Stock Code: 554

INTERIM REPORT 2007

Hans Energy Company Limited
漢 思 能 源 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Corporate Information

BOARD OF DIRECTORS

Mr. David AN *(Chairman)*
Mr. FUNG Chi Kwan, Nicholas
Ms. LIU Zhijun
Mr. ZHANG Lei
Mr. LI Wai Keung*
Mr. LIU Jian*
Mr. CHAN Chun Wai, Tony*

* *Independent non-executive director*

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

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

Standard Chartered Bank
China Merchants Bank Dongguan Branch
Citic Industrial Bank Guangzhou Branch

AUDITORS

KPMG
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

Tricor Secretaries Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

WEBSITE

www.hansenergy.com

Contents

Management Discussion and Analysis

GROUP RESULTS

Financial Review

During the first half of 2007, the core business of the Group remained the operations of the port jetty and tank farm in Xiao Hu Island of Nansha, Panyu, Guangdong Province in the PRC ("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 2007 was HK$78.0 million (2006: HK$84.6 million), representing a decrease of 7.8% over the same period in 2006. The profit from ordinary activities attributable to shareholders was HK$27.3 million (2006: HK$97.9 million), representing a decrease of 72.2% over the corresponding period last year. The drop of profit was mainly attributable to the fact that there was a compensation income of HK$87.0 million received in 2006, which was an incomparable item between the two years. Taking out this effect, there was an improvement of bottom line of HK$9.3 million.

The basic Earnings per Share for the six months ended 30 June 2007 were 1.10 Hong Kong cents (2006: 3.74 Hong Kong cents). The diluted Earnings per Share were 0.92 Hong Kong cents (2006: 2.69 Hong Kong cents). The decrease was attributable to the decrease in net profit in the period. The basic Earnings per Share were also affected by the conversion of the convertible note in the amount of HK$210,000,000 by the note holder during the period. The conversion increased the number of shares issued.

	Six months ended 30 June 2007 *(HK$'000)*	Six months ended 30 June 2006 *(HK$'000)*	Changes %
Turnover	**77,987**	84,586	-7.8
Earnings before interest and tax ("EBIT")	**44,334**	126,993	-65.1
Profit for the period	**30,887**	108,547	-71.2
Profit attributable to equity shareholders	**27,271**	97,915	-72.2
EBITDA	**57,556**	140,888	-59.2
Net profit margin	**35.0%**	115.8%	
Basic earnings per share (HK cents)	**1.10**	3.74	-70.6
Diluted earnings per share (HK cents)	**0.92**	2.69	-65.8

Management Discussion and Analysis

Business Review

The operational results of the Group's core business of the oil and petrochemical terminal located in XHIT were as follows:

Operational Statistics	**Six months ended 30 June 2007**	Six months ended 30 June 2006	Change %
Number of vessels visited			
– foreign	**138**	130	+5.3
– domestic	**510**	1,593	-43.4
Number of trucks served to pick up cargoes	**9,906**	12,650	-21.7
Number of drums filled	**19,679**	24,235	-18.8
Transshipment volume (metric ton)			
– oils	**2,000**	10,925	-81.7
– petrochemicals	**100,728**	100,857	-0.1
Port jetty throughput (metric ton)	**951,807**	2,476,726	-61.6
Tank farm throughput (metric ton)	**460,048**	1,258,747	-63.5

XHIT continues to contribute the major source of revenue to the Group. During the year, it recorded that 138 foreign tankers berthed for unloading cargoes (2006: 131) and total throughput of 952,000 metric tons (2006: 2,476,000 metric tons) in XHIT. The number of foreign tankers berthed for unloading in 2007 was still hampered by the hanging-high international oil price coupled with controlled retail price of refined oil.

Revenue breakdown

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

	Six months ended 30 June 2007		Six months ended 30 June 2006	
	(HK$'000)	**%**	*(HK$'000)*	%
Terminal, storage and transshipment services	**73,750**	**94.6**	76,590	90.23
Port income	**4,237**	**5.4**	7,996	9.77

Management Discussion and Analysis

Results of oil and petrochemical products storage and terminal business in XHIT

For the half year ended 30 June, 2007, turnover from the provision of terminal storage and transshipment facilities segment decreased from HK$ 76.6 million to HK$73.8 million, representing an drop of 3.7% whereas the segment profit for the same period decreased originally from HK$55.1 million to HK$53.1 million, representing a decrease of 3.5%. The drop in turnover and profit was mainly attributable to the decrease in number of vessels visited and the quantity of cargoes loaded and discharged in XHIT port. The international oil prices stood high while the domestic retail prices were still under governmental controls. The adverse situation to refined oil importers forced them to reduce importation of oils into China. The transshipment income and incidental handling fees decreased as well in this regard.

For the six months ended 30 June, 2007, turnover from port income dropped approximately 47.0% from HK$8.0 million to HK$4.2 million and the segment profit decreased from approximately HK$6.7 to HK$3.6 million, representing an decrease of 45.6%. Port income mainly comprises the port charge for every metric ton cargoes discharged at XHIT. The decrease in turnover and profit for this segment was in line with the decrease in port throughput and the drop in number of tankers berthed in XHIT during the period.

OUTLOOK

Last year, we predicted that after the retail market of product oils in China being opened to foreign players by the end of 2006, the controls to domestic oil price might be loosen. However, there was no significant price reform to move closer to international prices. Nevertheless, the opening up of the market attracted renowned international oil players into this blooming and buoyant market. In this connection, the demand for product oil storage and terminal facilities is surging as we received numerous enquiries regarding our existing XHIT and new facilities in Dongguan. The Group has planned for expansion in XHIT as well as other projects both inside and outside China.

- *XHIT Terminal Business*

  Following several phases of expansion since the commencement of its operation, XHIT has reached its full strength in leasing out both docking capacity and storage capacity. However, in order to keep up with the demand of terminal and storage facilities, the utilization of the existing site will be optimised and additional land will be requested for an expansion of storage capacity of about 80,000 cubic metres of petrochemical tanks in XHIT. The expansion plan will be carried out in the second half of 2007 and new facilities will be commissioned in early 2008. It is believed that XHIT will soon be able to obtain sufficient leasing orders for the new additional tanks. XHIT is among the very few terminals in the Pearl River Delta region that can provide specialized and integrated terminal and storage services with facilities of its size, which distinguishes it as a sizable port to distribute large volume frequent flows of oil products from other storage service providers in the region.

Management Discussion and Analysis

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

  The construction of a new terminal in Dongguan is undergoing as scheduled except that the completion may extend to the second quarter of 2008. As economic globalization has become a tendency, ports are playing a more important role in international trade. The opening up of the refined oil retail market in China attracted international oil players into the growing market. DZIT is designed to become a distribution centre and a logistic hub for raw materials, energy resources and finished products. Negotiations with potential leasing customers have been undergoing well. The response is positive and encouraging. Various multinationals have expressed their interests in utilizing DZIT facilities to establish their presence and inventories in preparing the entrance into the most affluent region of the country.

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

  The recent announcements from the PRC government encouraged private sector to participate in national oil reserves in the country, the petrochemical production industry has flourished with robust development in the country. Domestic or foreign enterprises are either constructing new oil refineries or expanding production capacity of their current oil refineries. Furthermore, the international demand for crude oil has been constantly surging and the international refinery capacities have been increasing. Thus, the domestic and international demand for storage ancillary facilities and service in respect of crude oil terminals continues to surge. At present, supply of large-scale modernized crude oil terminals and storage ancillary facilities in the Asia Pacific region and China are inadequate. In order to sustain the leadership of the Group in the industry, and the development of the Group's core business, increase our market share and strengthen ourselves through expansion, the Group has announced the signing of a framework agreement with Taishan Municipal Government in April this year, to explore the development of a deep water crude oil terminal in an offshore island outside the Taishan City. We will expand our bonded storage and terminal business in order to extend our coverage into the Asia Pacific region by connecting by pipeline network to large refineries within the region. The preparation works have been started and it is planned to apply with all relevant authorities for approval this year to strive for substantial return to shareholders by capitalizing on this golden opportunity and leveraging on robust growth of the industry.

INTERIM DIVIDEND

The directors do not recommend any interim dividend for the six months ended 30 June 2007 (2006: HK$nil).

Management Discussion and Analysis

CAPITAL STRUCTURE, LIQUIDITY AND GEARING

The capital structure of the Group changed as portion of the convertible note with face value of HK$210 million was converted to common shares of the Company during the period under review. In this connection, the shareholders' equity increased by HK$210 million while the convertible note in the non-current liabilities were reduced by HK$195.3 million. Futhermore, the Company bought back 14,508,000 common shares of the Company from The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). (Details please refer to OTHER INFORMATION section.)

In July 2007, the convertible note holder exercised his right to convert the remaining note balance of HK$171 million for 570,000,000 common shares of the Company. As such all of the outstanding convertible note has been completely converted to common share of the Company.

As at 30 June 2007, the Group had a cash balance of approximately HK$182.2 million (31 December 2006: HK$212.8 million). Most of the funds were held in HK$, RMB and US$.

As at 30 June 2007, the Group had a current ratio of 1.69 (31 December 2006: 1.90). The change in current ratio was in line with the net profit and the funds utilized for the construction of the new terminal in Dongguan during the period.

The Group's gearing ratio as at 30 June 2007 was 0.66 (31 December 2006: 1.01) (defined as total liabilities to total assets). The main reasons of the change is the conversion of convertible note into shares.

FINANCIAL RESOURCES

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 and construction of XHIT expansion and new terminal in Dongguan, 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

The finance cost for the six months ended 30 June 2007 marginally increased by HK$173,000 to HK$6.9 million.

Management Discussion and Analysis

TAXATION

The Group had no assessable profit subject to Hong Kong Profits Tax for the period. On the other hand, this year is the fourth 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 until 2009.

EXPOSURE TO FLUCTUATION IN EXCHANGES RATE AND RELATED HEDGE

The Group's cash and cash equivalents are held 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 2007, none of the assets of the Group was pledged.

CONTINGENT LIABILITIES

At 30 June 2007, the Group has no material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

The Group had a workforce of approximately 250 people. Salaries of employees are maintained at competitive level with reference to the relevant market and are performance driven.

Independent Review Report to the Board of Directors of Hans Energy Company Limited

INTRODUCTION

We have reviewed the interim financial report set out on pages 9 to 24, which comprises the consolidated balance sheet of Hans Energy Company Limited as of 30 June 2007 and the related consolidated statements of income, and changes in equity and condensed consolidated statement of cash flows for the six months period then ended and explanatory notes. 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 relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2007 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

21 August 2007

Consolidated Income Statement

for the six months ended 30 June 2007 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2007 $'000	2006 $'000
Turnover	2	**77,987**	84,586
Cost of sales		**(21,173)**	(22,780)
Gross profit		**56,814**	61,806
Compensation income	3	**-**	86,971
Other net income	4	**2,384**	4,443
Administrative expenses		**(14,864)**	(26,227)
Profit from operations		**44,334**	126,993
Finance costs	5(a)	**(6,909)**	(6,736)
Profit before taxation	5	**37,425**	120,257
Income tax	6	**(6,538)**	(11,710)
Profit for the period		**30,887**	108,547
Attributable to:			
Equity shareholders of the Company		**27,271**	97,915
Minority interests		**3,616**	10,632
Profit for the period		**30,887**	108,547
Earnings per share	7		
Basic		**1.10 cents**	3.74 cents
Diluted		**0.92 cents**	2.69 cents

Consolidated Balance Sheet

At 30 June 2007 – unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 June 2007 $'000	At 31 December 2006 $'000
Non-current assets			
Fixed assets			
– Property, plant and equipment	8	**287,381**	281,612
– Construction in progress		**153,545**	121,896
– Interests in leasehold land held for own use under operating leases		**21,295**	21,194
Intangible assets		**6,996**	6,522
		469,217	431,224
Current assets			
Interest in leasehold land held for own use under operating leases		**1,556**	1,480
Inventories – consumable parts		**3,544**	2,522
Trade and other receivables	9	**15,501**	13,170
Cash and cash equivalents		**182,227**	212,811
		202,828	229,983
Current liabilities			
Accrual and other payables		**31,561**	32,270
Deferred revenue		**87,427**	84,239
Amount due to a related company		**656**	630
Current taxation		**312**	4,196
		119,956	121,335
Net current assets		**82,872**	108,648
Total assets less current liabilities		**552,089**	539,872

Consolidated Balance Sheet

At 30 June 2007 – unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 June 2007 $'000	At 31 December 2006 $'000
Non-current liabilities			
Deferred revenue		**155,301**	188,771
Convertible notes	10	**159,058**	349,351
Deferred tax liabilities		**7,730**	5,539
		322,089	543,661
Net assets/(liabilities)		**230,000**	(3,789)
Capital and reserves			
Share capital		**316,264**	247,715
Reserves		**(114,029)**	(274,622)
Total equity attributable to equity shareholders of the Company		**202,235**	(26,907)
Minority interests		**27,765**	23,118
Total equity		**230,000**	(3,789)

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007 – unaudited
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Special reserve	Translation reserve	Capital reserve	PRC statutory reserve	Accumulated losses	Total	Minority interests	Total equity
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2007	247,715	442,914	(251,428)	7,392	41,856	31,024	(546,380)	(26,907)	23,118	(3,789)
Exchange differences arising from translation of operations outside Hong Kong	-	-	-	11,899	-	-	-	11,899	1,031	12,930
Issue of shares on exercise of convertible notes *(note 10)*	70,000	150,958	-	-	(23,070)	-	-	197,888	-	197,888
Share repurchased *(note (a))* – par value and premium paid	(1,451)	(6,465)	-	-	-	-	-	(7,916)	-	(7,916)
Profit for the period	-	-	-	-	-	-	27,271	27,271	3,616	30,887
At 30 June 2007	316,264	587,407	(251,428)	19,291	18,786	31,024	(519,109)	202,235	27,765	230,000
At 1 January 2006	262,000	492,002	(251,428)	2,355	41,856	22,074	(671,648)	(102,789)	19,371	(83,418)
Exchange differences arising from translation of operations outside Hong Kong	-	-	-	2,926	-	-	-	2,926	256	3,182
Profit for the period	-	-	-	-	-	-	97,915	97,915	10,632	108,547
At 30 June 2006	262,000	492,002	(251,428)	5,281	41,856	22,074	(573,733)	(1,948)	30,259	28,311

Note:

(a) During the period, the Company repurchased 14,508,000 ordinary shares on The Stock Exchange of Hong Kong Limited at a weighted average price of $0.525 per share. The repurchased shares were cancelled and accordingly the issued capital of the Company was reduced by the nominal value of these shares. The premium paid on the repurchase of the shares of $6,465,000 was charged to share premium. Particulars of the shares repurchased during the period are as follows:

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007 – unaudited
(Expressed in Hong Kong dollars)

Month/year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		$	$	$'000
January 2007	4,174,000	0.50	0.50	2,129
February 2007	10,334,000	0.55	0.52	5,787
	14,508,000			7,916

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2007 - unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2007	2006
	$'000	*$'000*
Cash generated from/(used in) operations	**16,149**	(5,484)
Tax paid	**(5,953)**	(3,204)
Net cash generated from/(used in) operations	**10,196**	(8,688)
Net cash used in investing activities	**(36,951)**	(10,132)
Net cash used in financing activities	**(9,799)**	(1,889)
Net decrease in cash and cash equivalents	**(36,554)**	(20,709)
Cash and cash equivalents at 1 January	**212,811**	354,234
Effect of foreign exchange rate changes	**5,970**	2,543
Cash and cash equivalents at 30 June	**182,227**	336,068

Notes on Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issuance on 21 August 2007.

The accounting policies have been consistently applied by Hans Energy Company Limited ("the Company") and its subsidiaries ("the Group") and are consistent with those adopted in the 2006 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set out financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity,* issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 8.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The Board of Directors has determined the accounting policies expected to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2007, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or available for voluntary early adoption in the annual financial statements for the year ending 31 December 2007 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequently to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim report.

The financial information relating to the financial year ended 31 December 2006 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2006 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2007.

Notes on Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

2 SEGMENT REPORTING

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

Reporting information on the Group's business segments is as follows:

	Turnover		Segment results	
	Six months ended 30 June		Six months ended 30 June	
	2007	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*
Provision of transshipment and storage facilities	**73,750**	76,590	**53,177**	55,120
Port income	**4,237**	7,996	**3,637**	6,686
	77,987	84,586	**56,814**	61,806
Compensation income			**-**	86,971
Interest income			**1,721**	3,837
Unallocated corporate income			**663**	606
Unallocated corporate expenses			**(14,864)**	(26,227)
Profit from operations			**44,334**	126,993
Finance costs			**(6,909)**	(6,736)
Profit before taxation			**37,425**	120,257
Income tax			**(6,538)**	(11,710)
Profit for the period			**30,887**	108,547

Notes on Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

3 COMPENSATION INCOME

During the six months ended 30 June 2006, the Group received compensation from a third party of $86,971,000, in respect of loss of income caused by the construction work carried out adjacent to Xiao Hu Island Terminal by the third party. There are no unfilled conditions and other contingencies attached to the receipt or usage of this compensation income.

No compensation income was received for the six months ended 30 June 2007.

4 OTHER NET INCOME

	Six months ended 30 June	
	2007	2006
	$'000	*$'000*
Interest income	**1,721**	3,837
Rental receivable from investment property	**296**	288
Others	**367**	318
	2,384	4,443

Notes on Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		Six months ended 30 June	
		2007	2006
		$'000	*$'000*
(a)	Finance costs:		
	Interest on convertible notes	**6,909**	6,736
(b)	Staff costs:		
	Contributions to defined contribution retirement plan	**377**	459
	Salaries, wages and other benefits	**5,609**	5,255
	Directors' salaries and other benefits	**2,091**	12,133
	Total staff costs	**8,077**	17,847
(c)	Other items:		
	Depreciation and amortisation	**13,222**	13,895
	Loss on disposal of property, plant and equipment	**44**	16
	Operating lease charges:		
	minimum lease payment – buildings	**1,361**	1,868

Notes on Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

6 INCOME TAX

	Six months ended 30 June	
	2007	2006
	$'000	*$'000*
The charge comprises:		
Current tax – PRC Enterprise Income Tax		
for the period	**1,863**	8,779
Deferred taxation	**4,675**	2,931
	6,538	11,710

No Hong Kong Profits Tax was provided as the Group sustained a loss for Hong Kong Profits Tax purposes for the period.

One of the subsidiaries in the People's Republic of China (the "PRC"), 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 operation 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.

The detailed implementation rules regarding the specific tax policies for port operation business under the new Corporate Income Tax Law of the People's Republic of China have yet to be made public. Therefore, it is possible GD (Panyu)'s tax rate may increase in the future.

Notes on Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

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	
	2007	2006
	$'000	*$'000*
Profit attributable to ordinary equity shareholders (basic)	**27,271**	97,915
Effect of interest on liability component of convertible notes	**6,909**	6,736
Profit attributable to ordinary equity shareholders (diluted)	**34,180**	104,651

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,468,734,619**	2,620,000,000
Effect of conversion of convertible notes	**1,266,132,597**	1,270,000,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**3,734,867,216**	3,890,000,000

8 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2007, the Group acquired items of dock and storage facilities with a cost of approximately $6,503,000 (six months ended 30 June 2006: $432,000). Motor vehicles with net book value of approximately $154,000 were disposed of during the six months ended 30 June 2007 (six months ended 30 June 2006: $45,000), resulting in a loss on disposal of approximately $44,000 (six months ended 30 June 2006: $16,000).

Notes on Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

9 TRADE AND OTHER RECEIVABLES

Subject to negotiation, credit is generally only available to major customers with well-established trading records. 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 $5,140,000 (31 December 2006: $6,673,000) with the following ageing analysis as of the balance sheet date.

	At 30 June 2007	At 31 December 2006
	$'000	*$'000*
Due within 30 days	**5,140**	6,673

10 CONVERTIBLE NOTES

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

The convertible notes bear interest at 1% per annum and are redeemable at par on 24 December 2009. The holder of the convertible notes has the rights to convert all or any portion of the convertible notes into ordinary shares of the Company at an initial conversion price of $0.30 per share. The conversion rights can be exercised at any time from the date of issue until the repayment of the convertible notes, 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 exercised its rights to convert part of the convertible notes with a principal amount of $300 million for the issue of 1,000 million ordinary shares of $0.10 each at the conversion price of $0.30 each.

On 29 June 2007, Vand Petro-Chemicals exercised its rights to convert part of the convertible notes with a principal amount of $210 million for the issue of 700 million ordinary shares of $0.10 each at the conversion price of $0.30 each.

Notes on Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

11 COMMITMENTS

(a) Capital commitments

At 30 June 2007, the Group had capital expenditure contracted for but not provided in the interim financial report in respect of acquisition of port facilities amounted to $121,123,000 (31 December 2006: $112,387,000).

At 30 June 2007, the Group had capital expenditure not contracted for but approved by the board and not provided in the interim financial report in respect of terminal development and acquisition of storage facilities amounted to approximately $378 million (31 December 2006: $390 million).

(b) Operating lease arrangements

At 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:

	At 30 June 2007 **$'000**	At 31 December 2006 $'000
Within one year	**924**	3,137
In the second to fifth year inclusive	**-**	367
	924	3,504

Notes on Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

12 MATERIAL RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following significant transactions with related parties:

(a) Related parties, other than connect persons

			Six months ended 30 June	
Name of party	**Nature of transactions**		**2007**	2006
		Note	***$'000***	*$'000*
Vand Petro-Chemicals	Interest paid or payable on convertible notes	*(i)*	**1,921**	1,921

Note (i): Interest paid was charged at 1% on the principal amount of the convertible notes. As at 30 June 2007, interest due to Vand Petro-Chemicals amounted to $1,921,000 (31 December 2006: $1,921,000).

Vand Petro-Chemicals is under common control by a director of the Company.

(b) Key management personnel remuneration

Remuneration for key management personnel in form of salaries, other allowances, discretionary bonuses and retirement scheme contribution is as follows:

	Six months ended 30 June	
	2007	2006
	$'000	*$'000*
Short-term employee benefits	**2,591**	12,413
Post-employment benefits	**48**	78
	2,639	12,491

Notes on Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

13 POST BALANCE SHEET EVENT

On 12 July 2007, the Company's controlling shareholders, Vand Petro-Chemicals entered into an agreement with a third party ("the acquirer") to sell 370,000,000 ordinary shares (representing approximately 9.91% of the enlarged issued share capital of the Company upon full conversion of the convertible notes) to the acquirer, for a consideration of $1.10 per share.

On 13 July 2007, Vand Petro-Chemicals exercised its rights to convert all of the outstanding convertible notes with a principal amount of $171 million for the issue of 570 million ordinary shares of $0.10 each at the conversion price of $0.30 each.

Other Information

REVIEW OF THE INTERIM REPORT

The Group's interim report for the six months ended 30 June 2007 has not been audited but has been reviewed by the Audit Committee and auditors of the Company, Messrs. KPMG.

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

As at 30 June 2007, the interests and short positions of directors 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 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 *(note 3)*	Corporate	2,343,659,980 *(note 1)*	Nil	74.10%	Nil
	Corporate	570,000,000 *(note 2)*	Nil	18.02%	Nil

Notes:

1. The shares are held directly as to 209,773,980 shares by Extreme Wise Investments Limited ("Extreme Wise") and 2,133,886,000 shares by 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 2,343,659,980 shares.

Other Information

2. 570,000,000 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 570,000,000 shares.

3. Mr. David An being a director of the Company, is also acting as the Chief Executive of the Company.

Save as disclosed above, as at 30 June 2007, none of the directors 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 2007, 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	6.63%	Nil
Vand Petro-Chemicals	2,133,886,000	Nil	67.47%	Nil
	570,000,000 *(note 1)*	Nil	18.02%	Nil

Notes:

1. 570,000,000 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 570,000,000 shares.

Other Information

Save as disclosed above, as at 30 June 2007, 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 16th December 2002, the Company adopted a share option scheme, which will remain in force for a period of 10 years from adoption of such scheme and will expire on 15th 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

During the six months ended 30 June 2007, the Company repurchased its shares through the Stock Exchange as follows:

Month of purchase	Number of ordinary shares repurchased	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
January 2007	4,174,000	0.50	0.50	2,129
February 2007	10,334,000	0.55	0.52	5,787
	14,508,000			7,916

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

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

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

Other Information

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 2007.

CORPORATE GOVERNANCE

(a) *Compliance with the Code on Corporate Governance Practices*

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules. The Company has fully complied with the Code Provisions. The Company regularly reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

(b) *Compliance with the Model Code*

The Company has adopted 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 2007.

On behalf of the Board
David An
Chairman

Hong Kong, 21 August 2007