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HANS ENERGY COMPANY LIMITED

漢思能源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 554)

GRANT OF RIGHTS FOR THE USE OF LAND AND COASTAL LINE IN DONGGUAN HUMEN PORT LISHA ISLAND AREA

DISCLOSEABLE TRANSACTION

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	3
Appendix — General Information	6

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

- “Board” means the board of Directors;
- “Coastal Line” means the coastal line of 650 metres in Dongguan Humen Port Lisha Island Area (虎門港立沙島作業區);
- “Company” means Hans Energy Company Limited, a limited company incorporated in Cayman Islands with limited liability, whose shares are listed on The Stock Exchange of Hong Kong Limited;
- “Director(s)” means the director(s) of the Company;
- “Dongguan Humen Port Management Committee” means Dongguan Humen Port Management Committee (東莞市虎門港管理委員會), a government body authorized to manage harbour matters within the Humen Port, Dongguan, the People’s Republic of China;
- “HK\$” means Hong Kong dollar, the lawful currency of Hong Kong;
- “Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;
- “Land” a piece of land adjacent to the Coastal Line with a total area of approximately 653.39 mou (equivalent to approximately 435,459 square metres) in Dongguan Humen Port Shatian Harbour Area (東莞虎門港沙田港區);
- “Land and Coastal Line Agreement” means the agreement dated 25 April 2006 and entered into between the PRC Subsidiary and Dongguan Humen Port Management Committee in relation to, among other things, the rights for use and development of the Land and the Coastal Line;
- “Latest Practicable Date” 15 May 2006, being the latest practicable date for ascertaining certain information included in this circular;
- “Listing Rules” means The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
- “PRC” means the People’s Republic of China;
- “PRC Subsidiary” means Guangzhou Economic and Technology Development Area Zhongsui Petrochemical Development Company Limited (廣州經濟技術開發區中穗石油化工發展有限公司), a company incorporated in the PRC and a subsidiary of the Company indirectly owned as to approximately 92% by the Company; to the best of the knowledge, information and belief, after having made all reasonable enquiries, the remaining approximately 8% interest in the PRC Subsidiary is indirectly owned by independent third parties (as defined in the Listing Rules);

DEFINITIONS

“RMB” means Renminbi, the lawful currency of the PRC; and

“Shareholder(s)” means the shareholder(s) of the Company.

For the purposes of this Circular, an exchange rate of RMB1: HK\$1.04 has been adopted.

The English text of this Circular shall prevail over the Chinese text.



HANS ENERGY COMPANY LIMITED

漢思能源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 554)

Executive Directors:

Mr. David An
Ms. Feng Ya Lei
Mr. Zhou Nan Zheng
Mr. William W Liu
Mr. Fung Chi Kwan, Nicholas
Ms. Liu Zhijun

Registered office:

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

Independent non-executive Directors:

Mr. Li Wai Keung
Mr. Liu Jian
Mr. Chan Chun Wai, Tony

*Head office and principal
place of business:*

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

19 May 2006

To the shareholders

Dear Sir or Madam,

**GRANT OF RIGHTS FOR THE USE OF LAND AND COASTAL LINE
IN DONGGUAN HUMEN PORT LISHA ISLAND AREA
DISCLOSEABLE TRANSACTION**

INTRODUCTION

On 27 April 2006, the Company announced, among other things, that the PRC Subsidiary, a subsidiary of the Company, has entered into the Land and Coastal Line Agreement with Dongguan Humen Port Management Committee on 25 April 2006 in relation to, among other things, the grant of rights for the use and development of the Land and the Coastal line for a term of 50 years subject to the terms and conditions contained therein. The transaction contemplated under the Land and Coastal Line Agreement constitutes a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules. This circular is intended to set out, among other things, details of the Land and Coastal Line Agreement to the Shareholders for information purpose.

LETTER FROM THE BOARD

THE LAND AND COASTAL LINE AGREEMENT

Date: 25 April 2006

Parties:

- the PRC Subsidiary
- Dongguan Humen Port Management Committee
(東莞市虎門港管理委員會)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Dongguan Humen Port Management Committee and its ultimate beneficial owner(s) are third parties independent of the Group and connected persons (as defined in the Listing Rules) of the Company.

Subject matter: The rights for the use and development of the land of approximately 653.39 mou (equivalent to approximately 435,459 square metres) (the "**Land**") and the coastal line of approximately 650 metres (the "**Coastal Line**") in Dongguan Humen Port Lisha Island Area (虎門港立沙島作業區) for a term of 50 years. The exact size and orientation of the Land shall be subject to the land use right licence granted by the State-owned Land Resources Management Bureau, Dongguan, the PRC (東莞市國土資源管理局).

Considerations and payment terms: The consideration payable under the Land and Coastal Agreement (based on 653.39 mou as the size of the Land) is RMB130,508,500 (equivalent to approximately HK\$125,488,942).

The consideration was arrived at and determined after arm's length negotiations between the parties.

The consideration shall be satisfied by installment in the following manner:

- 10% upon 10 days of the date of the Land and Coastal Line Agreement;
- 20% within 10 days from the delivery of the Land (the "**Delivery Date**");
- 25% upon the water, electricity and roads are connected to the Land; and
- 45% within 10 days from the date on which the land use right licence is granted.

The consideration will be funded by way of internal resources.

(Note: The PRC Subsidiary will apply to the State-owned Land Resources Management Bureau, Dongguan, the PRC (東莞市國土資源管理局) for the land use right licence and no further fee will be charged (other than the consideration as set forth in the Land and Coastal Line Agreement and management/administrative fee, if any) in respect of the rights for the use and development of the Land and Coastal Line.)

LETTER FROM THE BOARD

Usage: The Land and the Coastal Line shall be used for the development and operation of oil, gas and liquid petrochemical storage warehouse and port of the Group.

INFORMATION ON THE GROUP AND DONGGUAN HUMEN PORT MANAGEMENT COMMITTEE

The Group is principally engaged in the provision of specialized integrated terminalling, storage and logistics facilities and services for oil, gas and petrochemical products.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Dongguan Humen Port Management Committee (東莞市虎門港管理委員會) is a PRC government body authorised to manage matters in relation to the harbours in Dongguan Humen, the PRC.

REASONS FOR ENTERING INTO THE LAND AND COASTAL LINE AGREEMENT

The Group intends to enhance its competitive edge in the terminalling and storage business in the Pearl River Delta region in the PRC in the coming years. The Board considers that the entering into of the Land and Coastal Line Agreement will facilitate the Group in building and developing a new oil, gas and petrochemical terminal with storage facilities in Dongguan Humen, the PRC and will, upon implementation and operation of the facilities, enable the Group to enhance its market share in this industry.

It is currently anticipated that the project will become operational in the second half of 2007. According to the current design, the storage tank farm will have a capacity of 910,000 cubic metres, and the terminal will have 12 jetties with docking capacities ranging from 500 dwt to 80,000 dwt. With the construction of the new facilities, it is expected that 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).

The Directors are of the view that the terms of the Land and Coastal Line Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

The transaction contemplated under the Land and Coastal Line Agreement constitutes a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules.

Your attention is also drawn to the additional information set out in the appendix to this circular.

By order of the Board
Hans Energy Company Limited
David An
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company 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 are required 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 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 Listing Rules were as follows:

Ordinary shares of HK\$0.10 each of the Company (the "Shares")

Name of Director	Nature of interest	Number of Shares		Approximate percentage to the issued share capital of the Company	
		Long positions	Short positions	Long positions	Short positions
Mr. David An	Corporate	1,642,291,980	Nil	62.68%	Nil
		<i>(note 1)</i>			
	Corporate	1,270,000,000	Nil	48.47%	Nil
		<i>(note 2)</i>			

Notes:

- The shares are held directly as to 209,773,980 Shares by Extreme Wise Investments Limited ("Extreme Wise") and 1,432,518,000 Shares by Vand Petro-Chemicals (BVI) Company Ltd ("Vand Petro-Chemicals"), both companies are wholly-owned by Mr. David An. By virtue of the SFO, Mr. David An is deemed to be interested in the 1,642,291,980 Shares.
- 1,270,000,000 Shares (subject to adjustment) will be issued to Vand Petro-Chemicals upon its exercise of the conversion rights under the convertible note held by it. By virtue of the SFO, Mr. David An is deemed to be interested in the 1,270,000,000 Shares.

Save as disclosed above, as at the Latest Practicable date, none of the Directors and chief executive of the Company 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.

3. SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Directors or chief executive of the Company, none of the Shareholders, other than a Director or chief executive of the Company, had any interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or had, directly or indirectly, any interests in 10% of more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. LITIGATION

No member of the Group is engaged in any litigation or claims of material importance pending or threatened against any member of the Group.

5. SERVICE CONTACTS

None of the Directors has entered or has proposed to enter into any service agreements with any members of the Group (other than contracts expiring or determinable by the employer within one year).

6. COMPETING BUSINESS

None of the Directors and their respective associates have any interests in a business which compete or may compete with the business of the Group as at the Latest Practicable Date.

7. GENERAL

- (a) The registered office of the Company is P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.
- (b) The head office and principal place of business of the Company is Room 2708–12, 27th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.
- (c) The principal share registrar and transfer office is Bank of Butterfield International (Cayman) Limited at Butterfield House, Fort Street, P.O. Box 705, George Town, Grand Cayman, Cayman Islands and the Hong Kong branch share registrar and transfer office is Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (d) The company secretary and the qualified accountant of the Company appointed pursuant to Chapter 3.24 of the Listing Rules is Mr Fung Chi Kwan, Nicholas, an associated member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Hong Kong Institute of Certified Public Accountants.