panyu). GD (Panyu) operates XHIT, a comprehensive storage and terminal complex in Nansha Economic & Technological Development Zone, Guangdong Province, the PRC.

- *Segment results of XHIT*

  For the year ended 31st December, 2004, turnover from the provision of transshipment and storage facilities segment increased from approximately HK$131,315,000 to HK$168,525,000, representing an increase of approximately 28.34% whereas the segment profit for the same period increased from HK$96,452,000 to HK$129,027,000, representing an increase of approximately 33.77%. The increase in both turnover and segment profit is due to the full year leasing of 11 petrochemical products storage tanks built under the XHIT's expansion plan phase IV completed in second half of 2003, a jetty upgraded from 5,000 deadweight tons to 20,000 deadweight tons completed in June 2004, increase in revenue from transshipment services as well as a change in type of products stored in the tank farm.

  For the year ended 31st December, 2004, turnover from port income slightly decreased approximately 3.90% from approximately HK$24,592,000 to approximately HK$23,632,000 and the segment profit increased from approximately HK$16,147,000 to approximately HK$21,031,000, representing an increase of approximately 30.25%. Port income mainly comprises the port charge of RMB15.3 for every metric ton imported oil or petrochemical products discharged at XHIT. This port charge is stated under the relevant laws and regulations of the PRC and the Group is authorized by the relevant government authorities to collect this fee on their behalf. Owing to the reason that the Group is the owner and the operator of XHIT, the Group is entitled to receive part of proceeds of port charge and recognizes them as port income. The decrease in turnover for this segment is in line with the decrease in total throughput of XHIT and the increase in segment profit is due to the change in regulations regarding payment to relevant government authorities.

- *Other operational review of XHIT*

  During the year, all of 82 storage tanks with a total capacity of 325,750 cubic metres have been operating at close to full occupancy. Meanwhile, XHIT reported 379 and 363 foreign tankers berthed and total throughput of 4,662,590 metric tons and 5,031,499 metric tons in its terminal for the two years ended 31st December, 2004. The increase in number of foreign tankers berthed in 2004 is due to the full year leasing of 11 petrochemical storage tanks built under the XHIT's expansion plan phase IV completed in second half of 2003 brought up the throughput of petrochemical products of the terminal. On the other hand, owing to the oil purchase price from international markets was much higher than that from domestic market in certain period of 2004, some of our clients of oil storage tanks reduce their oil purchase from international market and this eventually affect the throughput of oil products of the terminal in 2004. On the whole, the total throughput in XHIT in 2004 was slightly lower than that in 2003.



- *Lease contract with Sinopec Guangdong*

  Apart from having an increasing number of new contracts signed mainly with leading multinational corporations or domestic industry giant in 2004, on 29th December, 2004, the Group was successful in entering into a lease agreement with China Petroleum & Chemical Corporation, Guangdong branch ("Sinopec Guangdong") for the lease to Sinopec Guangdong oil storage tanks of having aggregate capacity of up to 241,000 cubic metres and the non-exclusive use of related transshipment, docking, loading and unloading facilities for a period of 20 years. Under this agreement, the Group is entitled to receive RMB30.0 per cubic metre of capacity leased per month and to charge for docking and related services at a pre-determined rate. Oil tanks having aggregate capacity of 68,000 cubic metres have been delivered to Sinopec Guangdong on 1st January, 2005 and the remaining oil tanks will be delivered over a period of 18 months from the date of the agreement. This agreement is beneficial to the Group because it not only guarantee the full occupation of all oil tanks and secure stable income for the next 20 years for XHIT, the Group is also benefit from having received a 5 years' rental prepayment of RMB433,000,000, equivalent to approximately HK$409 million from Sinopec Guangdong for future expansion purposes. In the meantime, this agreement signifies a long-term relationship between the Group and Sinopec Guangdong.

Trading of oil and petrochemical products business

For the year ended 31st December, 2004, the revenue and the segment results from the trading of petro-chemical products were approximately HK$27,000 and HK$27,000 respectively, compared with approximately HK$9,805,000 and HK$60,000 respectively for the year ended 31st December, 2003. The decrease in business is in line with the Group's intention to scale down the trading activity and to focus on the storage and terminalling business which the Group enjoys a higher profit margin.

Outlook and Group's plans in 2005

The Group intends to continue its long-term business strategy to become a midstream player in the energy sector, providing specialized integrated terminalling and storage services for oil and liquid petrochemical products in the PRC in 2005. To this end, the Group plans for further expansion in XHIT and engaging in the Pearl River Delta project as well as the pipeline project.

- *Expansion in XHIT*

  To cater for the increasing market demand and maintain its competitiveness within the region, XHIT has undergone several phases of expansion since it began operational in December 1995. Currently four petrochemical tanks with a total capacity of 4,700 cubic metres under XHIT's expansion plan phase V are under construction. Barring unforeseen circumstances and factors, the Group expects that this project will be completed in June this year and will bring additional revenue to the Group. At the same time, the Group has also development plans for further expansion in the site area and the capacity of the drumming warehouse situated at the XHIT, information system enhancement project targeted for improving information exchange with relevant government authorities as well as preparation for jetty upgrading.



China is now a net oil importer and was ranked the second largest oil consumer worldwide in 2003. With the strong economy of the Pearl River Delta and its position as an industrial base, demand for oil and petrochemical products is expected to grow. The Company therefore believes XHIT will continue to command a key position in the provision of specialised integrated terminalling and storage services for oil and petrochemical products in the Pearl River Delta Region.

- *Pearl River Delta project*

  On 21st February, 2005, the Company entered into a non-binding memorandum of understanding with a PRC project company pursuant to which the Company has agreed in principle to acquire the rights, title and interest in a proposed project to build a new oil and liquid petrochemical storage facility in the Pearl River Delta in the PRC with a total storage capacity of approximately 700,000 cubic metres and 12 jetties with docking capacities ranging from 500 to 100,000 deadweight tons. With the construction of the new facilities, the Group's storage capacity will increase by approximately 215% (from 325,750 cubic metres to 1,025,750 cubic metres) and annual docking capacity will increase by approximately 166% (from 7,210,000 metric tons to 19,210,000 metric tons per annum). The Group's capital investment in the project is estimated to be around RMB500 million and 600 million. It is currently anticipated that the new facility will become operational in 2006. The Company believes that the Group's competitive strength in the Pearl River Delta region will be considerably enhanced once the facility becomes operational.

- *Pipeline project*

  In addition, the Group is in negotiations regarding an exclusive lease arrangement for an oil pipeline, jetties and storage facilities in a location outside the PRC. The pipeline has an annual maximum pumping capacity of approximately 60 million metric tons, the jetties have a maximum docking capacity of approximately 500,000 deadweight tons and the storage facility has an aggregate capacity of approximately 1.5 million cubic metres. The Group plans to sublease such facilities to oil companies and oil tankers. The Group expects the arrangement to be completed around June 2005 and the Company believes that such arrangements will give the Group a significant competitive advantage by providing customers with an attractive location for docking and storage.

FINANCIAL REVIEW

Capital structure, liquidity and gearing

The Group recorded a substantial change in capital structure during the year under review owing to the acquisition and the disposal transactions. The Group had a current ratio of 1.65 and a gearing ratio of 1.61 (defined as total liabilities to total assets). The relative high gearing ratio is due to the issue of convertible note of HK$681,000,000 and promissory note of HK$200,000,000 (this figure was reduced



to HK$105,000,000 at the balance sheet date) to finance the acquistion of UPC and the re-classification of the rental received in advance of approximately HK$326,981,000 as non-current liabilities. The promissory note has a medium term of 18 months and the noteholder of the promissory note cannot demand for repayment prior to the end of the term. Likewise, the convertible note has a medium to long term, with a 5-year maturity and no demand for repayment of principal from the noteholder of the convertible note is allowed before maturity. The Group had a bank loan of approximately HK$160,174,000 which is Renminbi denominated and secured on various assets of the Group. All of the bank loans are repayable within one year and were classified as current liabilities. The net liabilities position of the Group was at approximately HK$610,235,000.

As at 31st December, 2004, the Group had a cash balance of approximately HK$505,892,000 of which included a five year rental prepayment of approximately HK$408,726,000. Most of the funds were held in Hong Kong dollars, Renminbi and United States dollars.

Funding policy

The Group has set up credit facilities in the amount of approximately RMB400,000,000, approximately RMB300,000,000 of which is for long term and the remaining for short term borrowing. These facilities are available until March 2005 and the Group intends to renew such facilities upon its expiry.

Exposure to fluctuation in exchanges rate and related hedge

The Group's transactions and monetary assets are principally denominated in Hong Kong dollars, Renminbi and United States dollars. As a result, the Group believes that it has minimal exposure to foreign exchange risk. During the period under review, the Group did not employ any financial instruments for hedging purpose.

Charge on Group assets

As at 31st December, 2004, property, plant and equipment of approximately HK$306,249,000 and bank deposits of approximately HK$8,523,000 were pledged against banking facilities granted by certain banks. In addition, the rights to operate storage and terminal business in the PRC and the 92% interest in GD (Panyu) were pledged to certain banks for the year under review in order to secure banking facilities granted by the banks.

Capital Commitment and contingent liabilities

As at 31st December, 2004, the Group had capital commitments in the amount of approximately HK$11,587,000 in respect of construction in progress. These capital commitments were mainly related to unpaid contract sum in respect of construction contracts regarding the construction of four new petrochemical storage tanks signed prior to the balance sheet date.

Other than a guarantee given to a supplier of a subsidiary for trade credit granted, at 31st December, 2004, the Group has no other material contingent liabilities.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. David An, aged 45, joined the Company as Chairman in 2002. He is also the director of Union Petro-Chemicals (BVI) Company Limited ("UPC"), Guangdong Petro-Chemicals Company Limited ("GDPC"), 粵海(番禺)石油化工儲運開發有限公司 (Guangdong (Panyu) Petrochemical Storage & Transportation Ltd.) ("GD (Panyu)"). He has many years of experience in China trade particularly in the trading of petroleum products and petrochemicals, properties investments and developments in China. He is the sole director of Vand Petro-Chemicals (BVI) Company Ltd and Extreme Wise Investments Limited, substantial shareholders of the Company.

Ms. Feng Ya Lei, aged 51, joined the Company as executive director in 2002. She is also the director of GDPC and GD (Panyu). She has 15 years of experience in relation to human resources field. From 1987 to 1993, she was the supervisor of human resources for China International Culture Exchange Centre and then she worked as the supervisor of human resources for Beijing Hotel from 1993 to 1999.

Mr. Zhou Nan Zheng, aged 56, joined the Company as executive director in 2002. Mr. Zhou had his college education in the PRC. He had worked for China Ocean and Aviation Company Limited from 1985 to 1991 and also San Jiu Commercial Limited, which is one of the branch company of San Jiu Group from 1993 to 2002. He has over 17 years of experiences in management and trading.

Ms. Kwan Po Wan, aged 36, joined the Company as Company Secretary and Financial Controller in 2002. She is the qualified accountant of the Company. She is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and fellow member of The Association of Chartered Certified Accountants. She has many years of experience in accounting, auditing and corporate advisory fields.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Wai Keung, aged 48, joined the Company as independent non-executive director in 2002. He is also the Chairman of the Audit Committee of the Company. Mr. Li graduated from Hong Kong Polytechnic. Mr. Li holds a Master's degree in Business Administration from the University of East Asia. He is also a fellow member of The Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Li has held a number of positions with companies including Sino Land Company Limited and Henderson Land Development Company Limited. Mr. Li is now a director and financial controller of GDH Limited, and also a director of Guangdong Investment Limited and an independent non-executive director of Shenzhen Investment Limited.

Mr. Liu Jian, aged 51, joined the Company as independent non-executive director in 2002. Mr. Liu is currently a director of CITIC Capital Markets Ltd. Mr. Liu previously worked for China state-owned enterprises including China Resources Holdings Company Limited and Ministry of Foreign Trade and Economic Cooperation, the PRC. He is also the independent non-executive director of Long Far Pharmaceutical Holdings Limited. Mr. Liu has over 10 years of investment banking experience and over 18 years of experience in China business management. He graduated from Jiaotong University, Shanghai.

Mr. Liu Wei, aged 40, joined the Company as independent non-executive director in 2004. He is a director of China Metal & Technologies (H.K.) Ltd. ("China Metal") and has over 10 years of experience in corporate banking and corporate finance activities. Prior to joining China Metal, Mr. Liu was the regional head of an American investment firm engaged in hi-tech and media business in China and Hong Kong. Mr. Liu holds a Master's degree in Business Administration from the University of San Francisco.

SENIOR MANAGEMENT

Mr. Xi Jing Sen, aged 58, is a director and general manager of GD (Panyu). He was once a vice economist for a large petroleum company in Guangzhou, the PRC, before he joined GD (Panyu) in 1993. Mr. Xi has many years of experience in petroleum industry, especially in the operation and management of storage for petroleum products.

Mr. Chen Yi You, aged 55, is a director and deputy general manager of GD (Panyu). Before he joined GD (Panyu) in 1992, Mr. Chen was a deputy factory manager for a large petroleum company in Guangzhou, the PRC. Mr. Chen has many years of experience in the management of storage for petroleum products.

Mr. Huang Ji Lin, aged 57, is a director and deputy general manager of GD (Panyu). Mr. Huang graduated from 廣東省機械學校 in the PRC in 1960's and obtained a Certificate of Graduation in the Senior Advanced Course in Business Management from Shenzhen University in 1994. Mr. Huang joined GD (Panyu) in 1992 and is experienced in project management. Mr. Huang is also a mechanical engineer in the PRC.

Ms. Liu Zhijun, aged 37, is the financial controller of GDPC and a director of GD (Panyu). Ms. Liu graduated from Zhongshan University in 1989 with a Bachelor's degree in Economics. She joined GDPC in 1997 and has more than 15 years of experience in financial management. Ms. Liu is also a certified auditor in the PRC.

Mr. Wu Xuhui, aged 39, is a director of UPC, GDPC and GD (Panyu). Mr. Wu has more than 15 years of experience in administrative management and project management. He joined GDPC in 2000. Mr. Wu graduated from University of San Francisco with a Master's degree in Business Administration.

Mr. Deng Zhi Gang, aged 31, is a deputy general manager of GD (Panyu). Mr. Deng obtained his Master's degree in Business Administration from University of San Francisco. He joined GD (Panyu) in 1996, and has many years of experience in trading and marketing in the business of storage for petrochemical products.

Mr. Tang Zhen Pei, aged 63, is the adviser of GD (Panyu). Mr. Tang has many years of experience in petroleum industry, especially in the management of the terminal for petroleum products. Mr. Tang joined GD (Panyu) in 1992. He was once a manager of a large ship company in Guangzhou, the PRC.

Mr. Mo Lu, aged 39, is the financial manager of GD (Panyu). Mr. Mo graduated from Hangzhou University of Commerce (now known as Zhejiang Gongshang University) in 1988 with a Bachelor's degree in Economics and has many years of experience in financial management. He joined GD (Panyu) in 2001. Mr. Mo is a certified accountant in the PRC.

Ms. Liang Hui Lin, aged 36, is the administrative manager of GD (Panyu). Ms. Liang graduated from Guangdong Institute of Technology (now known as Guangdong University of Technology) in 1991 with a Bachelor's degree in Mechanical Engineering and joined GD (Panyu) in 1994. She has many years of experience in administrative management.

The directors have pleasure in submitting their annual report and the audited financial statements of the Group for the year ended 31st December, 2004.

CHANGE OF NAME

Pursuant to a special resolution passed at an extraordinary general meeting held on 10th January, 2005, the name of the Company was changed from Wisdom Venture Holdings Limited to Hans Energy Company Limited.

CHANGE OF FINANCIAL YEAR END DATE

On 10th January, 2005, the Company changed its financial year end date from 31st March to 31st December.

In December 2004, the Company completed the acquisition of the entire interest in Union Petro-Chemicals (BVI) Company Limited ("UPC"). Under accounting principles generally accepted in Hong Kong, the acquisition of the entire interest in UPC by the Company has been accounted for as a reverse acquisition. Accordingly, the financial statements presented therefore cover the twelve months period from 1st January, 2004 to 31st December, 2004, which is the financial year of UPC.

The major subsidiary of UPC operates in the People's Republic of China and it is statutorily required to adopt 31st December as the fiscal year end. Accordingly, the change of the Company's fiscal year end to 31st December enables an uniform accounting period be adopted within the Group which the directors believe would facilitate the presentation and preparation of the Group's financial information.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 35 to the financial statements.

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 26.

FINAL DIVIDEND

The directors have recommended a final dividend of 1.0 Hong Kong cent (2003: nil) per ordinary share to be payable to shareholders whose names appear on the Register of Member of the Company on 23rd May, 2005. Subject to the passing of the necessary resolution at the forthcoming annual general meeting, such dividend will be payable on or about 31st May, 2005.

SHARE CAPITAL

Details in movement in share capital of the Company are set out in note 24 to the financial statements.

RESERVES

The amounts and particulars of material transfers to and from reserves of the Company and of the Group during the year are set out on the Consolidated Statement of Changes in Equity and in note 26 to the financial statements.

DISTRIBUTABLE RESERVES

At 31st December, 2004, the Company's reserve available for distribution amounted to HK$137.6 million of which HK$26.2 million has been proposed as a final dividend for the year.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 25 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

David An *(Chairman)*
Feng Ya Lei
Zhou Nan Zheng
Kwan Po Wan

Independent non-executive directors

Li Wai Keung
Liu Jian
Liu Wei (appointed on 24th September, 2004)

In accordance with Articles 116 and 99 of the Company's Articles of Association, Mr. Li Wai Keung, Mr. Liu Jian and Mr. Liu Wei will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The term of office of each of the independent non-executive directors is the period up to his retirement as required by the Company's Articles of Association.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31st December, 2004, the interest and short positions of directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange were as follows:

Ordinary shares of HK$0.10 each of the Company

Name of director	Nature of interest	Number of shares		Approximate percentage to the issued share capital of the Company
		Long position	Short position	
Mr. David An	Corporate	1,139,773,980 *(note 1)*	Nil	74.99%
	Corporate	2,270,000,000 *(note 2)*	Nil	149.34%

Notes:

1. The shares are held directly as to 609,773,980 shares by Extreme Wise Investments Limited ("Extreme Wise") and 530,000,000 shares by Vand Petro-Chemicals (BVI) Company Ltd ("Vand Petro-Chemicals"), both companies are wholly-owned by Mr. David An. By virtue of SFO, Mr. David An is deemed to have corporate interest in the 1,139,773,980 shares.

2. 2,270,000,000 shares (subject to adjustment) will be issued to Vand Petro-Chemicals upon its exercise of the conversion rights under the convertible notes held by it. By virtue of SFO, Mr David An is deemed to have corporate interests in the 2,270,000,000 shares.

Save as disclosed above, as at 31st December, 2004, none of the directors or chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme detailed in note 25 to the financial statements and the convertible notes held indirectly by Mr. David An, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debts securities (including debentures) of, the Company or any other body corporate and none of the directors, their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

CONNECTED TRANSACTIONS

The summary of the connected transactions entered into by the Group during the year were as follows:

1. Continuing connected transactions

Lee & Man Industrial Manufacturing Limited ("L & M Industrial Manufacturing") and Lee & Man Paper Products Company Limited ("Lee & Man Products"), then subsidiaries of the Company, entered into four agreements, as detailed in notes (a) to (d) below with Lee & Man Industries Company Limited ("L & M Industries") and Dongguan Lee & Man Paper Factory Co., Ltd ("Dongguan Lee & Man") respectively, in respect of (i) purchase of raw materials; (ii) sale of waste paper by-products; (iii) purchase of stream ((i), (ii), and (iii) collectively the "First Ongoing Connected Transaction"); and (iv) lease agreements. L & M Industries and Dongguan Lee & Man are associates of the trustee of which is a substantial shareholder of Capital Nation Investments Limited ("Capital Nation"), a then subsidiary of the Company, and are therefore connected persons under the Listing Rules. The First Ongoing Connected Transaction together with their cap amounts (the "Cap Amount") were approved by the independent shareholders of the Company by way of a written certificate of approval dated 13th May, 2004 by Extreme Wise, a shareholder which was interested in 61.59% of the issued share capital of the Company at that time.

In addition, the Group entered into certain transactions, as detailed in notes (e) and (f) below, with Lee & Man Holding Limited ("L & M Holding") and its subsidiaries (collectively the "Handbag Group") in respect of (i) sales of corrugated cardboard and carton boxes; and (ii) use of certain facilities of the Handbag Group. L & M Holding is beneficially owned by Fortune Star Tradings Ltd. which is an associate of Mr. Lee Wan Keung ("Mr. Lee") who is a director of Capital Nation, and therefore Handbag Group is a connected person under the Listing Rules.

The details of the above continuing connected transactions for the nine months ended 31st December, 2004 were as follows:

a. Pursuant to the master supply agreement for raw materials (the "Raw Material Agreement") dated 29th May, 1998, L & M Industries had agreed to sell and L & M Industrial Manufacturing had agreed to purchase such quantities of test liner and corrugated medium paper as may be ordered by L & M Industrial Manufacturing from time to time for a period of three years commencing from July 1998 and thereafter unless and until terminated by either party by giving to the other party not less than three months' written notice. The prices are based on the monthly quote given by L & M Industries provided that the quote is not higher than the prevailing market price of test liner and corrugated medium paper at time of such quotation. The aggregate amount of raw materials purchased under the Raw Material Agreement during the nine months ended 31st December, 2004 was HK$67,390,485 and did not exceed the Cap Amount.

b. Pursuant to the master supply agreement for waste paper by-products (the "Waste Paper Agreement") dated 29th May, 1998, L & M Industrial Manufacturing had agreed to sell and L & M Industries had agreed to purchase such quantities of waste paper as may be ordered by L & M Industries from time to time for a period of three years commencing from July 1998 and thereafter unless and until terminated by either party giving to either party not less than three months' written notice. The prices are based on the monthly quote given by L & M Industrial Manufacturing provided that the quote is not higher than the prevailing market price of waste paper at the time of such quotation. The aggregate amount of waste paper by-products sold by the Group under the Waste Paper Agreement for the nine months ended 31st December, 2004 was HK$5,572,767 and did not exceed the Cap Amount.

c. Pursuant to the agreement for the supply of stream (the "Stream Supply Agreement") dated 8th September, 2003, L & M Industries has agreed to supply stream to L & M Industrial Manufacturing at a monthly fee of HK$130,000 subject to adjustment as mutually agreed between the parties upon each renewal of the agreement. The effective date of supply of stream under the Stream Supply Agreement was 10th July, 2003. L & M Industries has its own power generation system which also produces streams for use in the production process of L & M Industrial Manufacturing. The streams fees are based on the estimated monthly coal consumption and overheads of the L & M Industries. The aggregate amount of fee incurred by the Group under the Stream Supply Agreement for the nine months ended 31st December, 2004 was HK$1,170,000 and did not exceed the Cap Amount. The Steam Supply Agreement was renewed on 10th July, 2004.

d. Lee & Man Products had on 22nd August, 2003 and 10th September, 2003 respectively entered into 3 lease agreements, as detailed in (i) to (iii) below with Dongguan Lee & Man, all of which will be automatically renewed annually (except (iii) will be renewed up to 12th October, 2047) until Dongguan Lee & Man serves a 30 days' written notice to terminate the agreement:

(i) Lee & Man Products agreed Dongguan Lee & Man to occupy the second and third floor of the office building, staff quarters A-1, staff quarters B-2, staff quarters C, a meeting room and other facilities (including the canteen, playground and other recreational facilities) situated at Huang Chong Administrative Zone, Zhong Tong County, Dongguan City, Guangdong Province, the PRC (the "Administrative Zone") for 1 year commencing from 10th July, 2003 for a rental charge of HK$56,136.56 per month. Dongguan Lee & Man has a right to take up additional staff quarters with an area of up to 3,000 square metres in the Administrative Zone at an additional monthly rent of HK$8 per square metre. The rental payable is exclusive of any management charges, water and electricity charges.

(ii) Lee & Man Products agreed Dongguan Lee & Man to occupy the paper storage number 91 and senior staff quarters D2 (with a total gross floor area of approximately 18,254.55 square metres) situated in the Administrative Zone for a rental charge of RMB15,600 per month. The rental payable is exclusive of any management charges, water, electricity and telephone charges.

(iii) Lee & Man Products agreed Dongguan Lee & Man to enjoy the land use rights of a portion of land in the Administrative Zone with a site area of approximately 994.21 square metres on which staff quarters D with a gross floor area of approximately 8,157 square metres was erected for a rental charge of RMB994 per month.

The aggregate amount of licence fee received by the Group in (i) to (iii) was HK$646,121.

e. The Group had agreed to supply and sell corrugated cardboard and carton boxes from time to time to the Handbag Group. The selling prices are negotiated on a case by case basis in the ordinary course of business by reference to the prevailing market conditions, on normal commercial terms and at arm's length basis. The aggregate amount of the corrugated cardboard and carton boxes sold for the nine months ended 31st December, 2004 was HK$5,582,584.

f. Pursuant to a management agreement entered into between the Company and L & M Holding on 14th December, 2001, L & M Holding has agreed to procure its subsidiaries to provide (i) use of office facilities and equipment; (ii) use of transportation facilities; (iii) management service including administrative and financial services to the Group for a term of three years commencing from 1st January, 2002 on a cost basis. The aggregate amount of management fee paid for the nine months ended 31st December, 2004 was HK$432,082.

g. Pursuant to a service agreement entered into between Capital Nation and Mr. Lee on 14th June, 2002 in which Mr. Lee has agreed to manage the business of Capital Nation for a term of 10 years for a service fee of HK$5 million per annum, which fee is payable in four equal quarterly instalments in advance. The agreement was approved in an extraordinary general meeting of the Company held on 14th June, 2002. The management fee paid for the nine months ended 31st December, 2004 was HK$3,750,000.

h. Mr. Lee provided a guarantee given to banks in respect of credit facilities amounting HK$33,000,000 extended to Caption Nation and its subsidiaries without charge.

The continuing connected transactions in notes (a) to (h) have been reviewed by the independent non-executive directors and were approved by the board. In the opinion of the independent non-executive directors, the continuing connected transactions were:

(i) in the ordinary and usual course of business of the Group;
(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties;
(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the company as a whole; and
(iv) within the relevant cap amounts as agreed by the Stock Exchange.

Upon the completion of the disposal of Capital Nation in December 2004, the above connected transactions ceased.

2. On 5th October, 2004, the Company entered into an acquisition agreement with Vand Petro-Chemicals and Mr. David An, a director of the Company, to purchase from Vand Petro-Chemicals all the issued share capital of Union Petro-Chemicals (BVI) Company Limited ("UPC") for a consideration of HK$1,040,000,000. The transaction was approved by the resolutions of the independent shareholders at an extraordinary general meeting of the Company held on 23rd December, 2004 ("EGM"). Further details of the transaction are set out in the note 3 to the financial statements and in a circular of the Company dated 7th December, 2004.

3. On 29th December, 2004, the Company exercise the put option ("Put Option") granted by Good Partner Trading Limited ("Good Partner") under a shareholders' agreement entered into between Good Partner, Mr. Lee and the Company dated 14th June, 2002 (as amended by the supplemental shareholders' agreement dated 2nd April, 2004 and the second supplemental agreement dated 3rd November, 2004 pursuant to which the expiry date of the Put Option was extended from 14th June, 2004 to 2nd December, 2004 and then to 31st January, 2005) to dispose 51% of the issued share capital of Capital Nation held by the Company to Good Partner for a consideration of HK$96,900,000. This transaction was approved by a resolution of independent shareholders at the EGM. Further details of the transaction are set out in note 9 to the financial statements.

Save as disclosed above, there were no other transactions which are required to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed under the heading "Connected transactions", there were no contracts of significance to which the Company, or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisting at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY

At 31st December, 2004, shareholders (other than directors of the Company) who had interests and short positions in the shares and underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Ordinary shares of HK$0.10 each of the Company

	Number of shares		Approximate percentage to the issued share capital
Name of shareholders	Long position	Short position	of the Company
Extreme Wise	609,773,980	Nil	40.12%
Vand Petro-Chemicals	530,000,000	Nil	34.87%
	2,270,000,000 *(Note)*	Nil	149.34%

Note: 2,270,000,000 shares (subject to adjustment) will be issued to Vand Petro-Chemicals upon its exercise of the conversion rights under the convertible notes held by it. By virtue of SFO, Mr. David An is deemed to have corporate interests in the 2,270,000,000 shares.

Save as disclosed above, the Company has not been notified by any persons (other than directors of the Company) who, as at 31st December, 2004, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 44.42% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 14.61% of the Group's total sales. The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 60.07% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 20.56% of the Group's total purchases.

As at 31st December, 2004, Mr. David An had a beneficial interest in the Group's largest customer.

Saved as disclosed above, none of the directors, their associates or any shareholder which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital had any interest in the share capital of any of the five largest customers or suppliers of the Group.

BORROWINGS

Details of movements in the Group's bank borrowing and promissory note during the year are set out in notes 21 and 23 to the financial statements respectively.

CONVERTIBLE NOTE

During the year, the Company issued a convertible note amounting HK$681 million as part of the consideration for the acquisition of UPC. Further details of the convertible note are set out in note 22 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association although there is no restriction against such rights under the laws in the Cayman Islands.

EMPLOYEE AND REMUNERATION POLICY

As at 31st December, 2004, the Group had a workforce of 232 employees, 217 of which worked for the terminal. 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 not limited to retirement, medicine, industrial injury and layoff 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.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INDEPENDENCE CONFIRMATION

As at 31st December, 2004, the Company received from each of the independent non-executive directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considered that they are independent.

PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained the prescribed public float under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely Mr. Li Wai Keung, Mr. Liu Jian and Mr. Liu Wei. The principal activities of the Audit Committee include the review of the accounting principles and practices adopted by the Group and discussion relating to auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements and audited annual results.

The Audit Committee held two meetings during the year with external auditors to discuss the nature and the scope of their audit.

LITIGATION

As at 31st December, 2004, there were no material contingent liabilities in respect of outstanding litigation or legal proceedings that need to be disclosed.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the year ended 31st December, 2004, in compliance with the Code of Best Practice (the "Code") as set out in the Listing Rules except that the existing non-executive directors of the Company were not appointed for a specific term as required by paragraph 7 of the Code but are subject to retirement by rotation in accordance with the Company's Articles of Association.

The Company has adopted the Model Code as a code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended 31st December, 2004 and they all confirmed that they have fully complied with the required standard set out in the Model Code.

POST BALANCE SHEET EVENTS

Details of post balance sheet events are set out in note 36 to the financial statements.

AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company since its incorporation on 26th February, 1993. A resolution will be submitted to the annual general meeting of the Company to re-appoint them.

On behalf of the Board
David An
Chairman

Hong Kong, 25th April, 2005

Deloitte.
德勤

TO THE SHAREHOLDERS OF HANS ENERGY COMPANY LIMITED
(FORMERLY KNOWN AS WISDOM VENTURE HOLDINGS LIMITED)
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 26 to 62 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 25th April, 2005

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2004

	Notes	2004 HK$'000	2003 HK$'000
Turnover		192,184	165,712
Cost of sales		(42,099)	(53,053)
Gross profit		150,085	112,659
Other operating income		1,785	8,158
Administrative expenses		(15,204)	(17,144)
Profit from operations	6	136,666	103,673
Interest on bank borrowings wholly repayable within five years		(9,060)	(9,731)
Gain on disposal of subsidiaries	28	6,432	—
Profit before taxation		134,038	93,942
Taxation	10	(9,699)	—
Profit before minority interests		124,339	93,942
Minority interests		(9,570)	(7,627)
Profit for the year		114,769	86,315
Dividend	11	76,200	—
Earnings per share	12		
— basic		20.81 cents	16.29 cents
— diluted		19.09 cents	N/A

At 31st December, 2004

	Notes	2004 HK$'000	2003 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	349,772	349,323
Amounts due from related companies	16	—	35,994
		349,772	385,317
CURRENT ASSETS			
Inventories — consumable stores		2,067	1,931
Trade and other receivables	17	40,090	28,082
Amounts due from related companies	16	—	1,873
Pledged bank deposits	31	8,523	600
Bank balances and cash		497,369	21,446
		548,049	53,932
CURRENT LIABILITIES			
Trade and other payables	18	30,612	21,553
Rental received in advance	19	86,388	14,589
Amounts due to related companies	20	50,035	92,043
Taxation payable		5,855	—
Bank loans — due within one year	21	160,174	28,095
		333,064	156,280
NET CURRENT ASSETS (LIABILITIES)		214,985	(102,348)
TOTAL ASSETS LESS CURRENT LIABILITIES		564,757	282,969

Consolidated Balance Sheet

At 31st December, 2004

	Notes	2004 HK$'000	2003 HK$'000
NON-CURRENT LIABILITIES			
Rental received in advance	*19*	326,981	—
Convertible note	*22*	681,000	—
Promissory note	*23*	105,000	—
Bank loans — due after one year	*21*	—	131,110
		1,112,981	131,110
MINORITY INTERESTS		62,011	52,096
		(610,235)	99,763
CAPITAL AND RESERVES			
Share capital	*24*	152,000	1
Reserves		(762,235)	99,762
		(610,235)	99,763

The financial statements on pages 26 to 62 were approved and authorised for issue by the Board of Directors on 25th April, 2005 and are signed on its behalf by:

David An
DIRECTOR

Zhou Nan Zheng
DIRECTOR

	Notes	31st December, 2004 HK$'000	31st March, 2004 HK$'000
NON-CURRENT ASSET			
Interests in subsidiaries	15	1,070,382	193,209
CURRENT ASSET			
Bank balances and cash		12,504	932
CURRENT LIABILITY			
Other payables		7,311	240
NET CURRENT ASSET		5,193	692
TOTAL ASSETS LESS CURRENT LIABILITY		1,075,575	193,901
NON-CURRENT LIABILITIES			
Convertible note	22	681,000	—
Promissory note	23	105,000	—
		786,000	—
		289,575	193,901
CAPITAL AND RESERVES			
Share capital	24	152,000	99,000
Reserves	26	137,575	94,901
		289,575	193,901

David An
DIRECTOR

Zhou Nan Zheng
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2004

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Translation reserve HK$'000	PRC statutory reserve HK$'000	Accumulated profits (loss) HK$'000	Total HK$'000
At 1st January, 2003	1	—	—	3,585	5,165	8,808	17,559
Exchange differences arising from translation of operations outside Hong Kong not recognised in consolidated income statement	—	—	—	(4,111)	—	—	(4,111)
Profit for the year	—	—	—	—	—	86,315	86,315
At 31st December, 2003	1	—	—	(526)	5,165	95,123	99,763
Exchange differences arising from translation of operations outside Hong Kong not recognised in consolidated income statement	—	—	—	2,676	—	—	2,676
Acquisition of subsidiaries	151,999	202,986	(251,428)	—	—	(881,000)	(777,443)
Transfers	—	—	—	—	16,909	(16,909)	—
Profit for the year	—	—	—	—	—	114,769	114,769
Dividend *(note 11)*	—	—	—	—	—	(50,000)	(50,000)
At 31st December, 2004	152,000	202,986	(251,428)	2,150	22,074	(738,017)	(610,235)

Notes:

(i) The Group acquired the UPC Group (see note 3 to the financial statements) (the "Acquisition") in December 2004. The Acquisition has been accounted for as a reverse acquisition and accordingly the reserves accounts, other than share capital and share premium accounts reflect those of the UPC Group. The share capital and share premium accounts reflect the legal structure of the Company.

(ii) The special reserve represents the reserve arose from the reverse acquisition in December 2004.

(iii) The People's Republic of China (the "PRC") statutory reserves are reserves required by the relevant PRC laws applicable to the Company's PRC subsidiary.

	Notes	2004 HK$'000	2003 HK$'000
OPERATING ACTIVITIES			
Profit from operations		136,666	103,673
Adjustments for:			
Interest income		(502)	(7,145)
Depreciation and amortisation		25,355	22,410
Loss on disposal of property, plant and equipment		604	1,459
Operating cash flows before movements in working capital		162,123	120,397
(Increase) decrease in inventories — consumable stores		(136)	622
Increase in trade and other receivables		(9,633)	(1,469)
Decrease in amounts due from related companies		—	1,515
Increase (decrease) in trade and other payables		1,933	(986)
Increase in rental received in advance		398,780	—
Increase (decrease) in amount due to a related company		1,031	(1,274)
Cash generated from operations		554,098	118,805
PRC Enterprises Income Tax paid		(3,844)	(4)
NET CASH FROM OPERATING ACTIVITIES		550,254	118,801

Consolidated Cash Flow Statement

For the year ended 31st December, 2004

	Notes	2004 HK$'000	2003 HK$'000
INVESTING ACTIVITIES			
Disposal of interests in subsidiaries (net of cash and cash equivalents disposed of)	28	(62,338)	—
Addition to property, plant and equipment		(24,124)	(22,515)
(Increase) decrease in pledged bank deposit		(7,923)	7,822
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	27	83,829	—
Repayment from related companies		37,878	216,667
Interest received		502	544
Proceeds from disposal of property, plant and equipment		191	177
Advances to related companies		—	(20,610)
NET CASH FROM INVESTING ACTIVITIES		28,015	182,085
FINANCING ACTIVITIES			
Repayment of bank loans		(113,064)	(70,237)
Amount repaid to related companies		(95,682)	(10,483)
Bank interest paid		(9,060)	(9,731)
New bank loans raised		113,064	56,190
Advances from related companies		2,535	15,834
Amount repaid to former ultimate holding company		—	(318,568)
Advances from former ultimate holding company		—	2,118
NET CASH USED IN FINANCING ACTIVITIES		(102,207)	(334,877)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		476,062	(33,991)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		21,446	56,347
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(139)	(910)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		497,369	21,446

1. GENERAL

The Company is an investment holding company incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (Revised) Chapter 22 of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company and the principal activities of its principal subsidiaries are set out in note 35.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants ("HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are presented.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

On 10th January, 2005, the Company changed its financial year end date from 31st March to 31st December. As the major subsidiaries of the Group operate in the PRC where they are required by statutes to adopt 31st December as the fiscal year end, the directors believe the change of the Company's financial year end to 31st December would facilitate the preparation of the Group's consolidated financial information.

On 5th October, 2004, Vand Petro-Chemicals (BVI) Company Ltd ("Vand Petro-Chemicals"), the Company and Mr. David An ("Mr. An"), a director and a substantial shareholder of the Company, entered into a sale and purchase agreement (the "Acquisition Agreement"). Pursuant to the Acquisition Agreement, the Company conditionally agreed to purchase Vand Petro-Chemicals' entire interest in Union Petro-Chemicals (BVI) Company Limited ("UPC") for an aggregate consideration of HK$1,040,000,000 (the "Acquisition").

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

The aggregate consideration for the acquisition, which amounted to HK$1,040,000,000, was satisfied:

(a) as to HK$200,000,000, by the issue of promissory note ("Promissory Note") by the Company to Vand Petro-Chemicals;

(b) as to HK$159,000,000, by the allotment and issue of 530,000,000 new shares of the Company ("Consideration Shares") by the Company to Vand Petro-Chemicals, credited as fully paid at an issue price of HK0.30 per new share; and

(c) as to the remaining HK$681,000,000, by the issue of a convertible note ("Convertible Note") by the Company to Vand Petro-Chemicals.

The Acquisition was completed in December 2004.

Vand Petro-Chemicals is wholly-owned by Mr. An and Mr. An is a director and a controlling shareholder of the Company and hence a connected person of the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Acquisition constitutes a connected transaction under the Listing Rules for the Company and was approved by shareholders of the Company in an extraordinary general meeting held on 23rd December, 2004.

Under accounting principles generally accepted in Hong Kong, the Acquisition has been accounted for as a reverse acquisition because the issuance of the Consideration Shares and Convertible Note in exchange for the entire interest in UPC resulted in Vand Petro-Chemicals becoming the controlling shareholder of the Company. For accounting purposes, UPC and its subsidiaries (the "UPC Group") is treated as the acquirer while the Company and its subsidiaries (the "Hans Energy Group") is deemed to have been acquired by the UPC Group. Along this principle, these consolidated financial statements have been prepared as a continuation of the consolidated financial statements of the UPC Group and accordingly,

(a) the assets and liabilities of the UPC Group are recognised and measured at the date of acquisition at their historical carrying values prior to the Acquisition;

(b) the share capital and share premium accounts reflect the legal equity structure of the Company. Any difference between the Company's legal equity and that of UPC is accounted for as a special reserve;

(c) the other equity balances recognised in these financial statements are the other equity balances of the UPC Group;

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

(d) the identifiable assets and liabilities of the Hans Energy Group were recorded in the consolidated financial statements at their fair values on the date of completion of the Acquisition. In addition, negative goodwill arising on the Acquisition of approximately HK$55,709,000 was recognised. Details of the Acquisition are set out in note 27.

(e) comparative information presented is that of the UPC Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

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.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill is presented as a deduction from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognized as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Storage, handling income and port income are recognised when the relevant services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and amortisation and any identified impairment loss.

Property, plant and equipment in the course of construction for production are carried at cost less any identified impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation and amortisation is provided to write off the cost of other assets over their estimated useful lives, using the straight line method, at the following rates per annum:

Land use rights	3.33%–10%
Buildings	3.33%
Dock, processing and storage facilities	3.33%–20%
Office equipment	10%–20%
Motor vehicles	10%–20%
Leasehold improvements	Over the shorter of the term of the lease, or 20 years

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Retirement benefit costs

Payments to defined contribution retirement benefit scheme are charged as an expense as they fall due. Payments made to state-managed retirement benefits schemes are dealt with as payments to defined contribution scheme where the Group's obligations under the scheme are equivalent to those arising in a defined contribution retirement benefit scheme.

Taxation

Taxation represents the sum of the tax currently payable and deferred taxation.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred taxation is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the respective leases.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business Segments

For management purposes, the Group's operations are organised into three operating divisions, namely, trading of petro-chemical products, 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:

2004

	Trading of petro-chemical products HK$'000	Provision of transshipment and storage facilities HK$'000	Port income HK$'000	Consolidated HK$'000
TURNOVER				
External sales	27	168,525	23,632	192,184
RESULTS				
Segment results	27	129,027	21,031	150,085
Interest income				502
Unallocated corporate income				1,283
Unallocated corporate expenses				(15,204)
Profit from operations				136,666
Interest on bank borrowings wholly repayable within five years				(9,060)
Gain on disposal of subsidiaries				6,432
Profit before taxation				134,038
Taxation				(9,699)
Profit before minority interests				124,339
Minority interests				(9,570)
Profit for the year				114,769
ASSETS				
Segment assets	—	368,904	18,222	387,126
Unallocated corporate assets				510,695
Total assets				897,821
LIABILITIES				
Segment liabilities	303	416,139	8,812	425,254
Unallocated corporate liabilities				1,020,791
Total liabilities				1,446,045
OTHER INFORMATION				
Capital additions	—	177,019	—	177,019
Depreciation and amortisation	—	25,355	—	25,355
Loss on disposal of property, plant and equipment	—	604	—	604

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business Segments (Continued)

2003

	Trading of petro-chemical products HK$'000	Provision of transshipment and storage facilities HK$'000	Port income HK$'000	Consolidated HK$'000
TURNOVER				
External sales	9,805	131,315	24,592	165,712
RESULTS				
Segment results	60	96,452	16,147	112,659
Interest income				7,145
Unallocated corporate income				1,013
Unallocated corporate expenses				(17,144)
Profit from operations				103,673
Interest on bank borrowings wholly repayable within five years				(9,731)
Profit before taxation				93,942
Taxation				—
Profit before minority interests				93,942
Minority interests				(7,627)
Profit for the year				86,315
ASSETS				
Segment assets	40	355,387	21,049	376,476
Unallocated corporate assets				62,773
Total assets				439,249
LIABILITIES				
Segment liabilities	919	24,638	10,842	36,399
Unallocated corporate liabilities				250,991
Total liabilities				287,390
OTHER INFORMATION				
Capital additions	—	22,515	—	22,515
Depreciation and amortisation	—	22,410	—	22,410
Loss on disposal of property, plant and equipment	—	1,459	—	1,459

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical Segments

The Group is engaged in the trading of petro-chemical products, provision of transshipment and storage facilities, and port income. More than 90% of the Group's turnover are located in the PRC.

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	
	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000
PRC	834,065	428,241	176,184	22,515
Hong Kong	63,756	11,008	835	—
	897,821	439,249	177,019	22,515

6. PROFIT FROM OPERATIONS

	2004 HK$'000	2003 HK$'000
Profit from operations has been arrived at after charging:		
Directors' emoluments (note 7)	968	963
Other staff costs		
Salaries and other benefits	12,256	11,218
Retirement benefits scheme contributions	468	385
Total staff costs	13,692	12,566
Auditors' remuneration	921	186
Depreciation and amortisation	25,355	22,410
Loss on disposal of property, plant and equipment	604	1,459
Operating lease rentals in respect of land and buildings	1,382	1,515
and after crediting:		
Interest income from		
Banks	502	544
A related company	—	6,601
Rental income from properties, net of negligible outgoings	337	497

7. DIRECTORS' EMOLUMENTS

	2004 HK$'000	2003 HK$'000
Directors' fees:		
Executive	—	—
Independent non-executive	—	—
Other emoluments of executive directors:		
Salaries and other benefits	938	933
Retirement benefits scheme contributions	30	30
Total directors' emoluments	968	963

The aggregate emoluments of each of the directors were under HK$1,000,000 for both years.

The emoluments of the directors of the Hans Energy Group as disclosed in the annual report for the year ended 31st March, 2004 and the current period are as follow:

	1.4.2004 to 31.12.2004 HK$'000	1.4.2003 to 31.3.2004 HK$'000
Directors' fees:		
Executive	—	—
Independent non-executive	220	40
Other emoluments of executive directors:		
Salaries and other benefits	1,300	1,908
Retirement benefits scheme contributions	16	24
Total directors' emoluments	1,536	1,972

The aggregate emoluments of each of the directors were under HK$1,000,000 for both period/ year.

During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

8. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2003: one) was a director of the Company whose emolument is included in the disclosure in note 7 above. The emoluments of the remaining four (2003: four) individuals are as follows:

	2004 HK$'000	2003 HK$'000
Salaries and other benefits	1,091	1,288
Retirement benefits scheme contributions	52	63
	1,143	1,351

The aggregate emoluments of each of the above individuals were under HK$1,000,000 for both years.

9. DISCONTINUED OPERATIONS

Upon the completion of the acquisition of the entire interest in UPC as mentioned in note 3, the Company exercised the option granted by Good Partner Trading Limited ("Good Partner") to the Company under the shareholders' agreement entered into between Good Partner, Mr. Lee Wan Keung ("Mr. Lee"), a director of Capital Nation Investments Limited ("Capital Nation"), a former subsidiary of the Company, and the Company on 14th June, 2002 to require Good Partner to purchase 51% of the issued share capital of Capital Nation held by the Company (the "Disposal"). Capital Nation and its subsidiaries (the "Capital Nation Group") are engaged in the manufacture and sales of paper packaging products. The aggregate consideration for the disposal, which amounted to HK$96,900,000, was satisfied:

(a) as to HK$1,900,000 by cash; and

(b) as to the remaining HK$95,000,000 by assigning to the Company the promissory note issued on 14th June, 2002 by Extreme Wise Investments Limited ("Extreme Wise"), a substantial shareholder of the Company, to Good Partner with a face amount of HK$95,000,000.

The Disposal was completed in December 2004.

As Good Partner has a 49% interest in Capital Nation, Good Partner was therefore a connected person of the Company under the Listing Rules. The Disposal constitutes a connected transaction under the Listing Rules for the Company and was approved by the shareholders of the Company in an extraordinary general meeting held on 23rd December, 2004.

9. DISCONTINUED OPERATIONS (Continued)

On the basis of preparation of these financial statements as described in note 3, the results of the Capital Nation Group for the period from the date of acquisition of UPC to the date of disposal of Capital Nation is not significant.

The carrying amounts of the assets and liabilities of Capital Nation at the date of disposal are set out in note 28.

10. TAXATION

The taxation charge represents PRC Enterprise Income Tax for the year.

No Hong Kong Profits Tax was provided as the Group had no assessable profit subject to Hong Kong Profits Tax for the year.

The subsidiary in the PRC, 粵海(番禺)石油化工儲運開發有限公司 Guangdong (Panyu) Petrochemical Storage & Transportation Ltd. ("GD (Panyu)") is entitled to exemption from PRC Enterprise Income Tax for five years starting from its first profit-making year, followed by a 50% relief for the five years thereafter, in accordance with the approval from the PRC authority issued in 2002 regarding its port development business. The full PRC Enterprise Income Tax rate applicable to GD (Panyu) is 15% and the reduced rate is 7.5%. The first year of GD (Panyu) subject to PRC Enterprise Income Tax at the reduced rate of 7.5% commenced from 1st January, 2004.

At 31st December, 2004, the Group had unused tax losses of HK$25,132,000 (2003: HK$17,346,000) available for offset against future taxable profits. No deferred tax asset has been recognised in the financial statements due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

10. TAXATION (Continued)

The taxation charge for the year can be reconciled to the profit before taxation per the income statement as follows:

	2004 HK$'000	2003 HK$'000
Profit before taxation	134,038	93,942
Tax at the applicable tax rate of 15%	20,106	14,091
Tax effect of expenses not deductible for tax purpose	108	86
Tax effect of income not taxable for tax purpose	(1,075)	(38)
Tax effect of tax losses not recognised	260	162
Effect of tax relief granted to a PRC subsidiary	(9,700)	(14,301)
Taxation charge for the year	9,699	—

11. DIVIDEND

	2004 HK$'000	2003 HK$'000
Interim dividend paid	50,000	—
Proposed final dividend of 1.0 Hong Kong cent per share	26,200	—
	76,200	—

The above interim dividend represents dividend paid by UPC to its then shareholder prior to the Acquisition.

A final dividend of 1.0 Hong Kong cent per share for the year ended 31st December, 2004 has been proposed by the board of directors and is subject to be approved by the shareholders in the forthcoming annual general meeting.

12. EARNINGS PER SHARE

Under the reverse acquisition method of accounting, the 530,000,000 ordinary shares issued by the Company to Vand Petro-Chemicals to effect the Acquisition described in note 3 are deemed to be issued on 1st January, 2003 for the purpose of calculating the earnings per share.

The calculations of the basic and diluted earnings per share based on the share capital of the Company are as follows:

	2004 HK$'000	2003 HK$'000
Earnings for the purposes of basic and diluted earnings per share — profit for the year	114,769	86,315

	Number of shares	Number of shares
Number of ordinary shares for the purposes of basic earnings per share	551,639,344	530,000,000
Effect of dilutive potential ordinary shares in respect of convertible note	49,617,486	—
Number of ordinary shares for the purposes of diluted earnings per share	601,256,830	530,000,000

13. PROPERTY, PLANT AND EQUIPMENT

	Medium term land use rights in the PRC HK$'000	Buildings HK$'000	Construction in progress HK$'000	Dock, processing and storage facilities HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
THE GROUP									
COST									
At 1st January, 2004	35,367	11,376	9,871	403,936	—	2,281	5,873	971	469,675
Currency realignment	215	69	60	2,435	—	13	34	6	2,832
Additions	—	—	19,869	2,134	—	81	2,040	—	24,124
Acquired on acquisition of subsidiaries	—	85,210	—	—	62,173	1,682	698	3,132	152,895
Disposals	—	—	—	(1,087)	—	(153)	(883)	—	(2,123)
Eliminated on disposal of subsidiaries	—	(85,210)	—	—	(62,173)	(1,382)	(698)	(3,000)	(152,463)
At 31st December, 2004	35,582	11,445	29,800	407,418	—	2,522	7,064	1,109	494,940
DEPRECIATION AND AMORTISATION									
At 1st January, 2004	9,545	2,538	—	103,209	—	1,688	2,983	389	120,352
Currency realignment	62	17	—	677	—	10	20	3	789
Provided for the year	1,425	342	—	22,465	—	225	703	195	25,355
Eliminated on disposals	—	—	—	(633)	—	(129)	(566)	—	(1,328)
At 31st December, 2004	11,032	2,897	—	125,718	—	1,794	3,140	587	145,168
NET BOOK VALUE									
At 31st December, 2004	24,550	8,548	29,800	281,700	—	728	3,924	522	349,772
At 31st December, 2003	25,822	8,838	9,871	300,727	—	593	2,890	582	349,323

14. NEGATIVE GOODWILL

	THE GROUP
	HK$'000
COST AND NET BOOK VALUE	
Arising on Acquisition during the year *(note 27)*	55,709
Eliminated on Disposal during the year *(note 28)*	(55,709)
At 31st December, 2004	—

The negative goodwill arose on the Acquisition as described in note 3.

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	31.12.2004	31.3.2004
	HK$'000	HK$'000
Unlisted shares	1,051,499	158,706
Amounts due from subsidiaries	18,883	34,503
	1,070,382	193,209

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore shown in the balance sheet as non-current.

In preparing the financial statements, the directors have considered the valuation of the Company's interests in subsidiaries in light of the net liability position as shown in the consolidated balance sheet. After considering the income potential of, and the fair value of the assets held by, the subsidiaries that have not been reflected in the financial statements, the directors are of the opinion that no allowance for impairment against the Company's interests in subsidiaries is required.

Details of the Company's principal subsidiaries at 31st December, 2004 are set out in note 35.

16. AMOUNTS DUE FROM RELATED COMPANIES

Details of the amounts due from related companies are as follows:

	THE GROUP		
Name of company	31.12.2004 HK$'000	1.1.2004 HK$'000	Maximum amount outstanding during the year HK$'000
廣州市粵盈石油化工有限公司 ("粵盈石油")	—	37,680	37,680
廣州市達贏石油化工有限公司 ("達贏石油")	—	187	187
	—	37,867	
Less: Amount due within one year shown under current assets	—	(1,873)	
Amount due after one year	—	35,994	

粵盈石油 and 達贏石油 are companies under common control by a director of a subsidiary of the Company. The amounts were unsecured, interest free and fully repaid during the year.

17. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 to 90 days to its trade customers.

Included in trade and other receivables are trade receivables of approximately HK$19,564,000 (2003: HK$10,614,000). The aged analysis of trade receivables at the balance sheet date is as follows:

	THE GROUP	
	2004 HK$'000	2003 HK$'000
Less than 31 days	19,292	8,535
31–60 days	120	1,148
61–90 days	143	204
Over 90 days	9	727
	19,564	10,614

18. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$303,000 (2003: HK$845,000). The aged analysis of trade payables at the balance sheet date is as follows:

	THE GROUP	
	2004 HK$'000	2003 HK$'000
Less than 31 days	—	65
31–60 days	—	477
Over 90 days	303	303
	303	845

19. RENTAL RECEIVED IN ADVANCE

	THE GROUP	
	2004 HK$'000	2003 HK$'000
Within one year	86,388	14,589
More than one year, but not exceeding two years	81,745	—
More than two years, but not exceeding five years	245,236	—
	413,369	14,589
Less: Amount due within one year shown under current liabilities	(86,388)	(14,589)
Amount due after one year	326,981	—

On 29th 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 HK$81.7 million. Pursuant to the Lease Agreement, the Group received five years' prepaid rentals of approximately HK$408.7 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 1st January, 2005.

19. RENTAL RECEIVED IN ADVANCE (Continued)

In the opinion of the directors, the Lease Agreement comprises elements relating to finance lease, operating lease and provision of services. The disposal of the assets attributable to the finance lease and the related finance lease receivable was recognised on the inception of the Lease Agreement on 1st January, 2005. Rentals attributable to the operating lease and the provision of services will be recognised over the period of the lease.

20. AMOUNTS DUE TO RELATED COMPANIES

Details of the amounts due to related companies are as follows:

	THE GROUP	
Name of company	2004 HK$'000	2003 HK$'000
Vand Petro-Chemicals	50,035	72,985
Hong Kong Vand Petrochemical Co. Ltd. ("Hong Kong Vand")	—	700
廣州市番禺區番粵材料有限公司 ("Panyu Materials")	—	18,096
Timeslink Development Limited ("Timeslink")	—	262
	50,035	92,043

The amount due to Vand Petro-Chemicals is unsecured, interest free and repayable on demand.

Hong Kong Vand and Timeslink are companies controlled by Mr. David An. Panyu Materials is a company controlled by a director of a subsidiary of the Company. The amounts due to Hong Kong Vand, Panyu Materials and Timeslink were unsecured, interest free and fully repaid during the year.

21. BANK LOANS

	THE GROUP	
	2004	2003
	HK$'000	HK$'000
The bank loans are secured and are repayable as follows:		
Within one year	160,174	28,095
More than one year, but not exceeding two years	—	131,110
	160,174	159,205
Less: Amount due within one year shown under current liabilities	(160,174)	(28,095)
Amount due after one year	—	131,110

22. CONVERTIBLE NOTE

On 24th December, 2004, the Company issued the Convertible Note with a principal amount of HK$681,000,000 to Vand Petro-Chemicals as part payment of the consideration for the acquisition of UPC.

The Convertible Note bears interest at 1% per annum and is redeemable at par on 24th December, 2009. The holder of the Convertible Note has the rights to convert all or any portion of the Convertible Note into shares of the Company at an initial conversion price of HK$0.30 per share, subject to adjustment. The conversion rights can be exercised at any time from the date of issue until the repayment of the Convertible Note, provided that the public float of the Company will not be less than 25% immediately after such conversion.

23. PROMISSORY NOTE

On 24th December, 2004, the Company issued the Promissory Note with a principal amount of HK$200,000,000 to Vand Petro-Chemicals as part payment of the consideration for the acquisition of UPC. The Promissory Note is interest free and is repayable on or before 24th June, 2006.

In December 2004, the Promissory Note was repaid to the extent of HK$95,000,000 through the assignment of a promissory note issued by Extreme Wise as mentioned in note 9(b).

24. SHARE CAPITAL

	THE COMPANY	
	Number of ordinary shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each:		
Authorised:		
At 1st January, 2004	5,000,000,000	500,000
Increase in authorised share capital	5,000,000,000	500,000
At 31st December, 2004	10,000,000,000	1,000,000
Issued and fully paid:		
At 1st January, 2004	990,000,000	99,000
Issue of new shares on the Acquisition	530,000,000	53,000
At 31st December, 2004	1,520,000,000	152,000

During the year, the following changes in the share capital of the Company took place:

(i) Pursuant to an ordinary resolution passed at an extraordinary general meeting held on 23rd December, 2004, the Company's authorised share capital was increased from HK$500,000,000 to HK$1,000,000,000 by the creation of 5,000,000,000 new ordinary shares of HK$0.10 each in the Company.

(ii) The Company issued 530,000,000 new ordinary shares of HK$0.10 each in the Company at an issue price of HK$0.30 per share to Vand Petro-Chemicals as part payment of the consideration for the acquisition of UPC. These shares ranked pari passu with the then existing shares in all respects.

At 31st December, 2003, the share capital of the Group shown on the consolidated balance sheet represented the share capital of UPC.

25. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on 16th December, 2002, the Company adopted a share option scheme (the "Scheme") for the purpose of enabling the Company to recruit and retain high-calibre employees and attract resources that are valuable to the Group and to provide the Company with a means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to such persons who contribute or may bring benefit to the Group. The Scheme will remain in force for a period of 10 years from adoption of such scheme and will expire on 15th December, 2012.

Under the Scheme, the Board of Directors of the Company (the "Directors") may at their discretion grant options to (i) any director of the Company or any company in which the Company holds an equity interest; or (ii) any employee of the Company or any company in which the Company owns any equity interest; (iii) any consultant, agent, business affiliate, professional and other advisor, business partner, joint venture partner, strategic partner, or any supplier or provider of goods or services to the Company or any subsidiaries of the Company as may be determined by the Directors from time to time to subscribe for the shares of the Company (the "Shares").

Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 per option. The maximum number of Shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company on the date of adopting the Scheme. The limit may be refreshed at any time provided that the new limit must not be in aggregate exceed 10% of the issued share capital of the Company as at the date of the shareholders' approval in general meeting. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme of the Company must not in aggregate exceed 30% of the shares in issue from time to time. The maximum number of Shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the Shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules. Options granted to substantial shareholders or independent non-executive directors in excess of issued share capital of the Company or with a value in excess of HK$5 million must be approved in advance by the shareholders of the Company.

Options may be exercised at any time from date of grant of the share option to the 10th anniversary of the date of grant as may be determined by the Directors. The exercise price is determined by the Directors, and will not be less than the higher of the closing price per share as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the options and the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the options.

No option was granted by the Company under the Scheme since its date of adoption.

26. RESERVES

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
THE COMPANY			
At 1st April, 2003	96,986	(1,124)	95,862
Loss for the year	—	(961)	(961)
At 31st March, 2004	96,986	(2,085)	94,901
Issue of shares	106,000	—	106,000
Loss for the period	—	(63,326)	(63,326)
At 31st December, 2004	202,986	(65,411)	137,575

The Company's reserves available for distribution to its shareholders comprise share premium and accumulated losses which in aggregate amounted to approximately HK$137.6 million as at 31st December, 2004 (31.3.2004: HK$94.9 million). Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the payment of distribution or dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, distributions shall be payable out of the profits or other reserves, including the share premium account, of the Company.

27. ACQUISITION OF SUBSIDIARIES

	HK$'000
Net assets of the Hans Energy Group acquired using the principle of reverse acquisition:	
Property, plant and equipment	152,895
Inventories	30,659
Trade and other receivables	55,180
Amounts due from related companies	1,196
Bank balances and cash	83,829
Trade and other payables	(22,405)
Amounts due to related companies	(1,075)
Taxation payable	(26)
Retirement benefit obligations	(495)
Minority interests	(140,492)
	159,266
Deemed consideration	(103,557)
Negative goodwill arising on acquisition of subsidiaries	55,709
Net inflow of cash and cash equivalents in connection with the acquisition of subsidiaries:	
Bank balances and cash acquired	83,829

The acquisition of the subsidiaries which was completed in December 2004 did not make any significant impact on the Group's results and cash flows for the year.

28. DISPOSAL OF SUBSIDIARIES

As referred to in note 9, the Group disposed of Capital Nation Group in December 2004 which was principally engaged in the manufacture and sales of paper packaging products.

The net assets disposed of are as follows:

	2004 HK$'000
Net assets disposed of:	
Property, plant and equipment	152,463
Inventories	30,659
Trade and other receivables	54,988
Amount due from related companies	1,196
Bank balances and cash	64,238
Trade and other payables	(15,279)
Amounts due to related companies	(1,075)
Taxation payable	(26)
Retirement benefit obligations	(495)
Minority interests	(140,492)
	146,177
Negative goodwill released	(55,709)
	90,468
Gain on disposal of subsidiaries	6,432
	96,900
Satisfied by:	
Cash consideration received	1,900
Settlement of promissory note	95,000
	96,900
Net outflow of cash and cash equivalents in connection with the disposal of subsidiaries:	
Cash received	1,900
Bank balances and cash disposed of	(64,238)
	(62,338)

29. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings, which fall due as follows:

	THE GROUP	
	2004 HK$'000	2003 HK$'000
Within one year	2,372	1,244
In the second to fifth year inclusive	3,672	2,340
More than five years	389	463
	6,433	4,047

Operating lease payments represent rentals payable by the Group for its warehouses, office premises and directors' quarters. Leases are negotiated for an average term of two to five years with fixed rental.

The Group as lessor

Rental income earned during the year was approximately HK$168 million (2003:HK$131 million). The leases are negotiated for a lease term of 1 to 20 years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2004 HK$'000	2003 HK$'000
Within one year	80,616	84,211
In the second to fifth year inclusive	111,603	137,278
Over five years	1,226,179	18,792
	1,418,398	240,281

30. CAPITAL COMMITMENTS

	THE GROUP	
	2004 HK$'000	2003 HK$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
— additions in construction in progress	11,587	20,605
— acquisition of other property, plant and equipment	—	133
	11,587	20,738

31. PLEDGE OF ASSETS

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

	2004 HK$'000	2003 HK$'000
Property, plant and equipment	306,249	326,549
Pledged bank deposits	8,523	600

In addition, the following assets were pledged by the Group to certain banks in order to secure banking facilities granted by the banks to the Group for the year ended 31st December, 2004 and 2003 and a related company for the year ended 31st December, 2003:

(a) rights to operate storage and terminal business in the PRC; and

(b) the 92% interest in GD (Panyu).

32. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000
Guarantees given to a supplier in respect of credit facilities extended to a subsidiary	7,800	7,800	7,800	7,800

33. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of GD (Panyu) are members of a state-managed retirement benefit scheme operated by the PRC government. GD (Panyu) is required to contribute a certain percentage of the payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contribution under the scheme.

34. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

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

(I) Connected Persons

During the year, the Group completed the Acquisition and the Disposal with connected persons. Details of the connected transactions are set out in notes 3 and 9, respectively and in a circular of the Company dated 7th December, 2004.

In addition, during the year ended 31st December, 2003, a director of the Company also provided personal guarantee to the Group which was released during the year.

(II) Related Parties, other than Connected Persons

			THE GROUP	
Name of party	**Nature of transactions**	*Notes*	2004 HK$'000	2003 HK$'000
Panyu Materials	Storage income received	*(i)*	—	1,068
	Rental income received	*(ii)*	—	136
廣東粵聯萬達石油化工有限公司 (“粵聯萬達”)	Storage income received	*(i)*	28,069	28,153
	Interest income received	*(iii)*	—	6,601
Timeslink	Rental expenses paid	*(ii)*	412	262

34. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Notes:

(i) The storage income was charged at market price or, where no market price was available, in accordance with the terms of the agreement entered into between the relevant parties.

(ii) The rentals were charged at market price or, where no market price was available, in accordance with the terms of the agreement entered into between the relevant parties.

(iii) Interest income was charged by reference to the principal outstanding and at the interest rate determined and agreed by both parties.

粵聯萬達 is a company under common control by a director of the Company.

Details of the balances with related companies are set out in notes 16 and 20.

35. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December, 2004 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued and fully paid share capital/ registered capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Guangdong Petro-Chemicals Company Limited	Hong Kong	Ordinary shares — HK$20,000,000	—	100%	Storage handling and trading of petro-chemical products
Oriental Point International Limited	Hong Kong	Ordinary shares — HK$1,000,000	—	100%	Trading of petroleum products in the PRC
Timeslink	Hong Kong	Ordinary shares — HK$10,000	100%	—	Provision of management services
Union Petro-Chemicals (BVI) Company Limited	British Virgin Islands	Shares — US$100	100%	—	Investment holding
GD (Panyu)	PRC *(Note)*	RMB80,000,000	—	92%	Storage and transshipment

35. PRINCIPAL SUBSIDIARIES (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

Note: GD (Panyu) is a sino-foreign equity joint venture company.

36. POST BALANCE SHEET EVENTS

The following significant events occurred after the balance sheet date:

(a) On 11th March, 2005, Extreme Wise, Mr. An and the Company entered into a placing agreement (the "Placing") with a placing agent for the placing of an aggregate of 500,000,000 existing shares of HK$0.10 each in the Company held by Extreme Wise at a price of HK$1.0 per share. Extreme Wise also entered into a subscription agreement (the "Subscription") to subscribe for an aggregate of 100,000,000 new shares in the Company at a price of HK$1.0 each. Details of these transactions are set out in an announcement made by the Company on 11th March, 2005. The Placing and Subscription were completed on 15th March, 2005 and 24th March, 2005 respectively.

(b) On 15th March, 2005, Vand Petro-Chemicals exercised its right to convert part of the Convertible Note with a principal amount of HK$300,000,000 for the issue of 1,000,000,000 ordinary shares of HK$0.10 each in the Company at the conversion price of HK$0.30 each.

	28th July, 2000 to 31st December, 2000 HK$'000	Year ended 31st December, 2001 HK$'000	2002 HK$'000	2003 HK$'000	2004 HK$'000
RESULTS					
Turnover	15,427	232,329	241,926	165,712	192,184
(Loss)/profit before taxation	(137,592)	72,670	92,627	93,942	134,038
Taxation	—	(12)	(4)	—	(9,699)
(Loss)/profit before minority interests	(137,592)	72,658	92,623	93,942	124,339
Minority interests	(88)	(5,964)	(7,664)	(7,627)	(9,570)
(Loss)/profit for the period/year	(137,680)	66,694	84,959	86,315	114,769

	At 31st December, 2000 HK$'000	2001 HK$'000	2002 HK$'000	2003 HK$'000	2004 HK$'000
ASSETS AND LIABILITIES					
Total assets	491,948	607,185	679,595	439,249	897,821
Total liabilities	(617,063)	(634,491)	(616,999)	(287,390)	(1,446,045)
Minority interests	(12,564)	(37,681)	(45,037)	(52,096)	(62,011)
Shareholders' funds	(137,679)	(64,987)	17,559	99,763	(610,235)

Note: Under accounting principles generally accepted in Hong Kong, the acquisition of the entire interest in Union Petro-Chemicals (BVI) Company Limited ("UPC") in December 2004 has been accounted for as a reverse acquisition. Accordingly, the above financial information represents those of the UPC Group.

FINANCIAL RESULTS OF THE UPC GROUP

Highlights of the results of Union Petro-Chemicals (BVI) Company Limited and its subsidiaries (the "UPC Group") as extracted from the audited consolidated financial statements of the UPC Group for the year ended 31st December, 2004 are as follows:

Consolidated income statement

	2004 HK$'000	2003 HK$'000
Turnover	192,184	165,712
Cost of sales	(42,099)	(53,053)
Gross profit	150,085	112,659
Other operating income	1,785	8,158
Administrative expenses	(14,974)	(17,144)
Earnings before interest and tax ("EBIT")	136,896	103,673
EBIT Margin (%)	71.23	62.56
Interest on bank borrowings wholly repayable within five years	(9,060)	(9,731)
Profit before taxation	127,836	93,942
Taxation	(9,699)	—
Profit before minority interests	118,137	93,942
Minority interests	(9,570)	(7,627)
Profit for the year *(Note)*	108,567	86,315
Net profit margin (%)	56.49	52.09

Note: The profit forecast relating to the UPC Group as set out in the circular of the Company dated 7th December, 2004 is met.