HANS ENERGY COMPANY LIMITED
漢思能源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 554)

ANNOUNCEMENT OF 2011 INTERIM RESULTS

The Board of Directors (the "Directors") of Hans Energy Company Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011 as follows:

CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2011 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	**2011**	2010
		$'000	*$'000*
Turnover	*3*	**84,608**	79,118
Cost of sales		**(35,113)**	(24,827)
Gross profit		**49,495**	54,291
Other net (loss)/income	*4*	**(146)**	1,112
Administrative expenses		**(18,330)**	(20,577)
Profit from operations		**31,019**	34,826
Finance costs	*5(a)*	**(5,109)**	(89)
Profit before taxation	*5*	**25,910**	34,737
Income tax	*6*	**(9,153)**	(11,025)
Profit for the period		**16,757**	23,712
Attributable to:			
Equity shareholders of the Company		**14,352**	20,595
Non-controlling interests		**2,405**	3,117
Profit for the period		**16,757**	23,712
Earnings per share	*7*		
- basic		**0.38 cent**	0.55 cent
- diluted		**0.38 cent**	0.55 cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2011 - unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2011	2010
	$'000	*$'000*
Profit for the period	**16,757**	23,712
Other comprehensive income for the period:		
Exchange differences on translation of financial statements of subsidiaries	**16,607**	5,670
Total comprehensive income for the period	**33,364**	29,382
Attributable to:		
Equity shareholders of the Company	**29,678**	25,812
Non-controlling interests	**3,686**	3,570
Total comprehensive income for the period	**33,364**	29,382

CONSOLIDATED BALANCE SHEET
at 30 June 2011 - unaudited
(Expressed in Hong Kong dollars)

	Note	**At 30 June 2011** *$'000*	At 31 December 2010 *$'000*
Non-current assets			
Fixed assets			
- Property, plant and equipment	*8(a)*	**410,564**	284,378
- Construction in progress	*8(b)*	**1,369,884**	1,418,758
- Interests in land held for own use under operating leases		**51,989**	19,060
Prepayments for construction costs		**18,372**	21,176
Intangible assets		**2,901**	2,993
		1,853,710	1,746,365
Current assets			
Interest in land held for own use under operating leases		**2,400**	1,554
Inventories - consumable parts		**3,776**	3,462
Trade and other receivables	*9*	**124,508**	72,104
Cash and cash equivalents		**135,127**	76,429
		265,811	153,549
Current liabilities			
Other payables and accruals		**66,805**	99,989
Deferred revenue		**4,155**	3,634
Bank loans	*10*	**9,000**	10,200
Current taxation		**5,249**	5,694
		85,209	119,517
Net current assets		**180,602**	34,032
Total assets less current liabilities		**2,034,312**	1,780,397
Non-current liabilities			
Deferred tax liabilities		**7,323**	7,420
Bank loans	*10*	**1,142,375**	1,116,469
Amount due to a director	*11*	**194,742**	-
		1,344,440	1,123,889
Net assets		**689,872**	656,508
Capital and reserves			
Share capital		**373,264**	373,264
Reserves		**258,805**	229,127
Total equity attributable to equity shareholders of the Company		**632,069**	602,391
Non-controlling interests		**57,803**	54,117
Total equity		**689,872**	656,508

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2011 – unaudited
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Special reserve	Translation reserve	PRC statutory reserve	Share-based compensation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 1 January 2011	**373,264**	**710,477**	**(251,428)**	**75,840**	**31,947**	**10,419**	**(348,128)**	**602,391**	**54,117**	**656,508**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**14,352**	**14,352**	**2,405**	**16,757**
Other comprehensive income	**-**	**-**	**-**	**15,326**	**-**	**-**	**-**	**15,326**	**1,281**	**16,607**
Total comprehensive income	**-**	**-**	**-**	**15,326**	**-**	**-**	**14,352**	**29,678**	**3,686**	**33,364**
Equity settled share-based transaction	**-**	**-**	**-**	**-**	**-**	**(10,419)**	**10,419**	**-**	**-**	**-**
Balance at 30 June 2011	**373,264**	**710,477**	**(251,428)**	**91,166**	**31,947**	**-**	**(323,357)**	**632,069**	**57,803**	**689,872**
Balance at 1 January 2010	373,264	710,477	(251,428)	55,615	31,947	9,811	(385,148)	544,538	46,567	591,105
Profit for the period	-	-	-	-	-	-	20,595	20,595	3,117	23,712
Other comprehensive income	-	-	-	5,217	-	-	-	5,217	453	5,670
Total comprehensive income	-	-	-	5,217	-	-	20,595	25,812	3,570	29,382
Equity settled share-based transaction	-	-	-	-	-	608	-	608	-	608
Balance at 30 June 2010	373,264	710,477	(251,428)	60,832	31,947	10,419	(364,553)	570,958	50,137	621,095

NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars)

1. Basis of preparation

This interim financial information 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 24 August 2011.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

2. Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

– HKAS 24 (revised 2009), *Related party disclosures*

– Improvements to HKFRSs (2010)

– HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*

The issuance of HK(IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

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

3. Segment reporting

The Group manages its businesses by entities, which are organised by geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Xiao Hu Island Terminal ("XHIT"): this segment represents the Group's provision of terminal, transhipment and storage activities carried out in Panyu, the People's Republic of China ("PRC").
- Dongzhou International Terminal ("DZIT"): this segment represents the Group's provision of terminal, transhipment and storage activities to be carried out in Dongguan, PRC. DZIT is currently under construction and scheduled to commence its business operations in the second half of 2011.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of other corporate assets. Segment liabilities include other payables and accruals, deferred revenue and current tax payable attributable to the individual segments, and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is “profit before taxation” i.e. “adjusted earnings before taxes”. To arrive at “profit before taxation”, the Group’s earnings are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs.

In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning revenue, interest income, finance costs and additions to non-current segment assets.

Information regarding the Group’s reportable segments provided to the Group’s most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2011 and 2010 is set out below.

	XHIT	
For the six months ended 30 June	**2011** ***$’000***	2010 *$’000*
Reportable segment revenue	**84,608**	79,118
Reportable segment profit before taxation	**40,009**	50,824
Interest income	**456**	763
Finance costs	**5,024**	-

DZIT is under construction and not yet commenced its business operations as at 30 June 2011 and accordingly, no segment information regarding the segment’s revenue, profit before taxation, interest income and finance costs for the six months ended 30 June 2011 and 2010 is presented.

	XHIT		**DZIT**		**Total**	
	At 30 June 2011 ***$’000***	At 31 December 2010 *$’000*	**At 30 June 2011** ***$’000***	At 31 December 2010 *$’000*	**At 30 June 2011** ***$’000***	At 31 December 2010 *$’000*
Reportable segment assets	**1,585,595**	1,401,906	**1,382,626**	1,280,584	**2,968,221**	2,682,490
Reportable segment liabilities	**1,338,274**	1,155,101	**935,632**	872,519	**2,273,906**	2,027,620

	XHIT		**DZIT**		**Total**	
For the six months ended 30 June	**2011** ***$’000***	2010 *$’000*	**2011** ***$’000***	2010 *$’000*	**2011** ***$’000***	2010 *$’000*
Additions to non-current segment assets during the period	**12,269**	75,586	**75,655**	199,972	**87,924**	275,558

(b) ***Reconciliations of reportable segment revenues, profit or loss, assets and liabilities***

	Six months ended 30 June	
	2011	2010
	$'000	*$'000*
Revenue		
Reportable segment revenue	**84,608**	79,118
Consolidated turnover	**84,608**	79,118
Profit		
Reportable segment profit before taxation	**40,009**	50,824
Unallocated other net (loss)/income	**(343)**	57
Unallocated head office and corporate expenses	**(13,756)**	(16,144)
Consolidated profit before taxation	**25,910**	34,737

	At 30 June 2011	At 31 December 2010
	$'000	*$'000*
Assets		
Reportable segment assets	**2,968,221**	2,682,490
Elimination of inter-segment receivables	**(892,598)**	(803,443)
	2,075,623	1,879,047
Unallocated head office and corporate assets	**43,898**	20,867
Consolidated total assets	**2,119,521**	1,899,914
Liabilities		
Reportable segment liabilities	**2,273,906**	2,027,620
Elimination of inter-segment payables	**(892,598)**	(803,443)
	1,381,308	1,224,177
Unallocated head office and corporate liabilities	**48,341**	19,229
Consolidated total liabilities	**1,429,649**	1,243,406

4. Other net (loss)/income

	Six months ended 30 June	
	2011	2010
	$'000	*$'000*
Interest income	**480**	770
Loss on disposal of property, plant and equipment	**(131)**	(17)
Net foreign exchange loss	**(580)**	(67)
Others	**85**	426
	(146)	1,112

5. Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2011	2010
	$'000	*$'000*
(a) Finance costs:		
Interest on bank loans	**32,316**	26,141
Less: Borrowing costs capitalised as construction in progress	**(27,207)**	(26,052)
	5,109	89

The borrowing costs during the six months ended 30 June 2011 have been capitalised at a rate of 5.40% - 6.39% per annum (six months ended 30 June 2010: 4.86% - 5.58% per annum) for construction in progress.

(b) Staff costs:		
Contributions to defined contribution retirement plan	**672**	605
Salaries, wages and other benefits	**14,906**	14,318
Equity-settled share based payments	**-**	608
Total staff costs	**15,578**	15,531
(c) Other items:		
Depreciation and amortisation	**19,276**	14,033
Operating lease charges: minimum lease payment - buildings	**2,740**	2,953

6. Income tax

	Six months ended 30 June	
	2011	2010
	$'000	*$'000*
Income tax in the consolidated income statement represents:		
Current tax – PRC Enterprise Income Tax for the period	**9,419**	11,025
Deferred taxation – origination and reversal of temporary differences	**(266)**	-
	9,153	11,025

Notes:

(i) No Hong Kong Profits Tax was provided as the Group sustained a loss for Hong Kong Profits Tax purposes for the period (six months ended 30 June 2010: Nil).

(ii) Pursuant to the approval from the PRC authority issued in 2002 regarding port operating business, one of the subsidiaries in the PRC, Guangdong (Panyu) Petrochemical Storage & Transportation Ltd. ("GD (Panyu)") has been granted certain tax relief whereby the profit for the five years starting from its first profit-making year is exempted from income tax in the PRC and the profit for each of the subsequent five years is taxed at 50% of the prevailing tax rate set by the local tax authority. The PRC Enterprise Income Tax rate applicable to GD (Panyu) before 1 January 2008 was 15%.

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"), an entity established before 16 March 2007 that was entitled to preferential tax treatment prior to the new CIT Law is subject to a transitional tax rate beginning in 2008 ("Transitional Tax Rate") before the new corporate income tax rate of 25% applies. For companies currently enjoying a reduced tax rate of 15%, the Transitional Tax Rate is 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012 onwards respectively. Under the grandfathering treatments of the new CIT Law, GD (Panyu), which has not fully utilised its five-year tax relief upon the implementation of the new CIT Law, is allowed to receive the tax relief during the five-year grandfathering period. The applicable tax rate of GD (Panyu) for the six months ended 30 June 2011 and 2010 was 24% and 22% respectively.

In addition, under the new CIT Law, dividends paid by a foreign-invested enterprise to its foreign investors are subject to withholding tax at a rate of 10% unless reduced by treaty. Under the grandfathering treatments, undistributed profits of a foreign-invested enterprise as at 31 December 2007 are exempted from withholding tax.

At 30 June 2011, temporary differences relating to the undistributed profits of the Group's foreign-invested enterprise amounted to $255,110,000 (31 December 2010: $227,456,000). Deferred tax liabilities of $12,756,000 (31 December 2010: $11,373,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of the foreign-invested enterprise and the directors have determined that the profits will not be distributed in the foreseeable future.

7. Earnings per share

The calculations of the basic earnings per share is based on the profit attributable to equity shareholders of the Company of $14,352,000 (six months ended 30 June 2010: $20,595,000) and the weighted average of 3,732,638,000 ordinary shares (six months ended 30 June 2010: 3,732,638,000 ordinary shares) in issue during the interim period.

The diluted earnings per share is the same as the basic earnings per share for the six months ended 30 June 2010 and 2011 as the outstanding share options during the period are anti-dilutive.

8. Fixed assets

(a) Acquisition and disposals of property, plant and equipment

During the six months ended 30 June 2011, additions to the Group's dock and storage facilities (including those transferred from construction in progress upon completion of construction) with a cost amounted to approximately $131,550,000 (six months ended 30 June 2010: $506,000). Items of dock and storage facilities with net book value of $122,000 were disposed of during the six months ended 30 June 2011 (six months ended 30 June 2010: $Nil). Loss on disposal of $118,000 was resulted (six months ended 30 June 2010: $Nil).

(b) Construction in progress

Construction in progress of the Group as at 30 June 2011 comprises costs incurred on the acquisition of land use rights and the construction of port and storage facilities at DZIT and XHIT, totalling $1,369 million and $1 million (31 December 2010: $1,262 million and $157 million) respectively, which are expected to commence commercial operations in the second half of 2011.

9. Trade and other receivables

Included in trade and other receivables are debtors (net of allowance for doubtful debts) with the following ageing analysis:

	At 30 June 2011 *$'000*	At 31December 2010 *$'000*
Neither past due nor impaired	**116,434**	66,486
Less than 1 month past due	**-**	116
Trade debtors, net of allowance for doubtful debts	**116,434**	66,602
Prepayments and other receivables	**8,074**	5,502
	124,508	72,104

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 days to its trade customers.

At the balance sheet date, the Group has a certain concentration of credit risk as 94% (31 December 2010: 89%) of the trade debtors was due from the Group's largest customer. The balance due from this customer as at 30 June 2011 is expected to be recovered in the second half of 2011.

10. Bank loans

(a) ***The analysis of the carrying amount of bank loans is as follows:***

	At 30 June 2011 ***$'000***	At 31 December 2010 *$'000*
Current liabilities		
Current portion of bank loans	**2,400**	2,400
Non-current portion of bank loans repayable on demand	**6,600**	7,800
	9,000	10,200
Non-current liabilities		
Bank loans	**1,142,375**	1,116,469
	1,151,375	1,126,669

All of the non-current bank loans, including the non-current portion of bank loans repayable on demand, are carried at amortised costs. None of these non-current bank loans is expected to be settled within one year.

(b) ***At 30 June 2011, the bank loans are due for repayment as follows:***

	At 30 June 2011 ***$'000***	At 31 December 2010 *$'000*
Within 1 year or on demand	**2,400**	2,400
After 1 year but within 2 years	**2,400**	590,015
After 2 years but within 5 years	**110,020**	108,821
After 5 years	**1,036,555**	425,433
	1,148,975	1,124,269
	1,151,375	1,126,669

(c) ***At 30 June 2011, the bank loans are secured as follows:***

	At 30 June 2011 ***$'000***	At 31 December 2010 *$'000*
Bank loans		
- secured	**1,142,375**	1,116,469
- unsecured	**9,000**	10,200
	1,151,375	1,126,669

(d) At 30 June 2011, the Group had banking facilities totalling $2,244,764,000 (31 December 2010: $2,218,953,000), of which $1,142,375,000 (31 December 2010: $1,116,469,000) were secured by certain of the Group's future non-cancellable operating lease receivables. The facilities were utilised to the extent of $1,142,375,000 as at 30 June 2011 (31 December 2010: $1,116,469,000).

Certain of the Group's banking facilities of $402,000,000 (31 December 2010: $402,000,000) are subject to the fulfilment of covenants relating to the Group's net asset position as well as minimum shareholding of the controlling shareholder of the company, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand.

In addition, one of the Group's bank loan agreements contains clauses which give the lender the right at its sole discretion to demand immediate repayment at anytime irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations. The Group's regularly monitors its compliance with these covenants and is up to date with the scheduled repayment of bank loans. The Group does not consider it probable that the bank will exercise its discretion to demand repayment for so as long as the Group continues to meet these requirements. As at 30 June 2011, drawn down of $9,000,000 was made to the facilities (31 December 2010: $10,200,000) and none of the covenants relating to drawn down facilities had been breached (31 December 2010: None).

11. Amount due to a director

The amount due to a director is unsecured, interest-free and with no fixed terms of repayment. The director has confirmed that he will not request repayment within twelve months from the balance sheet date and accordingly, the balance is shown as non-current.

12. 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 expires 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 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.

No share option was granted to or exercised by any of the Directors and senior management during the six months ended 30 June 2011 (year ended 31 December 2010: Nil). No share option was outstanding under the scheme as at 30 June 2011 (31 December 2010: 72,400,000 share options). All share options issued under the scheme were lapsed during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

The operational results of 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 2011**	Six months ended 30 June 2010	Change %
Terminal, storage and transshipment services			
Number of vessels visited			
- foreign	**104**	118	-11.9
- domestic	**274**	280	-2.1
Number of trucks served to pick up cargoes	**7,771**	8,989	-13.5
Number of drums filled	**23,313**	19,958	16.8
Transshipment volume (metric ton)			
- oils	**1,943**	1,923	1.0
- petrochemicals	**72,864**	78,425	-7.1
Port jetty throughput (metric ton)	**599,000**	604,000	-0.8
Tank farm throughput (metric ton)	**752,000**	778,000	-3.3
Solid chemical warehousing services			
Receiving volume (ton)	**17,948**	N/A	N/A
Delivering volume (ton)	**14,122**	N/A	N/A

XHIT continues to contribute the major source of revenue to the Group. During the period, total port jetty and tank farm throughput decreased due to the drop of goods flow across the south China region that resulted in the decrease in volume of imported fuel oil in XHIT. The number of vessels visited and trucks served to pick up cargoes also dropped continuously during the period. Fortunately, XHIT storage tanks maintained close to 100% lease-out rate.

Apart from the liquid business in XHIT as mentioned above, XHIT solid chemical warehouse and logistic centre ("solid warehousing centre") has started its operations since January this year. It brought in new source of revenue to the Group for 2011.

Segment results

The Group's reportable operating segments represent XHIT and Dongzhou International Terminal ("DZIT"). Both segments lease oil and petrochemical tanks and provide terminal and transshipment services to generate storage and transshipment income and port income. However, DZIT has not yet commenced its business operations as at 30 June 2011. As such, the reportable segment profit from operations solely represented the profit from XHIT during the period.

The breakdown of turnover of XHIT is as follows:

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	HK$'000	***%***	*HK$'000*	*%*
Terminal, storage and transshipment services	**77,768**	**91.9**	75,745	95.7
Port income	**3,221**	**3.8**	3,373	4.3
Solid chemical warehousing income	**3,619**	**4.3**	N/A	N/A

For the six months ended 30 June 2011, the turnover from the provision of terminal, storage and transshipment facilities slightly increased by 2.7% from HK$75.7 million to HK$77.8 million. It was mainly attributable to the increase of terminal operating services provided to the customers and thus the handling income generated increased. Furthermore, the appreciation in Renminbi yuan ("RMB") during the period contributed certain portion of the increase. Nevertheless, the turnover from port income recorded a decrease of 4.5% from HK$3.37 million to HK$3.22 million. The slide was mainly due to the decrease in terminal throughput during the period.

During the six months ended 30 June 2011, solid warehousing centre generated revenue of about HK$3.6 million to the Group. The response from various customers was encouraging. About 40% of the total floor area has been rented to various customers by the end of the reporting period.

For the six months ended 30 June 2011, the Group recorded a decrease of segment profit by 21.3% from HK$50.8 million to HK$40.0 million. The decrease was mainly due to the operating losses incurred in the start-up months for solid warehousing centre. Furthermore, the general inflation in the PRC impacted our operating costs and the increase in finance costs on bank loans have also affected our bottom line. For details of the segment reporting, please refer to note 3 on page 5 to 7.

OUTLOOK

The China government has spent efforts to keep the inflation in control during the period. In this connection, without government efforts in investment stimuli and lucrative liquidity policy as in previous year, the PRC economy growth was inevitably affected to certain extent. Furthermore, the draw-back to the sluggish performance of the USA economy during the period and the sovereign credit rating down grade might result in the third wave of Quantitative Easing Program. However, the market was not too optimistic to have strong positive impact to economy recovery. In Europe, the sovereign debts problem in various European Union countries still hampered the economies and positive sign was still far away.

- **XHIT Liquid Terminal Business**

It is difficult to predict the effect to our business with the uncertainty in worldwide economies. However, with the term leases in medium to long terms, we expect the lease-out rate of XHIT storage tanks to maintain at high level of 90% and maintain our revenue in similar level as in previous years.

- **XHIT Solid Warehousing Centre**

In Xiao Hu Island, Panyu, the warehousing and logistic centre for solid chemicals has commenced operations upon obtaining the provisional operating permit in early 2011. The centre with a floor area of about 32,000 square metres targeted to capture the business opportunity of new safety requirements in dangerous goods caretaking industry in Pearl River Delta. It started its business early this year and was operating in around 40% utilization by the end of first half of 2011. Although it is common for new business to operate in losses for the first few months, it has now been able to manage in a positive gross margin position with its 40% utilization. With the issuance of full operating permits, which is expected to be received in the second half of 2011, it is envisaged to lease out about 80% of the floor area towards the close of the year.

- **DZIT project**

The construction of Dongguan port jetty, the operating equipment installation and storage tanks erection have been completed. The facilities are now under various relevant government bureaus check and examinations and it is expected to commence operations in late third quarter of 2011 once the provisional operating licence is granted accordingly. The leasing order book for the storage tanks has been mostly filled. Some oil tank customers are now in waiting list and the management is seriously considering to start building more tanks to cater the demand.

FINANCIAL REVIEW

For the six months ended 30 June 2011, the Group's turnover was HK$84.6 million (2010: HK$79.1 million), representing an increase of 6.9% over the same period in 2010. It was mainly arisen from the appreciation in RMB and the increase in terminal operating services rendered during the period. In addition, solid warehousing centre generated new revenue of HK$3.6 million to the Group in the first half of 2011. However, the gross profit decreased from HK$54.3 million to HK$49.5 million and the margin dropped from 68.6% to 58.5%. The lower margin was in fact partly attributable to the increase in the operating costs of the liquid business and the operating losses incurred in the start-up months for solid warehousing centre. The loss position was improved as the utilization of the warehouse improved. The warehouse has been in positive operating margin since June 2011. Besides, the increase in the operating costs was related to the general inflation in the PRC. EBIT and EBITDA for the period were HK$31.0 million (2010: HK$34.8 million) and HK$50.3 million (2010: HK$48.9 million) respectively. The basic and diluted earnings per share for the period were 0.38 Hong Kong cent (2010: 0.55 Hong Kong cent). The drop was due to the increase of operating costs and finance charges in relation to the solid warehousing centre during the period.

	Six months ended 30 June 2011 *HK$'000*	Six months ended 30 June 2010 *HK$'000*	Changes %
Turnover	**84,608**	79,118	6.9
Gross profit	**49,495**	54,291	-8.8
Earnings before interest and tax ("EBIT")	**31,019**	34,826	-10.9
Profit attributable to equity shareholders of the Company	**14,352**	20,595	-30.3
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**50,295**	48,859	2.9
Gross margin	**58.5%**	68.6%	
Net profit margin	**17.0%**	26.0%	
Basis earnings per share (HK cent)	**0.38**	0.55	-30.9
Diluted earnings per share (HK cent)	**0.38**	0.55	-30.9

Capital structure, liquidity and gearing

As at 30 June 2011, the Group's total cash and cash equivalents amounted to approximately HK$135.1 million (31 December 2010: HK$76.4 million). Most of the funds were held in Hong Kong dollar, Renminbi yuan ("RMB") and US dollar.

As at 30 June 2011, the current ratio was 3.12 (31 December 2010: 1.28). The change in current ratio was mainly related to the funds of HK$194.7 million advanced by a director, part of which was utilised for the settlement of the construction costs of the solid warehousing centre and DZIT in the period. Such advance is shown as non-current as the director confirmed that he will not request for repayment within twelve months from the balance sheet date. For details, please refer to note 11 on page 12.

The Group's gearing ratio as at 30 June 2011 was 2.07 (31 December 2010: 1.89) (defined as total liabilities to total equity). The increase was mainly attributable to the funds of HK$194.7 million advanced by a director to the Group during the period.

Financial resources

The current cash reserves and recurrent operating cash flow is sufficient for the daily requirements for current operations. The Group has successfully arranged external bank loan financing in previous year and advance from a director in this period for the start-up stage of new businesses, the settlement of the construction costs of the solid warehousing centre and provide funding for DZIT before its commencement of operations. 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 Group had outstanding bank borrowings of HK$1,151 million as at 30 June 2011 (31 December 2010: HK$1,127 million). During the six months ended 30 June 2011, the borrowing costs capitalized as construction in progress was HK$27.2 million (2010: HK$26.1 million) and the finance cost charged to profit and loss was approximately HK$5.1 million (2010: HK$89,000).

Taxation

The Group had no assessable profit subject to Hong Kong Profits Tax for the period. On the other hand, GD (Panyu), the PRC subsidiary of the Group, is subject to the transitional tax rate of 24% for the period ended 30 June 2011 under the new Corporate Income Tax Law of the PRC.

Exposure to fluctuation in exchange rates and related hedge

The Group's cash and cash equivalents are held predominately in Hong Kong dollar, RMB and US dollar. Operating outgoings incurred by the Group's subsidiary in the PRC are mainly denominated in RMB, which usually receives revenue in RMB as well. 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

Certain of the Group's future non-cancellable operating lease receivables have been collateralized for long-term banking facilities. Apart from this, as at 30 June 2011, none of the assets of the Group was pledged.

Capital commitment and contingent liabilities

At 30 June 2011, the Group had capital expenditure contracted for but not provided in the interim financial report in respect of terminal development and acquisition of port and storage facilities amounted to HK$31 million (31 December 2010: HK$34 million). Meanwhile, 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 port and storage facilities amounted to approximately HK$141 million (31 December 2010: HK$161 million) as at the balance sheet date.

At 30 June 2011, the Group has no material contingent liabilities.

Employees and remuneration policy

The Group had a workforce of approximately 400 people (31 December 2010: 400). Salaries of employees are maintained at competitive level with reference to the relevant market and are performance driven.

Interim dividend

The directors do not recommend any interim dividend for the six months ended 30 June 2011 (2010: Nil).

OTHER INFORMATION

REVIEW OF THE INTERIM REPORT

The Group's interim report for the six months ended 30 June 2011 has not been audited but has been reviewed by the Audit Committee and auditors of the Company, KPMG, whose review report will be included in the interim report to be sent to shareholders.

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 Listing Rules on the Stock Exchange. The Company has complied with the Code Provisions, except for deviations from Code Provision A.4.1 which is explained below.

Under Code Provision A.4.1, the non-executive directors should be appointed for a specific term, subject to re-election. Although the independent non-executive directors do not have a specific term of appointment, all the existing directors of the Company retire by rotation at least once every three years pursuant to Article 116.

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 2011.

On behalf of the Board
David An
Chairman

Hong Kong, 24 August 2011

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. Zhang Lei and three independent non-executive directors, namely Mr. Li Wai Keung, Mr. Liu Jian and Mr. Chan Chun Wai, Tony.

website : www.hansenergy.com