HANS ENERGY COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 554)

ANNOUNCEMENT OF 2008 INTERIM RESULTS

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS

FINANCIAL REVIEW

For the six months ended 30 June 2008, the Group's turnover was HK$84.0 million (2007: HK$78.0 million), representing an increase of 7.7% over the same period in 2007. The profit attributable to equity shareholders was HK$29.8 million (2007: HK$27.3 million), representing an increase of 9.2% over the corresponding period last year. EBIT and EBITDA for the six months ended 30 June 2008 were HK$40.0 million (2007: HK$44.3 million) and HK$54.5 million (2007: HK$57.6 million) respectively. The decrease was mainly arisen from equity-settled share based payment expense and donations for Sichuan emergency relief during the period. The basic earnings per share for the six months ended 30 June 2008 were 0.80 Hong Kong cents (2007: 1.10 Hong Kong cents). The diluted earnings per share were 0.80 Hong Kong cents (2007: 0.92 Hong Kong cents). Despite the increase of overall profit for the period, the basic and diluted earnings per share decreased mainly attributable to the conversion of all outstanding convertible notes as at 30 June 2007 to common shares during 2007.

	Six months ended 30 June 2008 ***(HK$'000)***	Six months ended 30 June 2007 *(HK$'000)*	Changes %
Turnover	**84,029**	77,987	+7.7
Gross profit	**59,569**	56,814	+4.8
Gross margin	**70.9%**	72.9%	
Profit from operations ("EBIT")	**40,039**	44,334	-9.7
Profit attributable to equity shareholders	**29,775**	27,271	+9.2
EBITDA	**54,527**	57,556	-5.3
Net profit margin	**35.4%**	35.0%	
Basic earnings per share (HK cents)	**0.80**	1.10	-27.3
Diluted earnings per share (HK cents)	**0.80**	0.92	-13.0

BUSINESS REVIEW

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

Operational Statistics	**Six months ended 30 June 2008**	Six months ended 30 June 2007	Changes %
Number of vessels visited			
– foreign	**128**	138	–7.2
– domestic	**510**	510	–
Number of trucks served to pick up cargoes	**8,409**	9,906	–15.1
Number of drums filled	**25,117**	19,679	+27.6
Transshipment volume (metric ton)			
– oils	**125,332**	2,000	+6166.6
– petrochemicals	**101,219**	100,728	+0.5
Port jetty throughput (metric ton)	**1,237,000**	952,000	+29.9
Tank farm throughput (metric ton)	**1,380,000**	460,000	+200.0

During the period, XHIT recorded 128 foreign tankers berthed for unloading cargoes (2007: 138), port jetty throughput of 1,237,000 metric tons (2007: 952,000 metric tons) and tank farm throughput of 1,380,000 metric tons (2007: 460,000 metric tons). Besides, the transshipment volume for the oil and petrochemicals were increased. It was arisen from the loosening up of the import tax rebates to the two oil majors from the beginning of the second quarter of 2008 and stimulated the importation of oil products, thus the port throughput increased accordingly.

Revenue breakdown

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

	Six months ended 30 June 2008		**Six months ended 30 June 2007**	
	(HK$'000)	%	*(HK$'000)*	%
Terminal, storage and transshipment services	**76,469**	**91.0**	73,750	94.6
Port income	**7,560**	**9.0**	4,237	5.4

Segment results of XHIT

For the half year ended 30 June 2008, turnover from the provision of terminal storage and transshipment facilities segment increased from HK$73.8 million to HK$76.5 million, representing a rise of 3.7% whereas the segment profit for the same period decreased from HK$53.1 million to HK$52.0 million, representing a decrease of 2.1%. The increase in turnover was mainly attributable to the increase in volume of cargoes handled in XHIT port and the loosening up of import tax rebates to the two oil majors from the beginning of the second quarter of 2008 as a result of stimulation of the importation of oil products. The transshipment income, port income and incidental handling fees increased for the period in this regard. However, the record high international oil prices coupled with the fast and hard inflation caused the increase in operating costs thus resulted in the decrease of segment profit.

For the six months ended 30 June, 2008, turnover from port income increased by 81.0% from HK$4.2 million to HK$7.6 million and the segment profit increased from HK$3.6 million to HK$7.6 million, representing an increase of 111.1%. The increase in turnover and profit for this segment was in line with the increase in port throughput during the period.

OUTLOOK

The Group continued to focus its core business of providing specialised integrated terminal, storage and logistics services for oil and liquid petrochemical products in the PRC. 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 been preparing to enter into this exciting market. The increase of retail domestic prices in June 2008 and the topic of government subsidies to state-owned oil majors in China being discussed in national level signified the possibilities of narrowing the gap between the domestic prices and international oil prices in China in near future. We expect the demand for product oil storage and terminal facilities and services will surge in coming years.

- **XHIT Terminal Business**

  The expansion to the existing site plan as mentioned in the latest annual report has been delayed in early 2008 as the land requisition procedures for Xiao Hu Island required longer time than expected. The local government has been undergoing large scale investigation of the whole Island before determining the integrated design and future development of the Island, especially in the safety and environmental perspectives. In this regard, the approval process for the proposal of additional tanks and equipment has been slowed down accordingly. The management has been pursuing constantly with the relevant departments of the local government to speed up the process. It is targeted to complete all the construction process and start operation in year 2009.

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

  The construction of Dongguan terminal is undergoing as scheduled. It is expected that the construction may be completed by the end of 2008. The increase of retail domestic prices in June 2008 and the topic of government subsidies to state-owned oil majors in China being discussed in national level signified the possibilities of narrowing the gap between the domestic prices and international oil prices in China in near future. The loosening up of the government control over the refined oil retail market in China will encourage international oil players coming into the growing and promising market. DZIT is designed to become a distribution centre and a logistic hub for raw materials, energy resources and finished products for the traditional industrial base in south China. The recent development of the refined oil retail market will provide international oil players with positive messages towards their involvement in the business and establishment of their presence in preparing the entrance into the most affluent region of the country.

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

  With respect to the development of the TSOT project, it is in the process of communicating with the provincial government. The response was very positive to support the development of a sizeable crude oil terminal in the site proposed. Nevertheless, despite the PRC government has indicated its policy of encouraging the involvement of private sector to participate in national oil reserves in the country; detailed guidelines for execution have yet been issued. The preparation works have been started and we shall apply with all relevant authorities for approval once the government issues the official guidelines.

INTERIM DIVIDEND

The directors do not recommend any interim dividend for the six months ended 30 June 2008 (2007: HK$ Nil).

CAPITAL STRUCTURE, LIQUIDITY AND GEARING

As at 30 June 2008, the Group's total cash and cash equivalents amounted to approximately HK$219.8 million (31 December 2007: HK$323.3 million). Most of the funds were held in HK$, RMB and US$.

As at 30 June 2008, the current ratio was 1.78 (31 December 2007: 2.58). The change in current ratio was in line with the increase in net profit and the funds utilised for the construction of the Dongguan new terminal in the period.

The Group's gearing ratio of as at 30 June 2008 was 0.47 (31 December 2007: 0.51) (defined as total liabilities to total assets). The improvement was attributable to the profit earned and reduction of liabilities during the period.

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 raising external financing for development of new businesses and construction of XHIT expansion and Dongguan new terminal, 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.

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

The Group collateralised the future non-cancellable lease payments to a bank for long-term banking facilities during the period. Apart from this, as at 30 June 2008, none of the assets of the Group was pledged.

CONTINGENT LIABILITIES

At 30 June 2008, the Group has no material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

The Group had a workforce of approximately 248 people. Salaries of employees are maintained at competitive level with reference to the relevant market and are performance driven.

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2008 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2008	2007
	Note	***$'000***	*$'000*
Turnover	*2*	**84,029**	77,987
Cost of sales		**(24,460)**	(21,173)
Gross profit		**59,569**	56,814
Other net income	*3*	**2,044**	2,384
Administrative expenses		**(21,574)**	(14,864)
Profit from operations		**40,039**	44,334
Finance costs	*4(a)*	**–**	(6,909)
Profit before taxation	*4*	**40,039**	37,425
Income tax	*5*	**(6,526)**	(6,538)
Profit for the period		**33,513**	30,887
Attributable to:			
Equity shareholders of the Company		**29,775**	27,271
Minority interests		**3,738**	3,616
Profit for the period		**33,513**	30,887
Earnings per share	*6*		
Basic		**0.80 cents**	1.10 cents
Diluted		**0.80 cents**	0.92 cents

CONSOLIDATED BALANCE SHEET

at 30 June 2008 – unaudited

(Expressed in Hong Kong dollars)

	Note	At 30 June 2008 $'000	At 31 December 2007 $'000 (audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment	*7*	**293,648**	290,689
– Construction in progress		**394,451**	249,196
– Interests in leasehold land held for own use under operating leases		**22,206**	21,350
Prepayments		**5,932**	11,504
Intangible assets		**1,945**	1,979
		718,182	574,718
Current assets			
Interests in leasehold land held for own use under operating leases		**1,504**	1,619
Inventories – consumable parts		**2,869**	2,679
Trade and other receivables	*8*	**19,212**	13,491
Amount due from a director	*9*	**2,000**	–
Tax recoverable		**–**	176
Cash and cash equivalents		**219,827**	323,284
		245,412	341,249
Current liabilities			
Other payables and accruals		**39,197**	39,727
Deferred revenue		**96,512**	91,085
Amount due to a related company		**–**	1,525
Current taxation		**2,124**	–
		137,833	132,337
Net current assets		**107,579**	208,912
Total assets less current liabilities		**825,761**	783,630

CONSOLIDATED BALANCE SHEET
at 30 June 2008 – unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 June 2008 $'000	At 31 December 2007 $'000 (audited)
Non-current liabilities			
Deferred revenue		**80,322**	118,509
Deferred tax liabilities		**9,686**	6,861
Bank loans	*10*	**227,480**	213,584
		317,488	338,954
Net assets		**508,273**	444,676
Capital and reserves			
Share capital		**373,264**	373,264
Reserves		**97,994**	40,272
Total equity attributable to equity shareholders of the Company		**471,258**	413,536
Minority interests		**37,015**	31,140
Total equity		**508,273**	444,676

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2008 – unaudited

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company										
	Share capital *$'000*	Share premium *$'000*	Special reserve *$'000*	Translation reserve *$'000*	Capital reserve *$'000*	PRC statutory reserve *$'000*	Share-based compensation reserve *$'000*	Accumulated losses *$'000*	Total *$'000*	Minority interests *$'000*	Total equity *$'000*
At 1 January 2008	373,264	710,477	(251,428)	32,565	–	31,947	–	(483,289)	413,536	31,140	444,676
Exchange adjustment	–	–	–	–	–	–	–	–	–	2,137	2,137
Exchange differences arising from translation of operations outside Hong Kong	–	–	–	24,474	–	–	–	–	24,474	–	24,474
Equity settled share-based transaction	–	–	–	–	–	–	3,473	–	3,473	–	3,473
Profit for the period	–	–	–	–	–	–	–	29,775	29,775	3,738	33,513
At 30 June 2008	373,264	710,477	(251,428)	57,039	–	31,947	3,473	(453,514)	471,258	37,015	508,273
At 1 January 2007	247,715	442,914	(251,428)	7,392	41,856	31,024	–	(546,380)	(26,907)	23,118	(3,789)
Exchange adjustment	–	–	–	–	–	–	–	–	–	1,031	1,031
Exchange differences arising from translation of operations outside Hong Kong	–	–	–	11,899	–	–	–	–	11,899	–	11,899
Shares issued upon exercise of convertible notes *(note i)*	70,000	150,958	–	–	(23,070)	–	–	–	197,888	–	197,888
Share repurchased *(note ii)* – par value and premium paid	(1,451)	(6,465)	–	–	–	–	–	–	(7,916)	–	(7,916)
Profit for the period	–	–	–	–	–	–	–	27,271	27,271	3,616	30,887
At 30 June 2007	316,264	587,407	(251,428)	19,291	18,786	31,024	–	(519,109)	202,235	27,765	230,000

Notes

(i) On 29 June 2007 and 13 July 2007, Vand Petro-Chemicals exercised its rights to convert all the convertible notes with a principal amount of $381 million for the issuance of 1.27 billion ordinary shares of $0.10 each at the conversion price of $0.30 each.

(ii) During the six months ended 30 June 2007, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited. The repurchased shares were cancelled and accordingly the issued capital of the Company was reduced by the nominal value of these shares. The premium paid on the repurchase of the shares of $6,465,000 was charged to share premium. Particulars of the shares repurchased during the six months ended 30 June 2007 are as follows:

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

NOTES ON UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issuance on 27 August 2008.

The accounting policies have been consistently applied by Hans Energy Company Limited ("the Company") and its subsidiaries ("the Group") and are consistent with those adopted in the 2007 annual financial statements.

2 Segment reporting

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

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

	Turnover		**Segment results**	
	Six months ended 30 June		**Six months ended 30 June**	
	2008	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*
Provision of transshipment and storage facilities	**76,469**	73,750	**52,009**	53,177
Port income	**7,560**	4,237	**7,560**	3,637
	84,029	77,987	**59,569**	56,814
Interest income			**896**	1,721
Unallocated corporate income			**1,148**	663
Unallocated corporate expenses			**(21,574)**	(14,864)
Profit from operations			**40,039**	44,334
Finance costs			**–**	(6,909)
Profit before taxation			**40,039**	37,425
Income tax			**(6,526)**	(6,538)
Profit for the period			**33,513**	30,887

3 Other net income

	Six months ended 30 June	
	2008	2007
	$'000	*$'000*
Interest income	**896**	1,721
Net gain on disposal of property, plant and equipment	**629**	–
Rental receivable from investment property	**–**	296
Others	**519**	367
	2,044	2,384

4 Profit before taxation

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

	Six months ended 30 June	
	2008	2007
	$'000	*$'000*
(a) Finance costs:		
Interest on convertible notes	–	6,909
Interest on bank loans	**6,532**	–
Less: Borrowing costs capitalised as construction in progress	**(6,532)**	–
	–	6,909

The borrowing costs during the six months ended 30 June 2008 have been capitalised at a rate of 6.97% per annum (six months ended 30 June 2007: nil) for construction in progress.

	Six months ended 30 June	
	2008	2007
	$'000	*$'000*
(b) Staff costs:		
Contributions to defined contribution retirement plan	**458**	377
Salaries, wages and other benefits	**9,264**	7,700
Equity-settled share based payment expenses	**3,473**	–
Total staff costs	**13,195**	8,077
(c) Other items:		
Charitable donations	**3,314**	–
Depreciation and amortisation	**14,488**	13,222
Operating lease charges: minimum lease payment – buildings	**2,713**	1,361

5 Income tax

	Six months ended 30 June	
	2008	2007
	$'000	*$'000*
Taxation in the consolidated income statement represents:		
Current tax - PRC Enterprise Income Tax for the period	**4,155**	1,863
Deferred taxation	**2,371**	4,675
	6,526	6,538

Notes:

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

(ii) One of the subsidiaries in the People's Republic of China (the "PRC"), Guangdong (Panyu) Petrochemical Storage & Transportation Ltd. ("GD (Panyu)") is entitled to exemption from PRC enterprise Income Tax for five years starting from its first profit-making year, followed by a 50% relief for the five years thereafter, in accordance with the approval from the PRC authority issued in 2002 regarding its port operation business. The first year of GD (Panyu) subject to PRC Enterprise Income Tax at the reduced rate commenced on 1 January 2004.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new CIT Law") which takes effect on 1 January 2008. Under the new CIT Law and in accordance with implementation rules and notices issued by the State Council and the State Administration of Taxation (collectively "Implementation Rules"), the income tax rate of GD (Panyu) will be adjusted to the standard rate of 25% progressively. According to the Implementation Rules, GD (Panyu), which is currently eligible for 50% relief from PRC Foreign Enterprise Income Tax Law, will be eligible for 50% relief from the transitional rate of 18% for the year ending 31 December 2008. The enactment of the new CIT Law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable. The new applicable tax rates for future years have been applied in the measurement of GD (Panyu)'s deferred tax liabilities as at 30 June 2008.

(iii) Pursuant to the new CIT Law, the Group will be liable to 5% withholding tax on dividends distributed from the Group's foreign-invested enterprises in respect of its profits generated from 1 January 2008. Deferred tax liabilities of $2,119,000 were recognised for the distributable profits of GD (Panyu) that are generated during the six months ended 30 June 2008 and are expected to be distributed by GD (Panyu) in the foreseeable future.

6 Earnings per share

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

	Six months ended 30 June	
	2008	2007
	$'000	*$'000*
Profit attributable to ordinary equity shareholders (basic)	**29,775**	27,271
Effect of interest on liability component of convertible notes	**–**	6,909
Profit attributable to ordinary equity shareholders (diluted)	**29,775**	34,180

	Number of shares	*Number of shares*
Weighted average number of ordinary shares for the purposes of basic earnings per share	**3,732,638,000**	2,468,734,619
Effect of conversion of convertible notes	**–**	1,266,132,597
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**3,732,638,000**	3,734,867,216

All outstanding convertible notes were converted during the year ended 31 December 2007.

There were no dilutive potential ordinary shares during the six months ended 30 June 2008.

7 Property, plant and equipment

Acquisition and disposals

During the six months ended 30 June 2008, the Group acquired items of property, plant and equipment with a cost of approximately $409,000 (six months ended 30 June 2007: $6,503,000). Property, plant and equipment with net book value of approximately $2,012,000 were disposed of during the six months ended 30 June 2008 (six months ended 30 June 2007: $185,000), resulting in a net gain on disposal of approximately $629,000 (six months ended 30 June 2007: net loss of $44,000).

8 Trade and other receivables

	The Group	
	At 30 June 2008	At 31 December 2007
	$'000	*$'000*
Trade receivables	**16,225**	13,070
Less: Allowance for doubtful debts	**(5,934)**	(5,571)
	10,291	7,499
Prepayments and other receivables	**8,921**	5,992
	19,212	13,491

All of the trade and other receivables are expected to be recovered within one year. An ageing analysis of the trade receivables is as follows:

	The Group	
	At 30 June 2008	At 31 December 2007
	$'000	*$'000*
Due within 30 days	**8,635**	6,397
Over 30 days	**1,656**	1,102
	10,291	7,499

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

9 Amount due from a director

Advance to a director of the Group disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name of borrower and position	Mr. Zhang Lei, Director
Terms of advance	
– duration and repayment terms	Repayable on demand
– advance amount	$2,000,000
– interest rate	Interest-free
– security	None
Balance of the advance	
– at 1 January 2007	$Nil
– at 31 December 2007 and 1 January 2008	$Nil
– at 30 June 2008	$2,000,000
Maximum balance outstanding	
– during 2008	$2,000,000
– during 2007	$Nil

The amount due from the director was fully settled subsequent to 30 June 2008.

10 Bank loans

At 30 June 2008, the bank loans are repayable as follows:

	The Group	
	At 30 June 2008	At 31 December 2007
	$'000	*$'000*
After 2 years but within 5 years	**227,480**	213,584

At 30 June 2008, the Group's banking facilities totalling $610,784,000 were secured by certain of the Group's future non-cancellable operating leases receivables from year 2010 to year 2024 of $1,480,212,000 (31 December 2007: $1,389,791,000). The facilities were utilised to the extent of $227,480,000 as at 30 June 2008.

11 Commitments

(a) Capital commitments

At 30 June 2008, the Group had capital expenditure contracted for but not provided in the interim financial report in respect of acquisition of port facilities amounted to $137,082,000 (31 December 2007: $215,966,000).

At 30 June 2008, the Group had capital expenditure not contracted for but approved by the board and not provided in the interim financial report in respect of terminal development and acquisition of storage facilities amounted to approximately $349 million (31 December 2007: $369 million).

(b) Operating lease arrangements

At balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings, which fall due as follows:

	At 30 June 2008	At 31 December 2007
	$'000	*$'000*
Within one year	**5,979**	4,378
In the second to fifth year inclusive	**3,748**	3,313
More than five years	**141**	–
	9,868	7,691

OTHER INFORMATION

REVIEW OF THE INTERIM REPORT

The Group's interim report for the six months ended 30 June 2008 has not been audited but has been reviewed by the Audit Committee and auditors of the Company, Messrs. KPMG.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on 16 December 2002, the Company adopted a share option scheme (the "scheme") for the purpose of enabling the Company to recruit and retain high-calibre employees and attract resources that are available to the Group and to provide the Company with a means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to such persons who contribute or may bring benefit to the Group. The scheme will remain in force for a period of 10 years from adoption of such scheme and will expire on 15 December 2012.

On 7 May 2008, the Board approved to grant options in respect of 72,400,000 ordinary shares to the Company's directors and senior management under the scheme. The options outstanding at 30 June 2008 had an exercise price of $0.5 and a weighted average remaining contractual life of 2.85 years. The exercise periods for the above options granted under the scheme shall end not later than 3 years from 7 May 2008. Options were granted under a market condition. The share options can only be exercised when the market price of the shares of the Company is $1.2 per share or above. This condition has been taken into account in the grant date fair value measurement.

The closing market price on the date which the options were granted and the average closing price as stated in the Stock Exchange of Hong Kong Limited's daily quotation sheets for the five business days immediately preceding the date of the grant of the options were $0.485 per share and $0.474 per share respectively.

Information in relation to share options disclosed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited was as follows:

Eligible person	**Date of grant** (D/M/YYYY)	**Period during which share options are exercisable** (D/M/YYYY)	**Exercise price per share** HK$	**Number of share options granted during the period and outstanding at 30/6/2008**
Executive Directors				
Mr. Fung Chi Kwan, Nicholas	7/5/2008	7/5/2008 – 7/5/2011	0.5	8,500,000
Ms. Liu Zhijun	7/5/2008	7/5/2008 – 7/5/2011	0.5	8,500,000
Mr. Zhang Lei	7/5/2008	7/5/2008 – 7/5/2011	0.5	8,500,000
Independent non-executive directors				
Mr. Li Wai Keung	7/5/2008	7/5/2008 – 7/5/2011	0.5	200,000
Mr. Liu Jian	7/5/2008	7/5/2008 – 7/5/2011	0.5	200,000
Mr. Chan Chun Wai, Tony	7/5/2008	7/5/2008 – 7/5/2011	0.5	200,000
				26,100,000
Employees	7/5/2008	7/5/2008 – 7/5/2011	0.5	46,300,000
				72,400,000

Notes:

(i) The terms and conditions of the grants that existed during the years are as follows:

	Number of options	Vesting conditions	Contractual life of options
Options granted: - 7 May 2008	72,400,000	One third on each of the grant date, first and second anniversaries of grant date	3 years

(ii) The number and weighted average exercise prices of options are as follows:

	Weighted average exercise price *HK$*	Number of options
Outstanding at 1 January 2008	–	–
Granted during the period	0.5	72,400,000
Outstanding at 30 June 2008	0.5	72,400,000
Exercisable at 30 June 2008	–	–

The options outstanding at 30 June 2008 had an exercise price of HK$0.5 and a weighted average remaining contractual life of 2.85 years.

(iii) Fair value of options granted during the year and assumptions

The fair value of services received in return for options granted are measured by reference to the fair value of options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. The contractual life of the option is used as an input into this model.

	2008
Fair value at measurement date	HK$0.1439
Share price at measurement date	HK$0.485
Exercise price	HK$0.5
Expected volatility (expressed as a weighted average volatility used in the modelling under the Black-Scholes model)	60%
Option life (expressed as a weighted average life used in the modelling under the Black-Scholes model)	3 years
Expected dividends	0%
Risk free interest rate	2.1%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Options were granted under a market condition. The share options can only be exercised when the market price of the shares of the Company is $1.2 per share or above. This condition has been taken into account in the grant date fair value measurement.

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

During the period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE

(a) Compliance with the Code on Corporate Governance Practices

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

(b) Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific inquiry of all directors, all directors have complied with the required standard set out in the Model Code for the six months ended 30 June 2008.

On behalf of the Board
David An
Chairman

Hong Kong, 27 August 2008

As at the date of this announcement, the board of directors of the Company comprises four executive directors, namely Mr. David An (Chairman), Mr. Fung Chi Kwan, Nicholas, Ms. Liu Zhijun and Mr. Zheng Lei and three independent non-executive directors, namely Mr. Li Wai Keung, Mr. Liu Jian and Mr. Chan Chun Wai, Tony.