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 2006

The Board of Directors (the ''Directors'') of Hans Energy Company Limited (the ''Company'') is pleased to announce the consolidated results of the Company and its subsidiaries (the ''Group'') for the year ended 31 December 2006 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2006
Expressed in Hong Kong dollars

	Note	**2006**	2005
		$'000	*$'000*
Turnover	*2*	**166,936**	201,802
Cost of sales		**(50,645)**	(47,461)
Gross profit		**116,291**	154,341
Compensation income	*3*	**87,805**	–
Other net income	*4*	**16,646**	12,399
Administrative expenses		**(45,464)**	(36,940)
Profit from operations		**175,278**	129,800
Finance costs	*5(a)*	**(13,583)**	(19,060)
Profit before taxation	*5*	**161,695**	110,740
Income tax	*6(a)*	**(13,003)**	(7,631)
Profit for the year		**148,692**	103,109
Attributable to:			
Equity shareholders of the company		**134,218**	92,569
Minority interests		**14,474**	10,540
Profit for the year		**148,692**	103,109
Earnings per share	*7*		
– basic		**5.17 cents**	3.86 cents
– diluted		**3.82 cents**	2.80 cents

CONSOLIDATED BALANCE SHEET
At 31 December 2006
Expressed in Hong Kong dollars

	Note	**2006** **$'000**	2005 $'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		**281,612**	300,307
– Construction in progress		**121,896**	32,760
– Interests in leasehold land held for own use under operating leases		**21,194**	22,164
Intangible assets		**6,522**	5,904
		431,224	361,135
Current assets			
Interests in leasehold land held for own use under operating leases		**1,480**	1,425
Inventories – consumable parts		**2,522**	2,152
Trade and other receivables	*9*	**13,170**	15,092
Pledged bank deposits		**–**	600
Cash and cash equivalents		**212,811**	354,234
		229,983	373,503
Current liabilities			
Accrual and other payables		**32,270**	16,814
Deferred revenue		**84,239**	85,918
Amount due to a related company		**630**	615
Current taxation		**4,196**	1,216
Promissory notes		**–**	105,000
		121,335	209,563
Net current assets		**108,648**	163,940
Total assets less current liabilities		**539,872**	525,075
Non-current liabilities			
Deferred revenue	*10*	**188,771**	261,666
Convertible notes	*11*	**349,351**	339,578
Deferred tax liabilities		**5,539**	7,249
		543,661	608,493
Net liabilities		**(3,789)**	(83,418)
Capital and reserves			
Share capital		**247,715**	262,000
Reserves		**(274,622)**	(364,789)
Total equity attributable to equity shareholders of the company		**(26,907)**	(102,789)
Minority interests		**23,118**	19,371
Total equity		**(3,789)**	(83,418)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

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 profits/ (losses)**	**Total**	**Minority interests**	**Total equity**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2005	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)
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 adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**504**	**504**
Exchange differences arising from translation of operations outside Hong Kong	**–**	**–**	**–**	**5,037**	**–**	**–**	**–**	**5,037**	**–**	**5,037**
Shares repurchased – par value and premium paid	**(14,285)**	**(49,088)**	**–**	**–**	**–**	**–**	**–**	**(63,373)**	**–**	**(63,373)**
Transfer to PRC statutory reserves	**–**	**–**	**–**	**–**	**–**	**8,950**	**(8,950)**	**–**	**–**	**–**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**134,218**	**134,218**	**14,474**	**148,692**
Dividend	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,231)**	**(11,231)**
At 31 December 2006	**247,715**	**442,914**	**(251,428)**	**7,392**	**41,856**	**31,024**	**(546,380)**	**(26,907)**	**23,118**	**(3,789)**

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 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.

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 adoption of the new and revised HKFRSs did not result in significant changes to the group's accounting policies applied in these financial statements for the years presented.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2006 comprise the company and its subsidiaries (together referred to as the "Group").

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 period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2 TURNOVER

The principal activities of the Group are provision of terminalling, transshipment and storage facilities services for oil and petrochemical products.

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

	2006	2005
	$'000	*$'000*
Port income	**14,823**	18,820
Storage and transshipment income	**152,113**	182,982
	166,936	201,802

3 COMPENSATION INCOME

During the year ended 31 December 2006, the Group received compensation from a third party of $87,805,000 (2005: $Nil), in respect of loss of income caused by the construction work carried out adjacent to Xiao Hu Island Terminal ("XHIT") by the third party. There are no unfilled conditions and other contingencies attached to the receipt or usage of this compensation income.

4 OTHER NET INCOME

	2006	2005
	$'000	*$'000*
Interest income	**7,714**	7,342
Rental receivable from investment properties less direct outgoings of $127,298 (2005: $31,824)	**467**	104
Net foreign exchange gain	**3,420**	3,612
Net realised gain on trading securities	**3,379**	–
Others	**1,666**	1,341
	16,646	12,399

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2006	2005
	$'000	*$'000*
(a) Finance costs:		
Interest on bank borrowings wholly repayable within five years	**–**	3,140
Interest on convertible notes	**13,583**	15,920
	13,583	19,060
(b) Staff costs:		
Contributions to defined contribution retirement plans	**964**	652
Salaries, wages and other benefits	**15,534**	18,312
Directors' salaries and other benefits	**14,908**	3,814
Total staff costs	**31,406**	22,778

	2006	2005
	$'000	*$'000*
(c) Other items:		
Depreciation and amortisation	**29,501**	26,165
Auditor's remuneration		
– audit services	**1,080**	1,080
– review services	**338**	370
– under-provision in prior year	**–**	170
Operating lease charges: minimum lease payments – buildings	**3,022**	2,005

6 TAXATION

(a) Taxation in the consolidated income statement represents:

	2006	2005
	$'000	*$'000*
Current tax – PRC Enterprise Income Tax for the year	**14,713**	10,205
Over-provision in prior years	**–**	(535)
Deferred tax – reversal of temporary differences	**(1,710)**	(2,039)
	13,003	7,631

No Hong Kong Profits Tax was provided as the group sustained a loss for Hong Kong Profits Tax purposes for the year (2005: nil).

One of the subsidiaries 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 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 from 1 January 2004.

(b) Reconciliation between tax expense and accounting profit at applicable tax rate:

	2006	2005
	$'000	*$'000*
Profit before taxation	**161,695**	110,740
Notional tax on profit before taxation, calculated at the applicable tax rate of 15%	**24,254**	16,611
Tax effect of non-deductible expenses	**2,584**	1,488
Tax effect of non-taxable income	**(1,389)**	(1,202)
Tax effect of tax losses not recognised	**2,406**	1,963
Over-provision in prior years	**–**	(535)
Effect of tax relief granted to a PRC subsidiary	**(14,852)**	(10,694)
Actual tax expense	**13,003**	7,631

7 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 $134,218,000 (2005: $92,569,000) and the weighted average of 2,595,172,723 (2005: 2,397,534,247) ordinary shares in issue during the year, calculated as follows:

	2006	2005
	'000	*'000*
Issued ordinary shares at 1 January	**2,620,000**	1,520,000
Effect of shares repurchased	**(24,827)**	–
Effect of issue of shares on exercise of convertible notes	**–**	800,000
Effect of issue of shares	**–**	77,534
Weighted average number of ordinary shares at 31 December	**2,595,173**	2,397,534

(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 $147,801,000 (2005: $108,489,000) and the weighted average of 3,865,172,723 (2005: 3,870,273,973) ordinary shares in issue during the year, calculated as follows:

	2006	2005
	$'000	*$'000*
Profit attributable to ordinary equity shareholders (basic)	**134,218**	92,569
Effect of interest on liability component of convertible notes	**13,583**	15,920
Profit attributable to ordinary equity shareholders (diluted)	**147,801**	108,489

	Number of shares	**Number of shares**
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,595,173**	2,397,534
Effect of conversion of convertible notes	**1,270,000**	1,472,740
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**3,865,173**	3,870,274

8 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 businesses is presented below:

2006

	Provision of transshipment and storage facilities *$'000*	Port income *$'000*	Consolidated *$'000*
Turnover			
External sales *(note 2)*	**152,113**	**14,823**	**166,936**
Results			
Segment results	**103,514**	**12,777**	**116,291**
Interest income *(note 4)*			**7,714**
Compensation income *(note 3)*			**87,805**
Unallocated corporate income			**8,932**
Unallocated corporate expenses			**(45,464)**
Profit from operations			**175,278**
Finance costs			**(13,583)**
Profit before taxation			**161,695**
Income tax			**(13,003)**
Profit for the year			**148,692**
Assets			
Segment assets	**340,245**	**3,360**	**343,605**
Unallocated corporate assets			**317,602**
Total assets			**661,207**
Liabilities			
Segment liabilities	**275,504**	**1,819**	**227,323**
Unallocated corporate liabilities			**387,673**
Total liabilities			**664,996**
Other information			
Capital expenditure	**90,352**	**–**	**90,352**
Depreciation and amortisation			
– Segment depreciation and amortisation	**29,146**	**–**	**29,146**
– Unallocated depreciation and amortisation			**355**
Total depreciation and amortisation			**29,501**
Loss on disposal of property, plant and equipment	**18**	**–**	**18**

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			5,057
Unallocated corporate expenses			(36,940)
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

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**	
	2006	2005	**2006**	2005
	$'000	*$'000*	***$'000***	*$'000*
PRC (other than Hong Kong)	**605,150**	626,523	**90,346**	26,515
Hong Kong	**56,057**	108,115	**6**	225
	661,207	734,638	**90,352**	26,740

9 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 $6,673,000 (2005: $8,860,000) with the following ageing analysis as of the balance sheet date.

	The Group	
	2006	2005
	$'000	*$'000*
Due within 30 days	**6,673**	8,860
Over 30 days	**–**	–
	6,673	8,860

Included in trade and other receivables, amounts denominated in United States Dollars were US$223,000 (2005: US$355,000).

All the trade and other receivables are expected to be recovered within one year.

10 DEFERRED REVENUE

	The Group	
	2006	2005
	$'000	*$'000*
Within one year	**84,239**	85,918
More than one year, but not exceeding two years	**79,483**	77,580
More than two years, but not exceeding five years	**109,288**	184,086
	273,010	347,584
Less: Amount due within one year shown under current liabilities	**(84,239)**	(85,918)
Amount due after one year	**188,771**	261,666

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.

11 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 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.

No convertible notes were converted during the year ended 31 December 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS

For the year ended 31 December, 2006, the Group's turnover was HK$166.9 million (2005: HK$201.8 million) and the profit attributable to equity shareholders was HK$134.2 million (2005: HK$92.6 million), representing a decrease of 17.3% and an increase of 45.0% respectively as compared to last year. The basic and diluted earnings per share ('EPS') for the year were 5.17 Hong Kong cents and 3.82 Hong Kong cents (2005: 3.86 Hong Kong cents and 2.80 Hong Kong cents respectively). The increases of both basic and diluted EPS were attributable to the significant increase in profit attributable to equity shareholders of the year.

The drop in turnover was mainly due to the fact that the operation of XHIT was influenced and hindered by the construction works of a terminal with a docking capacity of 50,000 tons (the "Adjacent Terminal"), which was built by China Petroleum & Chemical Corporation Guangdong Branch (中石化廣東省公司) ("Sinopec Guangdong") in the neighbouring area of XHIT. Notwithstanding, the Group attained a considerable net profit growth. This was attributable to stable source of income was generated from the Group's previous long-term leases. Lease rentals were not impacted by the cargo storage volume within the region. In addition, the Group has received a compensation payment as the operation of XHIT was affected by the construction works of the Adjacent Terminal. As such, material gains were brought for the Group's bottom line. To smooth the operation of the two terminals, the Group has entered into negotiations with Sinopec Guangdong for collaborative cooperation. Basic understanding has been reached, and an agreement relating to the joint management of such terminal with a docking capacity of 50,000 tons is expected to be secured within this year. Coupled with pipelines connecting the two terminals, the operating capacity of XHIT will be enhanced to a new height. Competitive strengths will be reinforced in order to seek for synergies on a "win-win" basis.

	2006 *(HK$'000)*	2005 *(HK$'000)*	Changes
Turnover	**166,936**	201,802	-17.3%
Earnings before interest and tax (EBIT)	**175,278**	129,800	+35.0%
Profit for the year	**134,218**	92,569	+45.0%
Earnings before interest, tax, depreciations and amortisation (EBITDA)	**204,779**	155,965	+31.3%
Net profit margin	**80.4%**	45.9%	
Earnings per share (HK cents)	**5.17**	3.86	+33.9%
Diluted earnings per share (HK cents)	**3.82**	2.80	+36.4%

BUSINESS REVIEW

The operational results of the Group's core business of the oil and petrochemical terminal located in Xiao Hu Island of Nasha, Panyu, Guangdong Province in the PRC were as follows:

Operational Statistics	**2006**	2005	Changes
Number of vessels visited			
– foreign	**270**	309	-12.6%
– domestic	**2,752**	2,769	-0.6%
Number of trucks served to pick up cargoes	**25,023**	40,386	-38.0%
Number of drums filled	**48,053**	44,519	+7.9%
Transhippment volume (metric ton)			
– oils	**15,524**	266,332	-94.2%
– petrochemicals	**214,999**	184,532	+16.5%
Port jetty throughput (metric ton)	**4,328,000**	4,960,070	-12.7%
Tank farm throughput (metric ton)	**4,774,000**	5,696,000	-16.2%

XHIT continues to contribute the major source of revenue to the Group. During the year, it recorded that 270 foreign tankers berthed for unloading cargoes (2005: 397) and total throughput of 4,328,000 metric tons (2005: 4.960,000 metric tons) in XHIT. The number of foreign tankers berthed for unloading in 2006 was still hampered by the hanging-high international oil price and shrinken importation of fuel oil into Guangdong province.

Results of XHIT

The breakdown of major revenue items of the Group for were as follows:

	2006 *(HK$'000)*	*%*	2005 *(HK$'000)*	*%*
Terminal, storage and transshipment services	**152,113**	**91.1**	182,982	90.7
Port income	**14,823**	**8.9**	18,820	9.3

For the year ended 31 December, 2006, turnover from the provision of terminal storage and transshipment facilities segment decreased from HK$183.0 million to HK$152.1 million, representing an drop of 16.9% whereas the segment profit for the same period decreased from HK$138.8 million to HK$103.5 million, representing a decrease of 25.4%. Turnover and segmental profit decreased. The major reason was that the construction works of the terminal with a docking capacity of 50,000 tons, which was built by Sinopec Guangdong in the neighbouring area of XHIT, have affected and hindered the operation of XHIT. Accordingly, compensations were made by Sinopec Guangdong for any loss of gains arising from the interrupted operation of XHIT as a result of those works.

For the year ended 31 December, 2006, turnover from port income dropped approximately 21.2% from HK$18.8 million to HK$14.8 million and the segment profit decreased from approximately HK$15.5 million to HK$12.8 million, representing an decrease of 17.7%. 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 foreign tankers berthed in XHIT during the year.

Other income

The item mainly comprised of a payment of HK$88 million from China Petroleum & Chemical Corporation, Guangdong branch to compensate GD (Panyu) for the loss of revenue relating to the interruption and inconvenience it might have caused to XHIT port operations during the construction period of a terminal developed by them adjacent to XHIT.

OUTLOOK

The Group continued to focus its core business in the midstream of the energy sector, providing specialized integrated terminal, storage and logistics services for oil and liquid petrochemical products in the PRC as well as identifying other oil-industry areas for growth. Since the China retail market of product oils has been opened to foreign investors and operators since late 2006, sizeable renowned international oil players have prepared to enter into this promising and exciting market. In this connection, the demand for product oil storage and terminal facilities is expected to surge in coming years. Furthermore, the opening of the retail market would catalyze the reform of retail oil pricing structure with less control measures. To capture this golden opportunity, the Group has commenced expanding its operating capacity through the development of the Dongzhou project in Dongguan. The Group has planned as well as other projects both inside and outside China.

Taping into the blooming market opportunities arising from the PRC economic growth and worldwide economic globalization, the Group's core business in the provision of specialized integrated terminal, storage and logistics facilities and services will play an important role in international trade and energy sector supply chain. It will keep up its pace with the fast moving track. The construction and development of the terminal for oil, gas and liquid petrochemical products in Dongguan and the business establishment therefor have been undergone smoothly. We look forward to the completion of the construction of the Dongguan terminal and its commencement of operations in 2008. The increase in total capacity will enable the Group to dominate the industry with a higher share of the market in the profitable region. We believe the Group will be able to maintain a relatively high net profit margin stemmed on the efficiency of operating scale, which in turn reduces the average operating costs with satisfactory economic returns.

- **XHIT Terminal Business**

  Following several phases of expansion since it became operational, XHIT has reached it full strength in both docking capacity and storage capacity. There are limitations for further expansion in respect of land and space available in the area located.

  Although there is limited room for further expansion in storage capacity, XHIT has completed the upgrading on one of its docking space. The upgrade will enhance XHIT's throughput capacity and capabilities to cater larger vessels. Nevertheless, XHIT is among the very few terminals in the Pearl River Delta region that can provide specialized and integrated terminal with facilities of its size. The Group is confident that XHIT will maintain a leading position in the provision integrated terminal and logistics services for oil and petrochemical products in the region. Since the commencement of the operating lease of oil tanks with aggregated storage capacity of 241,000 cubic metres in 2005, Sinopec Guangdong has been using XHIT terminal as a centre for distributing its refined oils from refineries to cover retail outlets and sales destinations, such as gas stations, power stations and factories in the Pearl River Delta, including cities like Guangzhou, Shenzhen, Dongguan, etc. The abilities of XHIT in providing such services and facilities distinguish it as a sizable port to distribute large volume frequent flows of oil products from other storage service providers. It is expected that business development will forge toward the same direction in the future.

  In order to boost the competitiveness and operating capacity of XHIT, the Group is currently negotiating with adjacent terminals for fostering further cooperation. Basic understanding has been reached, and an agreement relating to the joint management of such terminal with a throughput capacity of 50,000 tons is expected to be signed with Sinopec Guangdong within this year, thereby enhancing the operating capacity of XHIT to a new height. Competitive strengths will also be reinforced. Riding on the vast pool of resources of Sinopec Guangdong, together with the support of efficient usage of the newly constructed terminal facilities and resources, network connection of inter-systems, highly efficient management of XHIT, profound market operation experience and high quality storage services and technology, the throughput capacity and capabilities of XHIT will be upgraded to cater for larger vessels. These will invite higher rate of utilization of our port capacity from our customers, hence providing additional operating income for both parties. Synergies will be created on a "win-win" solution.

  Following the formal commissioning of the extensive refined oil channel network of Sinopec Guangdong, the handling pressures of XHIT will be remarkably relieved, thereby enhancing the transshipment capabilities of the terminal of XHIT. This will be the new growth points for the future business and profit of XHIT.

- **Dongzhou International Terminal project ("DZIT")**
  The Group has started the construction of a new terminal for oil, gas and liquid petrochemical products, which is located in the newly development zone of Dongguan city designated as an integrated industrial and logistic zone for oils and petrochemicals. As economic globalization has become a tendency, ports are playing a more important role in international trade. Dongguan, as a highly export oriented industrial structure, not only becomes a world manufacturing base, but also a distribution centre and a logistic hub for raw materials, energy resources and finished products. The total annual volume of goods transported both from water and land has reached more than 60 million tons. It brings the regional economy into the chain of international economy. The logistic development zone is targeted to cover not only the Guangdong province and the adjacent regions, but will radiate to economies of Hong Kong and Macau. DZIT, upon completion, will be a comprehensive terminal and storage complex in Dongguan Humen Port in Guangdong Province of the PRC, specialized in oil and liquid petrochemical products, which will comprise of a wharf with 12 docking spaces of capacity ranging from 500 dwt to 80,000 dwt. Apart from the wharf jetties, DZIT will build a tank farm with a total storage capacity of 960,000 cubic metres. The Group's capital investment in the project is estimated to be in excess of RMB800 million.

  During the year, the development and construction works have been pushed forward. The contracts to acquire land and coastal line have been signed with the Dongguan Humen Port Government and all the preparation works have been completed. The required Government permits in respect of the construction and design of the jetty pier and storage tank farm have been obtained, especially regarding environmental preservation, safety measures. Construction works have been commenced in all directions with full speed and it is anticipated that the terminal will become operational in early next year. The terminal will be equipped with state-of-the-art machinery for loading-unloading, transshipment, and storage facilities plus technologies to maintain high standard of environmental protection and safety measures. It will become a corner stone foundation of the Group's core business development.

  Meanwhile, the works to solicit customers and secure leasing orders for the new terminal have been undergoing during the period. The response is positive and encouraging. Enquiries have been received from potential customers who have indicated their interests in utilizing our terminal facilities. A number of customers have entered into lease memorandums with us. The Management is confident of executing long-term leases with those customers during the year. We are now screening quality customers by giving preference to stable supply of goods and long tenure of leases. The Management will share the successful experience in XHIT, to secure stable leasing orders for the storage tanks with the customer base established over the years as well as new customers from overseas. The management is confident in this respect to capture the opportunity of the growing demand of storage and distribution facilities.

- **New Development Plans**
  The Group has plans to connect the two operation systems between DZIT and XHIT to strengthen its overall competitiveness and consolidate its position as an oil and petrochemical products terminal service provider as well as a logistics centre for distribution of such products. It is believed that with the aggregate jetty throughput storage capacity and inter-system connection, the Group will play a commanding position in the region and the Group's competitive edge in the provision of specialized integrated terminal services for oil and petrochemical products business will be enhanced.

- **Deep Water Crude Oil Terminal**
  Under the support of government policies of the PRC, 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. Moreover, there is an international trend of increasing scale of refined oil transportation (VLCC). 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 set up a sizable and systematic plan to explore and construct a deep water crude oil terminal which is to be arranged in Southern China zone. We will expand our bonded storage and transportation business in order to extend our coverage into the Asia Pacific region through loading and unloading of a wide range of oil products including gasoline and diesels, and by connecting with the pipeline network of large refineries within the region. We hope to implement the plan this year to strive for substantial return to shareholders by capitalizing on this golden opportunity and leveraging on robust growth of the industry.

FINANCIAL REVIEW

Capital structure, liquidity and gearing

The Company repurchased from the market 142,854,000 shares of the Company thus the capital structure of the Group changed during the year. Accordingly, the share capital account was reduced by HK$14.3 million. And the share premium account also decreased by HK$49.1 million.

As at 31 December 2006, the Group had a cash balance of HK$213 million (2005: HK$354 million). Most of the funds were held in HK$, RMB and US$.

As at 31 December 2006, the Group had a current ratio of 1.90 (31 December 2005: 1.78). The improvement in current ratio was mainly due to the repayment of promissory note of HK$105 million during the year.

The Group's gearing ratio of as at 31 December 2006 was 1.01 (31 December 2005: 1.11) (defined as total liabilities to total assets).

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, 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 costs

The finance cost for the year ended 31 December 2006 decreased by HK$5.5 million from HK$19.1 million to HK$13.6 million. The drop was attributable to the fact that both the interest bearing bank loans were repaid and HK$300 million worth Convertible note was converted in the first half of 2005.

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 subsidiaries of the Group, is subject to PRC Enterprise Income Tax at the concession 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.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("new tax law") which will take effect on 1 January 2008. Pursuant to the approval by the Tax authorities in 2002, the applicable income tax rate of one of the subsidiaries in PRC is 15%. However, the detailed implementation rules regarding the specific tax policies for port operation business have yet to be made public under the new tax law. Consequently, the Group is not able to make an estimate of the expected financial effect of the new tax law on its deferred tax liabilities. The expected financial effect of the new tax law, if any, will be reflected in the Group's 2007 financial statements. The enactment of the new tax law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable.

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.

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

During the year, the Company repurchased its shares through The Stock Exchange of Hong Kong Limited (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*
September 2006	54,948,000	0.430	0.385	23,179
October 2006	27,272,000	0.425	0.395	11,301
November 2006	21,654,000	0.485	0.425	9,595
December 2006	38,980,000	0.500	0.460	19,298
	142,854,000			63,373

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$49,088,000, 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 year.

Charge on Group assets

As at 31 December 2006, none of the assets of the Group was pledged.

DIVIDENDS

Taking into account of tremendous ongoing capital commitment of the Group for those undergoing construction works, the directors do not recommend the payment of a final dividend for the year ended 31 December 2006 (2005: Nil). However, the Board of Directors will determine dividend distribution policies once the Group has secured long-term stable income by successfully entering into sizeable long-term leases with our customers during the year.

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 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. 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.

The Company acknowledges the important role of its Board of Directors in providing effective leadership and direction of the Company towards its objectives and ensuring transparency and accountability of all operations.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2006, the Group had a workforce of 264 employees, 247 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.

LITIGATION

As at 31 December 2006, there were no material contingent liabilities in respect of outstanding litigation or legal proceedings that need to be disclosed.

REVIEW OF THE ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2006 has been reviewed by the Audit Committee of the Company.

On behalf of the Board
David An
Chairman

Hong Kong, 28 March 2007

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