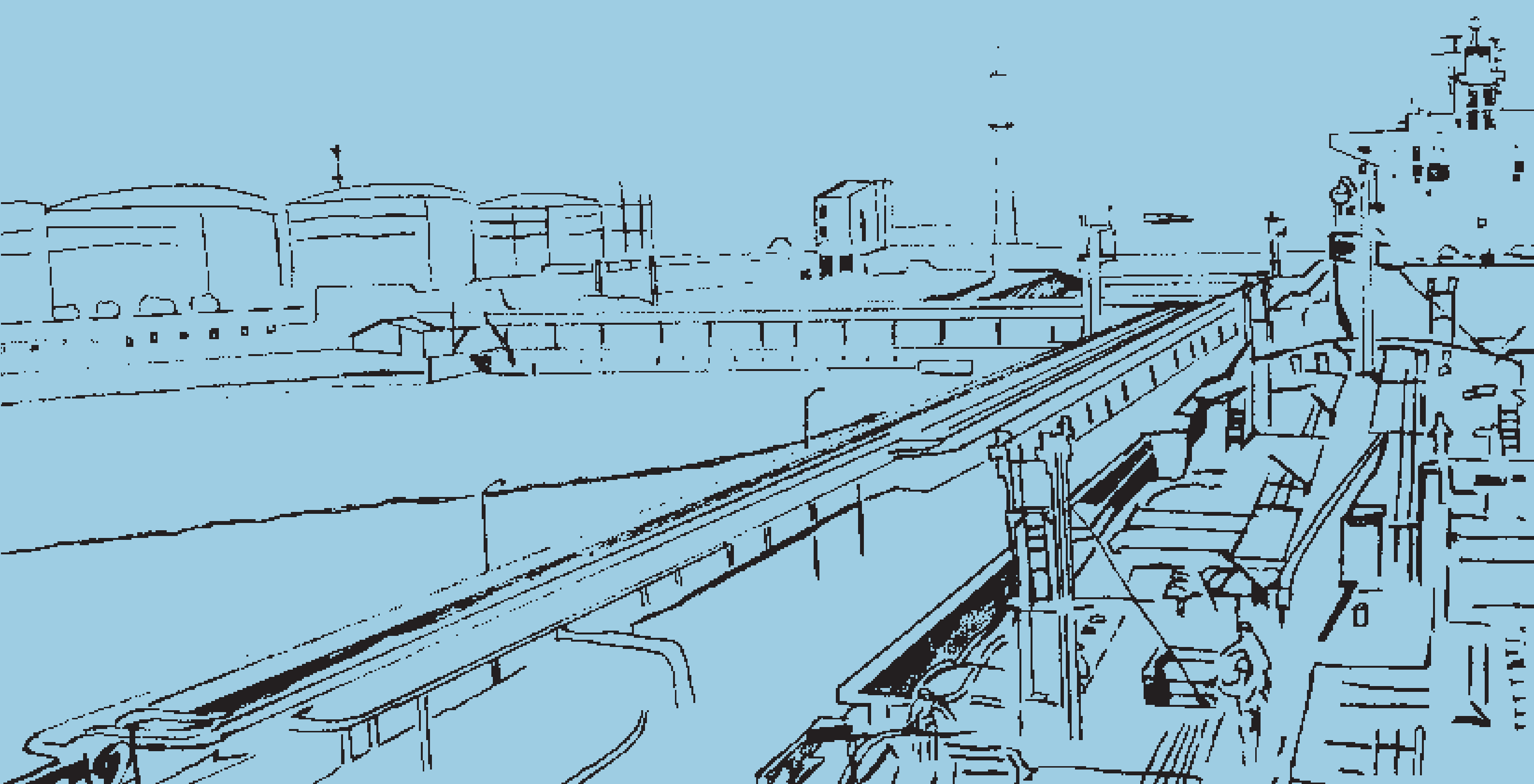
HANS ENERGY COMPANY LIMITED

漢 思 能 源 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

2005 INTERIM REPORT



Corporate Information

BOARD OF DIRECTORS
Mr. David AN *(Chairman)*
Ms. FENG Ya Lei
Mr. ZHOU Nan Zheng
Mr. LIU Wei
Mr. LI Wai Keung*
Mr. LIU Jian*
Mr. CHAN Chun Wai, Tony*

* *Independent non-executive director*

CHIEF EXECUTIVE OFFICER
Mr. David Charles PARKER

AUDIT COMMITTEE
Mr. LI Wai Keung *(Committee Chairman)*
Mr. LIU Jian
Mr. CHAN Chun Wai, Tony

REMUNERATION COMMITTEE
Mr. LIU Jian *(Committee Chairman)*
Mr. David AN
Mr. LI Wai Keung
Mr. CHAN Chun Wai, Tony

NOMINATION COMMITTEE
Mr. CHAN Chun Wai, Tony *(Committee Chairman)*
Mr. LI Wai Keung
Mr. LIU Jian
Mr. LIU Wei

COMPANY SECRETARY
Mr. FUNG Chi Kwan, Nicholas

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 (Hong Kong)
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

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Business Review and Prospects

REVENUE BREAKDOWN

The following is the breakdown of major revenue items and its related percentage of the Group for

	Six months ended 30 June 2005		Six months ended 30 June 2004	
	(HK$'000)	**%**	(HK$'000)	%
Terminal and storage services and transshipment services	**94,995**	**90.23**	70,937	85.33
Port income	**10,290**	**9.77**	12,183	14.65
Trading of oil or petrochemical products	**—**	**—**	14	0.02

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, 粵海(番禺)石油化工儲運開發有限公司 (Guangdong (Panyu) Petrochemical Storage & Transportation Ltd.) ("GD (Panyu)"). GD (Panyu) operates Xiao Hu Island Terminal ("XHIT"), a comprehensive storage and terminal complex in Nansha Economic & Technological Development Zone, Guangdong Province, the PRC.

- For the six months ended 30 June 2005, turnover from the provision of transshipment and storage facilities segment increased from approximately HK$70,937,000 to HK$94,995,000, representing an increase of approximately 33.91% whereas the segment profit for the same period increased from HK$53,162,000 to HK$74,907,000, representing an increase of approximately 40.90%. The increase in both turnover and segment profit was due to the commencement of the long-term lease entered into between GD (Panyu) and China Petroleum & Chemical Corporation Guangdong Branch ("Sinopec Guangdong") as reported in the 2004 Annual Report, together with the commissioning in June of four additional new-built tanks.

- For the six months ended 30 June 2005, turnover from port income decreased approximately 15.54% from approximately HK$12,183,000 to approximately HK$10,290,000 and the segment profit decreased from approximately HK$9,950,000 to approximately HK$8,519,000, representing a decrease of approximately 14.38%. Port income mainly comprises the port charge for every metric ton of imported oil or petrochemical products discharged at XHIT. This port charge is provided for 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. Since the Group is the owner and the operator of XHIT, the Group is entitled to receive part of the proceeds of the port charges and recognizes them as port income. The decrease in turnover and profit for this segment was in line with the decrease in total frequency of transshipment of imported oil and petrochemical products discharged at XHIT.

Trading of oil and petrochemical products business

For the six months ended 30 June 2005, the revenue and the segment results from the trading of petrochemical products were both zero, compared with approximately HK$14,000 and HK$12,000 respectively for the six months ended 30 June 2004. The decrease in business was in line with the Group's intention to scale down the trading activity and to focus on the storage, terminalling and logistics business in which the Group enjoys a higher profit margin with less risk.

Outlook

The Group intends to continue its long-term business strategy of developing as a midstream player in the energy sector, providing specialized integrated terminalling, storage and logistics services for oil and liquid petrochemical products in the PRC as well as identifying other oil-industry areas for growth. To this end, the Group plans to develop the Pearl River Delta project as outlined below as well as other projects both inside and outside China.

- 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 became operational in December 1995. Four petrochemical tanks with a total capacity of 4,700 cubic metres were commissioned in June this year and will bring additional revenue to the Group. They are fully committed. At the same time, the Group has also development plans for further expansion within the site area and in the capacity of the drumming warehouse, an information system enhancement project, as well as preparation for further jetty upgrading.

  China is now a substantial net oil importer and became the second largest oil importer worldwide in 2004. 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 continue to grow. The Company therefore believes XHIT will continue to command a key position in the provision of specialised integrated terminalling, storage and logistics services for oil and petrochemical products in the Pearl River Delta region.

- Pearl River Delta project

  On 21 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 212% (from 330,450 cubic metres to 1,030,450 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 in excess of RMB600 million plus land premium. It is currently anticipated that the early phases of the new facility will become operational in late 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. The Company is awaiting the final approval of the project from relevant government authorities.

- Pipeline project

  In addition, the Group is still in negotiations for an arrangement to use on a leased basis oil pipeline, jetties and storage facilities in a location outside the PRC in order to sublease such facilities to oil companies and oil tanker operators. The Group expects that such arrangements will give the Group a significant competitive advantage by providing customers with an attractive location for docking and storage and in reducing transport costs.

Interim Dividend

The directors do not recommend any interim dividend for the six months ended 30 June 2005 (2004: HK$50,000,000). The interim dividend paid in 2004 represented dividend paid in that period by one of the Company's subsidiaries to its then shareholder prior to the group reorganization in December 2004.

Management Discussion and Analysis

OPERATING RESULTS

During the first half of 2005, the core business of the Group remained the operations of the jetty and tank farm terminal at XHIT. The Group's turnover comprised mainly of rental received from customers for the use of our tanks to store their oil and petrochemical products, fees for transshipment services provided and use of our jetty facilities, and port income for ships berthed at our jetties.

The consolidated turnover for the six months ended 30 June 2005 was HK$105.3 million (2004: HK$83.1 million), representing an increase of 26.7% over the same period in 2004. The profit from ordinary activities attributable to shareholders was HK$53.7 million (2004: HK$43.3 million), representing a growth of 24.0% over the corresponding period last year.

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 UPC by the Company has been accounted for as a reverse acquisition. As such, the comparative figures of the half year of 2004 included only the results of UPC Group. In this regard, the last year results of some subsidiaries have not been included. The administrative expenses attributable to such subsidiaries for the six months ended 30 June 2005 were HK$5,534,000. Administrative expenses increased as a result of the reverse takeover meaning that the public company's expenses were attributable to the expanded Group.

The basic Earnings per Share for the six months ended 30 June 2005 was 2.47 Hong Kong cents (2004: 8.17 Hong Kong cents). The decrease was attributable to an increase in the number of ordinary shares in the period. Under the reverse acquisition method of accounting, the 530,000,000 ordinary shares issued by the Company to Vand Petro-Chemicals (BVI) Company Ltd, UPC's then shareholder, were deemed to exist on 1 January 2004 for the purpose of calculating the Earnings per Share. The weighted average number of shares for the period ended 30 June 2005 increased to 2,171,381,215 from 530,000,000 for the corresponding period in 2004 through issuance of new shares. The diluted Earnings per Share for the six months ended 30 June 2005 was 1.63 Hong Kong cents based on potential dilution to a total of 3,850,220,994 shares.

CAPITAL STRUCTURE, LIQUIDITY AND GEARING

The capital structure of the Group changed during the period under review. During the period, 1,000 million new ordinary shares were issued, as the holder of the Convertible Note exercised the right to convert HK$300 million note into ordinary shares. In this regard, the balance due under the Convertible Note reduced from HK$681 million at the beginning of the period to HK$381 million as at 30 June 2005. In addition, another 100 million new shares were issued during the period.

As at 30 June 2005, the Group had a cash balance of approximately HK$379 million. Most of the funds were held in HK$, RMB and US$.

As at 30 June 2005, the Group had a current ratio of 1.56 (31 December 2004: 1.12). The improvement in current ratio was mainly due to the repayment of short-term bank borrowings and the reduction of other payables during the period.

The Group's gearing ratio as at 30 June 2005 was 1.17 (31 December 2004: 1.58) (defined as total liabilities to total assets). The decrease of the ratio was attributable to the fact that the debt associated with the Convertible Note was reduced, first by way of the conversion of HK$300 million into share capital. Secondly, HK$74.8 million of the Convertible Note was reclassified as an equity component in compliance with the accounting standard of the new HKFRS. Furthermore, HK$97.4 million was received from the issuance of new shares.

FINANCIAL RESOURCES

The Group has fully settled the bank borrowings brought forward from last year and due for repayment during the period. In this regard, the credit facilities, which were available until March 2005, have not been extended by the Group, and the assets originally pledged for the facilities were released.

The current cash reserves and recurrent operating cash flow is sufficient for the daily requirements for current operations. However, the Group will consider to raise external financing for development of new businesses, if required. Due attention will be paid to the capital and debt markets as well as the latest developments of the Group in order to ensure the efficient use of financial resources.

FINANCE COST

Despite the repayment of bank borrowings during the period, the Convertible Note of HK$681 million issued on 24 December 2004 started to accrue interest this year. According to the new HKFRS, interest was accrued and charged to profit and loss at the market rate instead of the note rate of 1% per annum. With the adoption of the new accounting standards, the total finance cost increased by HK$7,433,000 to HK$12,069,000.

TAXATION

The Group had no assessable profit subject to Hong Kong Profits Tax for the period. On the other hand, this year is the second year that GD (Panyu), the PRC subsidiary of the Group, is subject to PRC Enterprise Income Tax at the concessional rate of 7.5% (normal tax rate is 15%). This relief will continue to be available to GD (Panyu)'s XHIT business conducted in Nansha Economic Development Zone until 2009.

EXPOSURE TO FLUCTUATION IN EXCHANGES RATE AND RELATED HEDGE

The Group's transactions and monetary assets are predominately in HK$, RMB and US$. Operating outgoings incurred by the Group's subsidiary in the PRC are mainly denominated in RMB, which usually receives revenue in RMB as well. The management is of the opinion that the Group's exposure to foreign exchange rate risks is not significant, and hedging by means of derivative instruments is considered unnecessary.

CHARGE ON GROUP ASSETS

As at 30 June 2005, bank deposits of approximately HK$600,000 were pledged against credit card facilities granted by a bank. Other than the above, none of the assets of the Group was pledged to creditors.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 30 June 2005, the Group had capital commitments in the amount of approximately HK$944,000 in respect of construction in progress. These capital commitments were mainly related to an unpaid contract sum in respect of construction contracts regarding leasehold improvement of office and additions to breakwater signed prior to the balance sheet date.

At 30 June 2005, the Group has no material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

The Group had a workforce of approximately 240 people. Salaries of employees are maintained at competitive level with reference to the relevant market, and are performance driven.

Auditors' Independent Review Report

TO THE BOARD OF DIRECTORS OF
HANS ENERGY COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 9 to 22.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Company's management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2005.

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants

Hong Kong, 24 August 2005

Condensed Consolidated Income Statement

For the six months ended 30 June 2005

The board of directors of Hans Energy Company Limited (the "Company") announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 together with the comparative figures as follows:

		Six months ended 30 June	
		2005	2004
		(Unaudited)	(Audited)
	Notes	**HK$'000**	HK$'000
Turnover	3	**105,285**	83,134
Cost of sales		**(23,341)**	(21,400)
Gross profit		**81,944**	61,734
Other operating income		**4,251**	712
Administrative expenses		**(10,384)**	(6,900)
Finance costs		**(12,069)**	(4,636)
Profit before taxation	4	**63,742**	50,910
Taxation	5	**(4,345)**	(3,888)
Profit for the period		**59,397**	47,022
Attributable to:			
Equity holders of the parent		**53,729**	43,300
Minority interests		**5,668**	3,722
		59,397	47,022
Dividend	6	**26,200**	50,000
Earnings per share (Hong Kong cents)	7		
Basic		**2.47**	8.17
Diluted		**1.63**	N/A

Condensed Consolidated Balance Sheet

At 30 June 2005

	Notes	30 June 2005 (Unaudited) HK$'000	31 December 2004 (Audited and restated) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	**331,197**	325,222
Lease premium for land — non-current portion		**22,413**	23,125
Club membership		**935**	—
		354,545	348,347
CURRENT ASSETS			
Lease premium for land — current portion		**1,425**	1,425
Inventories — consumables stores		**2,242**	2,067
Trade and other receivables	9	**35,263**	40,090
Pledged bank deposits		**600**	8,523
Bank balances and cash		**379,096**	497,369
		418,626	549,474
CURRENT LIABILITIES			
Trade and other payables	10	**23,568**	30,612
Rental received in advance		**83,861**	86,388
Amounts due to related companies		**50,035**	103,533
Taxation payable		**5,849**	5,855
Promissory note	11	**105,000**	105,000
Bank loans	12	**—**	160,174
		268,313	491,562
NET CURRENT ASSETS		**150,313**	57,912
TOTAL ASSETS LESS CURRENT LIABILITIES		**504,858**	406,259

Condensed Consolidated Balance Sheet

At 30 June 2005

	Notes	30 June 2005 (Unaudited) HK$'000	31 December 2004 (Audited and restated) HK$'000
CAPITAL AND RESERVES			
Share capital		**262,000**	152,000
Reserves		**(408,860)**	(687,422)
Equity attributable to equity holders of the parent		**(146,860)**	(535,422)
Minority interests		**14,181**	8,513
Total equity		**(132,679)**	(526,909)
NON-CURRENT LIABILITIES			
Rental received in advance		**294,663**	326,981
Convertible loan note	13	**334,787**	590,318
Deferred tax liability		**8,087**	15,869
		637,537	933,168
		504,858	406,259

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2005

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Translation reserve HK$'000	Capital reserve HK$'000	PRC statutory reserve HK$'000	Accumulated losses HK$'000	Attributable to equity holders of the parent HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2005 — as originally stated	152,000	202,986	(251,428)	2,150	—	22,074	(738,017)	(610,235)	62,011	(548,224)
Effect of changes in accounting policies — recognition of the equity component of a convertible loan note	—	—	—	—	74,813	—	—	74,813	—	74,813
Reclassification of loan portion of minority interests	—	—	—	—	—	—	—	—	(53,498)	(53,498)
— as restated	152,000	202,986	(251,428)	2,150	74,813	22,074	(738,017)	(535,422)	8,513	(526,909)
Exchange differences arising from translation of operations outside Hong Kong not recognised in consolidated income statement	—	—	—	(5,026)	—	—	—	(5,026)	—	(5,026)
Issue of shares on exercise of convertible loan note	100,000	201,631	—	—	(32,957)	—	—	268,674	—	268,674
Issue of shares	10,000	87,385	—	—	—	—	—	97,385	—	97,385
Profit for the period	—	—	—	—	—	—	53,729	53,729	5,668	59,397
Dividend	—	—	—	—	—	—	(26,200)	(26,200)	—	(26,200)
At 30 June 2005	262,000	492,002	(251,428)	(2,876)	41,856	22,074	(710,488)	(146,860)	14,181	(132,679)
At 1 January 2004 — as originally stated	1	—	—	(526)	—	5,165	95,123	99,763	52,096	151,859
Reclassification of loan portion of minority interests	—	—	—	—	—	—	—	—	(27,552)	(27,552)
— as restated	1	—	—	(526)	—	5,165	95,123	99,763	24,544	124,307
Exchange differences arising from translation of operations outside Hong Kong not recognised in consolidated income statement	—	—	—	2,169	—	—	—	2,169	—	2,169
Profit for the period	—	—	—	—	—	—	43,300	43,300	3,722	47,022
Dividend	—	—	—	—	—	—	(50,000)	(50,000)	—	(50,000)
At 30 June 2004	1	—	—	1,643	—	5,165	88,423	95,232	28,266	123,498

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2005

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Audited)
	HK$'000	HK$'000
NET CASH FROM OPERATING ACTIVITIES	**39,590**	93,165
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(6,815)**	117
NET CASH USED IN FINANCING ACTIVITIES		
Proceeds on issue of shares	**97,385**	—
Borrowings raised	**—**	56,526
Repayment of borrowings	**(160,174)**	(56,526)
Repayment to related companies	**(58,524)**	(81,086)
Other financing activities	**(29,735)**	(2,049)
	(151,048)	(83,135)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(118,273)**	10,147
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**497,369**	21,446
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**—**	327
CASH AND CASH EQUIVALENTS AT END OF PERIOD, represented by bank balances and cash	**379,096**	31,920

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2005

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Financial Instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible loan note

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The principle impact of HKAS 32 on the

Group is in relation to convertible loan note issued by the Company that contain both liability and equity components. Previously, convertible loan note was classified as liability on the balance sheet. Because HKAS 32 requires retrospective application, comparative figures have been restated.

Financial assets

Financial assets included trade and other receivables, pledged bank deposits and bank balances and cash. Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Financial liabilities other than debt and equity securities

Other financial liabilities included trade and other payables and amounts due to related companies, which are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to lease premium for land under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively.

The effect of the changes in the accounting policies described above on the results for the current period are as follows:

	Six months ended 30 June 2005 HK$'000
Increase in interest costs on the liability component of convertible loan note	(6,561)
Decrease in deferred taxation in respect of convertible loan note	1,200
	(5,361)

The profit for the six months ended 30 June 2005 consequently decreased by HK$5,361,000 (2004: nil), represented by an increase in finance costs of HK$6,561,000 (2004: nil) and a decrease in taxation of HK$1,200,000 (2004: nil).

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 are summarised below:

	As at 31 December 2004 (originally stated) HK$'000	Adjustment HK$'000	As at 31 December 2004 (restated) HK$'000
Balance sheet items			
Property, plant and equipment	349,772	(24,550)	325,222
Lease premium for land — non-current portion	—	23,125	23,125
Lease premium for land — current portion	—	1,425	1,425
Convertible loan note	(681,000)	90,682	(590,318)
Deferred tax liability	—	(15,869)	(15,869)
Total effects on assets and liabilities	(331,228)	74,813	(256,415)
Capital reserve			
— equity component of convertible loan note	—	(90,682)	(90,682)
— deferred tax liability on equity component of convertible loan note	—	15,869	15,869
Total effects on equity	—	(74,813)	(74,813)

The application of the new HKFRSs has had no effect to the Group's equity at 1 January 2004.

The HKICPA has issued the following standards and interpretations ("INT") that are not yet effective. The Group has considered the following standards and interpretations but does not expect they will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS — INT 4	Determining whether an Arrangement contains a Lease
HKFRS — INT 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option

3. SEGMENT INFORMATION

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

The Group's turnover and contribution to the operating profits for the six months ended 30 June 2005 and 30 June 2004 analysed by business segments, were as follows:

	Turnover Six months ended 30 June		**Segment Results Six months ended 30 June**	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
Trading of petrochemical products	**—**	14	**—**	12
Provision of transshipment and storage facilities	**94,995**	70,937	**73,425**	51,772
Port income	**10,290**	12,183	**8,519**	9,950
	105,285	83,134	**81,944**	61,734
Interest income			**3,774**	234
Unallocated corporate income			**477**	478
Unallocated corporate expenses			**(10,384)**	(6,900)
Finance costs			**(12,069)**	(4,636)
Profit before taxation			**63,742**	50,910
Taxation			**(4,345)**	(3,888)
Profit for the period			**59,397**	47,022

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Profit before taxation has been arrived at after charging:		
Directors' emoluments	**220**	463
Other staff costs	**8,705**	4,878
Other retirement benefits scheme contribution	**1,278**	249
Total staff costs	**10,203**	5,590
Amortisation of lease premium for land	**712**	713
Depreciation of property, plant and equipment	**11,588**	11,934
Loss on disposal of property, plant and equipment	**14**	604
Operating lease rentals in respect of land and buildings	**1,059**	746
and after crediting:		
Bank interest income	**3,774**	234
Rental income from properties, net of negligible outgoings	**106**	178

5. TAXATION

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
The charge comprises:		
PRC Enterprise Income Tax	**5,545**	3,888
Deferred taxation	**(1,200)**	—
	4,345	3,888

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

The subsidiary in the People's Republic of China (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 on 1 January 2004.

6. DIVIDEND

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Interim dividend	**—**	50,000
Final dividend for the year ended 31 December 2004 of 1.0 Hong Kong cent per share	**26,200**	—
	26,200	50,000

The interim dividend represented dividend paid in that period by one of the Company's subsidiaries to its then shareholder prior to the group reorganisation in December 2004.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Earnings for the purposes of basic earnings per share	**53,729**	43,300
Earnings of dilutive potential ordinary shares		
— interest on convertible loan note	**9,208**	—
Earnings for the purposes of diluted earnings per share	**62,937**	43,300

	Number of Shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,171,381,215**	530,000,000
Effect of dilutive potential ordinary shares in respect of convertible loan note	**1,678,839,779**	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**3,850,220,994**	530,000,000

No diluted earnings per share was presented for the six months period ended 30 June 2004 as the Company has no dilutive potential ordinary shares for that period.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of certain plant and machinery with a carrying amount of HK$36,000 for proceeds of HK$22,000 resulting in a loss on disposal of HK$14,000.

In addition, the Group incurred costs of approximately HK$17.6 million on property, plant and equipment for the purpose of expanding the Group's business.

9. 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$12,583,000 (31.12.2004: HK$19,564,000).

The aged analysis of trade receivables is as follows:

	At 30 June 2005 HK$'000	At 31 December 2004 HK$'000
Less than 31 days	**8,940**	19,292
31–60 days	**1,131**	120
61–90 days	**—**	143
Over 90 days	**2,512**	9
Total	**12,583**	19,564

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$1,832,000 (31.12.2004: HK$303,000).

The aged analysis of trade payables is as follows:

	At 30 June 2005 HK$'000	At 31 December 2004 HK$'000
Less than 31 days	**1,492**	—
61–90 days	**340**	303
Total	**1,832**	303

11. PROMISSORY NOTE

The promissory note is interest free and is repayable on or before 24 June 2006.

12. BANK LOANS

The bank loans were fully repaid during the period.

13. CONVERTIBLE LOAN NOTE

The convertible loan note bears interest at 1% per annum and is redeemable at par in 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 loan note, provided that the public float of the Company will not be less than 25% immediately after such conversion.

On 15 March 2005, Vand Petro-Chemicals (BVI) Company Ltd., a substantial shareholder of the Company, exercised its rights to convert part of the convertible loan 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.

14. CAPITAL COMMITMENTS

	At 30 June 2005 HK$'000	At 31 December 2004 HK$'000
Capital expenditure contracted for but not provided in the financial statements in respect of additions in construction in progress	**944**	11,587

REVIEW OF THE INTERIM REPORT

The Group's interim report for the six months ended 30 June 2005 has not been audited but has been reviewed by the Audit Committee and auditors of the Company, Messrs. Deloitte Touche Tohmatsu.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2005, the interests and short positions of directors and the chief executive of the Company 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") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Ordinary shares of HK$0.10 each of the Company

		Number of shares		Approximate percentage to the issued share capital of the Company	
Name of director	**Nature of interest**	**Long positions**	**Short positions**	**Long positions**	**Short positions**
Mr. David An	Corporate	1,639,773,980 (note 1)	59,450,000 (note 2)	62.59%	2.27%
	Corporate	1,270,000,000 (note 3)	Nil	48.47%	Nil

Notes:

1. The shares are held directly as to 209,773,980 shares by Extreme Wise Investments Limited ("Extreme Wise") and 1,430,000,000 shares by Vand Petro-Chemicals (BVI) Company Ltd ("Vand Petro-Chemicals"), both companies are wholly-owned by Mr. David An. By virtue of the SFO, Mr. David An is deemed to have corporate interests in the 1,639,773,980 shares.

2. Under an agreement dated 24 February 2005 entered into between Vand Petro-Chemicals and Glencore Finance (Bermuda) Ltd ("Glencore") (the "Agreement"), Vand Petro-Chemicals has granted two options to Glencore to acquire further shares of the Company from it. The first option was expired on 31 May 2005. Under the second

option, Glencore has a right to acquire additional 59,450,000 shares of the Company from Vand Petro-Chemicals at any time on or before 31 August 2005. By virtue of the SFO, Mr. David An is deemed to have short positions in the 59,450,000 shares.

3. 1,270,000,000 shares (subject to adjustment) will be issued to Vand Petro-Chemicals upon its exercise of the conversion rights under the convertible note held by it. By virtue of the SFO, Mr. David An is deemed to have corporate interests in the 1,270,000,000 shares.

Save as disclosed above, as at 30 June 2005, none of the directors and the chief executive of the Company and their associates had any interest or short positions in the 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.

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

As at 30 June 2005, shareholders (other than directors or the chief executive 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 of the Company	
Name of shareholder	**Long positions**	**Short positions**	**Long positions**	**Short positions**
Extreme Wise	209,773,980	Nil	8.01%	Nil
Vand Petro-Chemicals	1,430,000,000	59,450,000 (note 1)	54.58%	2.27%
	1,270,000,000 (note 2)	Nil	48.47%	Nil
Glencore	159,450,000 (note 3)	Nil	6.09%	Nil

Notes:

1. Under the second option of the Agreement, Glencore has a right to acquire additional 59,450,000 shares of the Company from Vand Petro-Chemicals at any time on or before 31 August 2005. By virtue of the SFO, Vand Petro-Chemicals is deemed to have short positions in the 59,450,000 shares.

2. 1,270,000,000 shares (subject to adjustment) will be issued to Vand Petro-Chemicals upon its exercise of the conversion rights under the convertible note held by it. By virtue of the SFO, Vand Petro-Chemicals is deemed to have interests in the 1,270,000,000 shares.

3. Pursuant to the Agreement, Glencore's acquisition of 100,000,000 shares of the Company from Vand Petro-Chemicals was completed on 8 March 2005 and its second option to acquire additional 59,450,000 shares of the Company from Vand Petro-Chemicals is exercisable at any time on or before 31 August 2005. By virtue of the SFO, Glencore is deemed to have interests in the 159,450,000 shares.

Save as disclosed above, as at 30 June 2005, the Company has not been notified by any persons (other than directors or the chief executive of the Company) who 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.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on 16 December 2002, the Company adopted a share option 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 15 December 2012. Detailed terms of the scheme were disclosed in the Company's 2004 annual report. As at the date of this report, no option has been granted by the Company under the scheme.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2005.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2005.

CORPORATE GOVERNANCE

(a) Compliance with the Code on Corporate Governance Practices

In the opinion of the directors, save as disclosed below, the Company has complied with the code provisions (the "Code Provisions") set out in the Code of Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules for the six months ended 30 June 2005.

Under the Code Provisions A.4.1 and A.4.2, non-executive directors should be appointed for a specific term and every director should be subject to retirement by rotation at least once every three years. The existing non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's current Articles of Association (the "Articles of Association"). Moreover, according to the Articles of Association, a number not exceeding one-third of the directors for the time being shall retire from office by rotation at each annual general meeting and the directors to retire by rotation shall be those who have been longest in office since their last re-election or appointment. The appointment of non-executive directors and the Articles of Association do not comply fully with the Code Provisions. The directors will review the appointment of non-executive directors and the relevant articles of the Articles of Association this year and propose ratifications and amendments, if necessary, to ensure compliance with the Code.

Under Code Provisions B.1.4 and C.3.4, the Company should make available the terms of reference of its remuneration committee and audit committee on request and by including the information on its website. Since the Company has yet established its own website, the above requirement regard to provide such information on website cannot be met accordingly. However, the terms of reference of the two committees are available on request. Furthermore, the Company has let a contract to construct its website and will endeavour to fully comply with the Code in this regard this year.

(b) Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, all directors have complied with the required standard set out in the Model Code for the six months ended 30 June 2005.

On behalf of the Board
David An
Chairman

Hong Kong, 24 August 2005