HANS ENERGY COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 554)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

The Board of Directors (the "Directors") of Hans Energy Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005
Expressed in Hong Kong dollars

	Note	**2005** **'000**	2004 '000 *(restated)*
Turnover	*3*	**$201,802**	$192,184
Cost of sales		**(47,461)**	(42,099)
Gross profit		**$154,341**	$150,085
Other net income	*4*	**8,787**	1,785
Administrative expenses		**(33,328)**	(15,204)
Profit from operations		**$129,800**	$136,666
Finance costs	*5(a)*	**(19,060)**	(9,060)
Gain on disposal of subsidiaries		**—**	6,432
Profit before taxation	*5*	**$110,740**	$134,038
Income tax	*6*	**(7,631)**	(9,699)
Profit for the year		**$103,109**	$124,339
Attributable to:			
Equity shareholders of the company		**$92,569**	$114,769
Minority interests		**10,540**	9,570
Profit for the year		**$103,109**	$124,339
Dividends payable to equity shareholders of the company attributable to the year:	*7*		
Interim dividend declared during the year		**$—**	$50,000
Final dividend proposed after the balance sheet date		**—**	26,200
		$—	$76,200
Earnings per share	*8*		
— basic		**3.86 cents**	20.81 cents
— diluted		**2.80 cents**	19.09 cents

CONSOLIDATED BALANCE SHEET

At 31 December 2005

Expressed in Hong Kong dollars

	Note	2005 '000	2004 '000 (restated)
Non-current assets			
Fixed assets			
— Property, plant and equipment		**$300,307**	$295,422
— Construction in progress		**32,760**	29,800
— Interests in leasehold land held for own use under operating leases		**22,164**	23,125
Intangible assets		**5,904**	—
		$361,135	$348,347
Current assets			
Interests in leasehold land held for own use under operating leases		**$1,425**	$1,425
Inventories — consumable parts		**2,152**	2,067
Trade and other receivables	*10*	**15,092**	40,090
Pledged bank deposits		**600**	8,523
Cash and cash equivalents		**354,234**	497,369
		$373,503	$549,474
Current liabilities			
Trade and other payables	*11*	**$16,814**	$30,612
Deferred revenue	*12*	**85,918**	86,388
Amounts due to related companies		**615**	103,533
Current taxation		**1,216**	5,855
Promissory notes		**105,000**	105,000
Bank loans		**—**	160,174
		$209,563	$491,562
Net current assets		**$163,940**	$57,912
Total assets less current liabilities		**$525,075**	$406,259
Non-current liabilities			
Deferred revenue	*12*	**$261,666**	$326,981
Convertible notes	*13*	**339,578**	681,000
Deferred tax liabilities		**7,249**	—
		$608,493	$1,007,981
Net liabilities		**$(83,418)**	$(601,722)
Capital and reserves			
Share capital		**$262,000**	$152,000
Reserves		**(364,789)**	(762,235)
Total equity attributable to equity shareholders of the company		**$(102,789)**	$(610,235)
Minority interests		**19,371**	8,513
Total equity		**$(83,418)**	$(601,722)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2005

Expressed in Hong Kong dollars

	Share capital '000	Share premium '000	Special reserve '000	Translation reserve '000	PRC statutory reserve '000	Accumulated profits/ (losses) '000	Total '000	Minority interests '000	Total equity '000
At 1 January 2004	$1	$—	$—	$(526)	$5,165	$95,123	$99,763	$52,096	$151,859
Exchange adjustment	—	—	—	—	—	—	—	345	345
Exchange differences arising from translation of operations outside Hong Kong	—	—	—	2,676	—	—	2,676	—	2,676
Acquisition of subsidiaries	151,999	202,986	(251,428)	—	—	(881,000)	(777,443)	—	(777,443)
Transfers	—	—	—	—	16,909	(16,909)	—	—	—
	$152,000	$202,986	$(251,428)	$2,150	$22,074	$(802,786)	$(675,004)	$52,441	$(622,563)
Profit for the year	—	—	—	—	—	114,769	114,769	9,570	124,339
Dividend	—	—	—	—	—	(50,000)	(50,000)	—	(50,000)
At 31 December 2004									
— as previously reported	$152,000	$202,986	$(251,428)	$2,150	$22,074	$(738,017)	$(610,235)	$62,011	$(548,224)
Reclassification of payable to minority shareholders	—	—	—	—	—	—	—	(53,498)	(53,498)
— as reclassified	$152,000	$202,986	$(251,428)	$2,150	$22,074	$(738,017)	$(610,235)	$8,513	$(601,722)

	Share capital '000	**Share premium '000**	**Special reserve '000**	**Translation reserve '000**	**Capital reserve '000**	**PRC statutory reserve '000**	**Accumulated profits/ (losses) '000**	**Total '000**	**Minority interests '000**	**Total equity '000**
At 1 January 2005										
— as reclassified before opening balance adjustments	**$152,000**	**$202,986**	**$(251,428)**	**$2,150**	**$—**	**$22,074**	**$(738,017)**	**$(610,235)**	**$8,513**	**$(601,722)**
— opening balance adjustment — HKAS 39	**—**	**—**	**—**	**—**	**74,813**	**—**	**—**	**74,813**	**—**	**74,813**
At 1 January 2005, after opening balance adjustment	**$152,000**	**$202,986**	**$(251,428)**	**$2,150**	**$74,813**	**$22,074**	**$(738,017)**	**$(535,422)**	**$8,513**	**$(526,909)**
Exchange adjustment	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**318**	**318**
Exchange differences arising from translation of operations outside Hong Kong	**—**	**—**	**—**	**205**	**—**	**—**	**—**	**205**	**—**	**205**
Issue of shares on exercise of convertible notes	**100,000**	**201,631**	**—**	**—**	**(32,957)**	**—**	**—**	**268,674**	**—**	**268,674**
Issue of shares	**10,000**	**87,385**	**—**	**—**	**—**	**—**	**—**	**97,385**	**—**	**97,385**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**92,569**	**92,569**	**10,540**	**103,109**
Dividend	**—**	**—**	**—**	**—**	**—**	**—**	**(26,200)**	**(26,200)**	**—**	**(26,200)**
At 31 December 2005	**$262,000**	**$492,002**	**$(251,428)**	**$2,355**	**$41,856**	**$22,074**	**$(671,648)**	**$(102,789)**	**$19,371**	**$(83,418)**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2005

Expressed in Hong Kong dollars

	2005	2004
	'000	*'000*
Operating activities		
Profit before taxation	**$110,740**	$134,038
Adjustments for:		
— Interest income	**(7,342)**	(502)
— Finance costs	**19,060**	9,060
— Gain on disposal of subsidiaries	**—**	(6,432)
— Depreciation and amortisation	**26,165**	25,355
— Loss on disposal of property, plant and equipment	**93**	604
Operating cash flows before changes in working capital	**$148,716**	$162,123
Increase in inventories — consumable parts	**(85)**	(136)
Decrease/(increase) in trade and other receivables	**25,799**	(9,633)
(Decrease)/increase in trade and other payables	**(27,769)**	1,933
(Decrease)/increase in deferred revenue	**(65,785)**	398,780
Exchange differences	**(5,843)**	—
Cash generated from operations	**$75,033**	$553,067
PRC Enterprises Income Tax paid	**(14,309)**	(3,844)
Net cash generated from operating activities	**$60,724**	$549,223
Investing activities		
Disposal of investments in subsidiaries (net of cash and cash equivalents disposed of)	**$—**	$(62,338)
Additions of property, plant and equipment	**(24,351)**	(24,124)
Decrease/(increase) in pledged bank deposit	**7,923**	(7,923)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	**(3,468)**	83,829
Repayment of amount due from a related company	**8,171**	37,878
Interest received	**7,342**	502
Proceeds from disposal of property, plant and equipment	**341**	191
Purchase of intangible assets	**(935)**	—
Net cash (used in)/generated from investing activities	**$(4,977)**	$28,015
Financing activities		
Repayment of bank loans	**$(160,174)**	$(113,064)
Repayment of loans due to related companies	**(103,533)**	(94,651)
Interest paid	**(6,094)**	(9,060)
New bank loans raised	**—**	113,064
Advances from related companies	**—**	2,535
Dividend paid	**(26,200)**	—
Proceeds from issue of new shares	**97,385**	—
Net cash used in financing activities	**$(198,616)**	$(101,176)
Net (decrease)/increase in cash and cash equivalents	**$(142,869)**	$476,062
Cash and cash equivalents at beginning of the year	**497,369**	21,446
Effect of foreign exchange rate changes	**(266)**	(139)
Cash and cash equivalents at end of the year	**$354,234**	$497,369

NOTES ON THE FINANCIAL STATEMENTS

Expressed in Hong Kong dollars

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 2.

(b) Basis of preparation of the financial statements

On 5 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 $1,040,000,000 (the "Acquisition").

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

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

(b) as to $159,000,000, by the allotment and issue of 530,000,000 new ordinary shares of $0.1 each ("Consideration Share") by the Company to Vand Petro-Chemicals, credited as fully paid at an issue price of $0.30 per new share; and

(c) as the remaining $681,000,000, by the issue of a convertible notes ("Convertible Notes") 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 23 December 2004.

The Acquisition has been accounted for as a reverse acquisition because the issuance of the Consideration Shares and Convertible Notes 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 Group is deemed to have been acquired by the UPC Group. Along this principle, the consolidated financial statements in 2004 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.

The consolidated financial statements for the year ended 31 December 2005 comprise the Company and its subsidiaries.

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

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes to the financial statements.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005.

The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(a) Minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders (the equity shareholders of the Company).

With effect from 1 January 2005, in order to comply with HKAS 1 and HKAS 27, the Group has changed its accounting policy relating to presentation of minority interests. Under the new policy, minority interests are presented as part of equity, separately from interests attributable to the equity shareholders of the company. Further details of the new policy are set out in notes to the financial statements. These changes in presentation have been applied retrospectively with comparatives restated.

(b) Leasehold land and buildings held for own use (HKAS 17, Leases)

In prior year, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and impairment losses.

With effect from 1 January 2005, in order to comply with HKAS 17, the Group has adopted a new policy for leasehold land and buildings held for own use. Under the new policy, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the cost of the interest in any buildings situated on the leasehold land could be measured separately from the cost of the leasehold interest in the land at the time the lease was first entered into by the group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

Further details of the new policy are set out in notes to the financial statements.

(c) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

With effect from 1 January 2005, in order to comply with HKAS 32 and HKAS 39, the Group has changed its accounting policies relating to financial instruments to those as set out in notes to the financial statements. Further details of the changes on Convertible Notes are as follows:

In prior years, Convertible Notes issued were stated at amortised cost (including transaction costs).

With effect from 1 January 2005, and in accordance with HKAS 32 and HKAS 39, Convertible Notes issued are split into their liability and equity components at initial recognition. The liability component is subsequently carried at amortised cost. The equity component is recognised in the capital reserve until the notes are either converted (in which case it is transferred to share premium) or redeemed (in which case it is released directly to retained profits). Further details of the new policies are set out in notes to the financial statements.

The changes in accounting policies relating to Convertible Notes were adopted by way of opening balance adjustments to capital reserves and deferred tax liabilities as at 1 January 2005. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

(d) Definition of related parties (HKAS 24, Related party disclosures)

As a result of the adoption of HKAS 24, Related party disclosures, the definition of related parties as disclosed in notes to the financial statements has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had SSAP 20, Related party disclosures, still been in effect.

3 TURNOVER

The principal activities of the Group are provision of storage facilities for petro-chemical and transshipment services.

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

	2005 *'000*	2004 *'000*
Port income	**$18,820**	$23,632
Storage and transshipment income	**182,982**	168,525
Others	**—**	27
	$201,802	$192,184

4 OTHER NET INCOME

	2005 *'000*	2004 *'000*
Interest income	**$7,342**	$502
Rental receivable from investment properties	**136**	—
Others	**1,309**	1,283
	$8,787	$1,785

5 PROFIT BEFORE TAXATION

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

	2005 *'000*	2004 *'000*
(a) Finance costs:		
Interest on bank borrowings wholly repayable within five years	**$3,140**	$9,060
Interest on convertible notes	**15,920**	—
	$19,060	$9,060
(b) Staff costs:		
Contributions to defined contribution retirement plans	**$706**	$468
Salaries, wages and other benefits	**22,072**	12,256
Total staff costs	**$22,778**	$12,724
(c) Other items:		
Depreciation and amortisation	**$26,165**	$25,355
Auditors' remuneration		
— audit services	**1,080**	921
— review services	**370**	—
— under provision in prior year	**170**	—
Net foreign exchange gain	**(248)**	(106)
Operating lease charges: minimum lease payments — buildings	**2,005**	1,382

6 TAXATION

Taxation in the consolidated income statement represents:

	2005	2004
	'000	*'000*
Current tax — PRC Enterprise Income Tax for the year	**$10,205**	$9,699
Over-provision in prior years	**(535)**	—
Deferred tax — reversal of temporary differences	**(2,039)**	—
	$7,631	$9,699

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

The subsidiary in 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 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 1 January 2004.

Reconciliation between tax expense and accounting profit at applicable tax rate:

	2005	2004
	'000	*'000*
Profit before taxation	**$110,740**	$134,038
Tax at the applicable tax rate of 15%	**$16,611**	$20,106
Tax effect of expenses not deductible for tax purpose	**1,488**	108
Tax effect of income not taxable for tax purpose	**(1,202)**	(1,075)
Tax effect of tax losses not recognised	**1,963**	260
Over-provision in prior years	**(535)**	—
Effect of tax relief granted to a PRC subsidiary	**(10,694)**	(9,700)
Taxation charge for the year	**$7,631**	$9,699

7 DIVIDEND

	2005	2004
	'000	*'000*
Interim dividend paid	**$—**	$50,000
Proposed final dividend of $nil per share (2004: $1.0 Hong Kong cent per share)	**—**	26,200
	$—	$76,200

The interim dividend in 2004 represents dividend paid by UPC to its then shareholder prior to the acquisition in December 2004.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $92,569,000 (2004: $114,769,000) and the weighted average of 2,397,534,247 (2004: 551,639,344) ordinary shares in issue during the year, calculated as follows:

	2005	2004
	'000	*'000*
Issued ordinary shares at 1 January	**1,520,000**	530,000
Effect of issue of shares on exercise of convertible notes	**800,000**	—
Effect of issue of shares	**77,534**	21,639
Weighted average number of ordinary shares at 31 December	**2,397,534**	551,639

(b) Diluted earnings per share

The calculation of the diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $108,489,000 (2004: $114,769,000) and the weighted average of 3,870,273,973 (2004: 601,256,830) ordinary shares in issue during the year, calculated as follows:

	2005	2004
	'000	*'000*
Profit attributable to ordinary equity shareholders (basic)	**$92,569**	$114,769
Effect of interest on liability component of convertible notes	**15,920**	—
Profit attributable to ordinary equity shareholders (diluted)	**$108,489**	$114,769

	Number of shares	Number of shares
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,397,534**	551,639
Effect of conversion of convertible notes	**1,472,740**	49,618
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**3,870,274**	601,257

9 SEGMENT REPORTING

Business segments

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

Business segment information about these business is presented below:

2005

	Provision of transshipment and storage facilities *'000*	Port income *'000*	Consolidated *'000*
Turnover			
External sales	$182,982	$18,820	$201,802
Results			
Segment results	$138,807	$15,534	$154,341
Interest income			7,342
Unallocated corporate income			1,445
Unallocated corporate expenses			(33,328)
Profit from operations			$129,800
Finance costs			(19,060)
Profit before taxation			$110,740
Income tax			(7,631)
Profit for the year			$103,109
Assets			
Segment assets	$366,121	$3,456	369,577
Unallocated corporate assets			365,061
Total assets			734,638
Liabilities			
Segment liabilities	349,061	1,526	350,587
Unallocated corporate liabilities			467,469
Total liabilities			818,056
Other information			
Capital expenditure	26,740	—	26,740
Depreciation and amortisation			
Segment depreciation and amortisation	26,054	—	26,054
Unallocated depreciation and amortisation			111
Total depreciation and amortisation			26,165
Loss on disposal of property, plant and equipment	93	—	93

Business segment information about these business is presented below:

2004

	Trading of petro-chemical products *'000*	Provision of transshipment and storage facilities *'000*	Port income *'000*	Consolidated *'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 for the year				$124,339
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				1,074,289
Total liabilities				$1,499,543
Other information				
Capital expenditure	$—	$177,019	$—	$177,019
Depreciation and amortisation	$—	$25,355	$—	$25,355
Loss on disposal of property, plant and equipment	$—	$604	$—	$604

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

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

	Carrying amount of segment assets		**Additions to property, plant and equipment**	
	2005	2004	**2005**	2004
	'000	*'000*	***'000***	*'000*
PRC (other than Hong Kong)	**$626,570**	$834,065	**$26,515**	$176,184
Hong Kong	**108,115**	63,756	**225**	835
	$734,685	$897,821	**$26,740**	$177,019

10 TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables are trade receivables of $8,860,000 (2004: $19,564,000). The aged analysis of trade receivables at the balance sheet date is as follows:

	The group	
	2005	2004
	'000	*'000*
Due within 30 days	**$8,860**	$19,292
31–60 days	**—**	120
61–90 days	**—**	143
Over 90 days	**—**	9
	$8,860	$19,564

Included in trade and other receivables, amounts denominated in United Shares Dollars were US$355,000 (2004: nil).

11 TRADE AND OTHER PAYABLES

There were no trade payables at 31 December 2005. At 31 December 2004, included in trade and other payables were trade payable of $303,000. The aged analysis of trade payables at the balance sheet date is as follows:

	The group	
	2005	2004
	'000	*'000*
Due within 30 days	**$—**	$—
31–60 days	**—**	—
Over 90 days	**—**	303
	$—	$303

12 DEFERRED REVENUE

	The group	
	2005	2004
	'000	*'000*
Within one year	**$85,918**	$86,388
More than one year, but not exceeding two years	**77,580**	81,745
More than two years, but not exceeding five years	**184,086**	245,236
	$347,584	$413,369
Less: Amount due within one year shown under current liabilities	**(85,918)**	(86,388)
Amount due after one year	**$261,666**	$326,981

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

13 CONVERTIBLE NOTES

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

The Convertible Notes bear interest at 1% per annum and is 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, subject to adjustment. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Results

For the year ended 31 December 2005, the Group's results of the core business in Xiao Hu Island Terminal ("XHIT"), which was under the UPC Group acquired last year, recorded growth both in turnover and profit. Its turnover scored HK$201.8 million (2004: HK$192.2 million) and the profit attributable to shareholders of UPC Group was HK$121.1 million (2004: HK$108.3 million), representing an increase of 5.0% and 11.8% respectively as compared to last year. The net result margin of UPC Group increased to 60.0% as compared to 56.4% of last year.

	2005	**% of turnover**	2004	% of turnover
	HK$'000		*HK$'000*	
UPC Group				
Turnover	**201,802**	**100.0**	192,184	100.0
Gross profit	**154,341**	**76.5**	150,085	78.1
Net results	**121,093**	**60.0**	108,337	56.4
Non-UPC Group				
Net results	**(28,524)**	**(14.1)**	6,432	3.3
Group reported results	**92,569**	**45.9**	114,769	59.7

However, if we compared the reported profit attributable to shareholders of the Company, there was a decrease from HK$114.8 million to HK$92.6 million. The drop was mainly due to the fact that in 2004, the financial statements were prepared under the reverse acquisition accounting method in accordance with the Hong Kong Accounting Standards. Under the reverse takeover accounting, the 2004 profit reported did not include the operating results of certain companies of the Group. In addition, there was a gain on disposal of subsidiaries in 2004. Furthermore, when acquiring UPC Group last year, a convertible note of HK$681 million was issued as part of the consideration, which bears an interest rate of 1% per annum. However, in accounting for the interest on the convertible note for 2005, the Company could not apply the actual interest payment but had to accrue and charge to profit and loss by adopting effective interest method, which resulting an interest charge higher than the note rate of 1%, in compliance with the new HKFRSs. The effect to the net profit was HK$9.3 million in this regard. Accordingly, the Group's net profit was impacted yet the convertible note holder did not in effect receive any extra interest. If comparing on the same basis as last year, the profit in UPC Group would have been HK$121.1 million for the years 2005. The following are the key financial figures of the Group for the two years ended 31 December 2005:

	2005	2004	Increase/
	HK$'000	*HK$'000*	(decrease)
Turnover	**201,802**	192,184	5.0%
Earnings before interest and tax ("EBIT")	**129,800**	136,666	(5.0)%
Profit attributable to equity shareholders	**92,561**	114,769	(19.3)%
EBITDA	**155,965**	162,021	(3.7)%
Earnings per share (HK cents)	**3.86**	20.81	
Diluted earnings per share (HK cents)	**2.80**	19.09	
EBIT Margin	**64.3%**	71.1%	
Net profit margin	**45.9%**	59.7%	

The basic and diluted earnings per share ("EPS") for the year were 3.86 Hong Kong cents and 2.80 Hong Kong cents (2004: 20.81 Hong Kong cents and 19.09 Hong Kong cents respectively). The decreases of both basic and diluted EPS were attributable to the significant increase in number of ordinary shares issued by the Company during the year. The weighted average numbers of shares for the year ended 31 December 2005 in calculating basic and diluted EPS were 2,397,534,247 and 3,870,273,973 (2004: 551,639,344 shares and 601,256,830 shares respectively).

Business Review

The Group's core business remained the operations of the oil and petrochemical terminal located in Xiao Hu Island of Nasha, Panyu, Guangdong Province in the PRC. This business of XHIT is conducted by one of the Group's PRC subsidiaries, GD (Panyu). The operational results of XHIT were as follows:

Operational Statistics	**2005**	2004	Increase/ (decrease)
Total number of vessels visited	**3,078**	3,405	(9.6)%
Foreign vessels berthed for unloading cargoes	**309**	379	(18.5)%
Number of trucks served to pick up cargoes	**40,386**	21,377	88.9%
Number of drums filled	**44,519**	45,385	(1.9)%
Port jetty throughput (million metric ton)	**4.96**	4.66	6.4%
Tank farm throughput (million metric ton)	**5.70**	5.04	13.1%

XHIT is a comprehensive terminal and storage complex in Nansha Economic & Technological Development Zone, Panyu, Guangdong Province, the PRC, specialized in oil and liquid petrochemical products which comprises of a wharf with 5 docking spaces of capacity ranging from 500 deadweight tons (dwt) to 30,000 dwt. Apart from the wharf jetties, XHIT, after installing 4 more tanks during the year, currently has a total 86 tanks making the tank farm with a total storage capacity of 330,450 cubic metres. During the year, all of 86 storage tanks have been operating at close to full occupancy. Almost all the statistics in 2005 showed that the operations were busier than last year in terms of throughput of the port and the tank farm. Meanwhile, XHIT reported 309 and 379 foreign tankers berthed for unloading cargoes and total throughput of 4.960,000 metric tons and 4,660,000 metric tons in its terminal for the two years ended 31 December 2005. The decrease in number of foreign tankers berthed for unloading in 2005 was attributable to the rocketing of international oil price since last year. As international oil price stood high, refined oil importers reduced their volume of oils shipped into China as the margin between the import price and the domestic retail or wholesales price was very thin, not to mention that they had to face the negative margins at some of the time in 2005. The costs of holding cargoes were therefore relatively high. In this connection, fewer foreign tankers visited the Pearl River Delta, including XHIT during 2005. Nevertheless, the total throughputs for 2005 increased as the long-term lease entered into between GD (Panyu) and China Petroleum & Chemical Corporation Guangdong Branch ("Sinopec Guangdong") commenced operation during the year. Sinopec Guangdong utilized the tanks in XHIT for the distribution of oils in the Pearl River Delta region markets; thus the frequency in using our port and tanks by them was higher than that of other customers. Furthermore, there were four petrochemical storage tanks built during the year and became fully operational in the second half of the year, which contributed some of the increase in throughput of petrochemical products of the terminal as well.

Revenue Breakdown

The following is the breakdown of major revenue items and its related percentage of the XHIT for the two years ended 31 December 2005:

	2005		2004	
	HK$'000	*%*	*HK$'000*	*%*
Terminalling, storage services and transshipment services	**182,982**	**90.7**	168,525	87.7
Port income	**18,820**	**9.3**	23,632	12.3
Trading of oil petrochemical products	**—**	**—**	27	—

Segment results of XHIT

For the year ended 31 December 2005, turnover from the provision of transshipment and storage facilities segment increased from HK$168.5 million to HK$183.0 million, representing an increase of 8.6% whereas the segment profit for the same period increased from HK$129.0 million to HK$138.8 million, representing an increase of 7.6%. The increase in both turnover and segment profit was in line with the increase in throughput in 2005 and was attributable to the leasing of 4 new petrochemical products storage tanks built and completed in second half of 2005. The change in type of products stored in the tank farm as a result of the new tanks also accounted for the improvement in turnover and profit of the segment.

For the year ended 31 December 2005, turnover from port income dropped approximately 20.4% from HK$23.6 million to HK$18.8 million and the segment profit decreased from approximately HK$21.0 million to HK$15.5 million, representing an decrease of 26.1%. Port income mainly comprises the port charge for every metric ton cargoes discharged at XHIT. This port charge is provided for under the relevant laws and regulations of the PRC, and GD (Panyu) is authorized by the relevant government authorities to collect this fee on their behalf. Since GD (Panyu) is the owner and the operator of wharf terminal, GD (Panyu) is entitled to receive part of proceeds of port charge and recognizes them as port income. The rates of port charges applicable to foreign cargoes are normally higher than domestic cargoes. The decrease in turnover and profit for this segment was in line with the decrease in number of foreign tankers berthed in XHIT during the year.

For the year ended 31 December 2005, the revenue and the segment results from the trading of petrochemical products were both zero, compared with HK$27,000 and HK$27,000 respectively for the year ended 31 December 2004. The decrease in business is 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 continues its long-term business development strategy of being 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.

- *Business Development in XHIT*

  It is the Group's strategy to maintain its competitiveness within the region. XHIT will continue to improve its capabilities with state-of-art equipment and professional management skills. Four petrochemical tanks with a total capacity of 4,700 cubic metres were commissioned in June this year and started to bring additional revenue to the Group. At the same time, the Group has also development plans for further expansion within the site area including improvement in the capacity of truck loading stations, an information system enhancement project, as well as further jetty upgrading.

It is perceived that the supply of storage space in the region will increase in the coming years. XHIT will concentrate to improve its internal work process in order to reduce its operating costs, provide incremental value to customers without incurring extra costs, and eliminate unnecessary work steps. On the other hand, XHIT has initiated programs to maximize the utilization of the storage space for additional storage rental. Furthermore, XHIT will concentrate to develop international customers to keep, in our tank farm, their high value products which usually require special skills and experience to handle, thus the rental and the associated services are more profitable to the Group. We believe that with the advance equipment, skillful production knowledge, experienced terminal operation management, professional customer-oriented approach services, high safety standards in handling dangerous and hazardous products, XHIT has the abilities to derive new businesses and maximize the utilization of the terminal and storage capacity.

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.

- *Dongguan Terminal and Storage Facilities Project (Previously known as Pearl River Delta project)*

  On 21 October 2005, the Group received the notice from Dongguan Development and Reform Bureau confirming that the National Development and Reform Council of the PRC had officially granted an approval to the Group's project of developing a new oil, gas and liquid petrochemical storage facility, including jetty terminal with a capability to accommodate tankers with capacity up to 80,000 deadweight tons, in Dongguan Humen Port Shatian Harbour Area in the PRC. Since then, the pre-construction preparation works including land formation tests, site clean-up, harbour under-water landscape scanning, jetty terminal design and storage tank farm design have been completed. It is currently anticipated that the early phases of the new facility will become operational in second half of 2007. According to the current design, the storage tank farm may have a capacity of 910,000 cubic metres, and the terminal may have 12 jetties with docking capacities ranging from 500 to 80,000 deadweight tons. With the construction of the new facilities, the Group's storage capacity will increase by approximately 275% (from 330,450 cubic metres to 1,240,450 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).

  In establishing the business for this new operation, the Management will share the successful experience in XHIT, by all effort, to secure stable leasing orders for the storage tanks with the solid customer base established over the years. We are confident in this respect as the development of the Dongguan Terminal was originally aimed to capture the opportunity of the growing demand of storage facilities as the result of the expansion plan of adjacent refineries within the region. The Group's capital investment in the project is estimated to be in excess of RMB800 million. It is currently anticipated that the early phases of the new facility will become operational in second half of 2007. The Company believes that the Group's competitive strength in the Pearl River Delta region will be considerably enhanced once the facility becomes operational.

Financial Review

Capital structure, liquidity and gearing

The capital structure of the Group changed during the year. During the period, 1,000 million new ordinary shares were issued, as a result of the exercising of the right by the Convertible Note holder 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$339.6 million and an equity component of 41.9 million, which was reclassified in compliance with the new HKFRSs as at 31 December 2005. In addition, another 100 million new shares were issued during the year.

As at 31 December 2005, the Group had a cash balance of HK$354 million (2004: HK$497 million). Most of the funds were held in HK$, RMB and US$.

As at 31 December 2005, the Group had a current ratio of 1.78 (31 December 2004: 1.12). The improvement in current ratio was mainly due to the repayment of short-term bank borrowings, the reduction of trade payables and amount due to related companies during the year.

The Group's gearing ratio of as at 31 December 2005 was 1.11 (31 December 2004: 1.67) (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 new HKFRSs. Thirdly, the bank loans of HK$160.2 million and amount due to related companies of HK$103.5 million were settled during the year. 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 year. 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 HKFRSs, interest was accrued and charged to profit or loss by effective interest method. The total finance cost increased by HK$10 million to HK$19 million.

Taxation

The Group had no assessable profit subject to Hong Kong Profits Tax for the year. 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 the Nansha Economic Development Zone 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 31 December 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.

CORPORATE GOVERNANCE

The Company is committed to a high standard of corporate governance practices appropriate to the conduct and growth of its business.

The Company's corporate governance practices are based on the principles ("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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules"). The Company has complied with most of the Code Provisions save for certain deviations from the Code Provisions in respect of Code Provisions A.4.1 and A.4.2, details of which are explained below. The Company regularly reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Although the independent non-executive directors do not have a specific term of appointment, all the existing directors of the Company retire by rotation once every three years. There was no new director appointed to fill a casual vacancy during the year.

In order to ensure full compliance of the Company's Articles of Association with Code Provisions A.4.1 and A.4.2 of the CG Code, a special resolution will be proposed at the forthcoming annual general meeting of the Company to amend the Company's Articles of Association so that all directors (including the Managing Director or Joint Managing Director) will be subject to retirement by rotation once every three years and any new director appointed to fill a causal vacancy shall be subject to re-election by shareholders at the first general meeting after appointment.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2005, the Group had a workforce of 255 employees, 227 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 but not limited to retirement, medical, workman compensation and unemployment insurance as well as housing fund for every qualified employee in the PRC. With these insurance policies and staff benefits, the Group hopes to provide a reasonable welfare for each qualified employee.

REVIEW OF THE ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2005 has been reviewed by the Audit Committee of the Company.

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.

By Order of the Board
David An
Chairman

Hong Kong, 30 March 2006

As at the date of this announcement, the board of directors of the Company consists of Mr. David An, Ms. Feng Ya Lei, Mr. Zhou Nan Zheng and Mr. William W Liu as executive directors and Mr. Li Wai Keung, Mr. Liu Jian and Mr. Chan Chun Wai, Tony as independent non-executive directors.

Please also refer to the published version of this announcement in ***The Standard.***