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HANS ENERGY COMPANY LIMITED

漢思能源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 554)

ANNOUNCEMENT OF 2009 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 2009 as follows:

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2009 - unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	<i>Note</i>	2009	2008
		\$'000	\$'000
Turnover	3	80,238	84,029
Cost of sales		(23,960)	(24,460)
Gross profit		56,278	59,569
Other net income	4	660	2,044
Administrative expenses		(20,433)	(21,574)
Profit from operations		36,505	40,039
Finance costs	5(a)	-	-
Profit before taxation	5	36,505	40,039
Income tax	6	(9,495)	(6,526)
Profit for the period		27,010	33,513
Attributable to:			
Equity shareholders of the Company		23,720	29,775
Minority interests		3,290	3,738
Profit for the period		27,010	33,513
Earnings per share	7		
- basic		0.64 cents	0.80 cents
- diluted		0.64 cents	0.80 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2009 - unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2009 \$'000	2008 \$'000
Profit for the period	27,010	33,513
Other comprehensive income for the period (after tax and reclassification adjustments):		
Exchange differences on translation of financial statements of PRC subsidiaries	<u>224</u>	<u>26,611</u>
Total comprehensive income for the period	<u>27,234</u>	<u>60,124</u>
Attributable to:		
Equity shareholders of the Company	23,926	54,249
Minority interests	<u>3,308</u>	<u>5,875</u>
Total comprehensive income for the period	<u>27,234</u>	<u>60,124</u>

CONSOLIDATED BALANCE SHEET

at 30 June 2009 - unaudited

(Expressed in Hong Kong dollars)

	Note	At 30 June 2009 \$'000	At 31 December 2008 \$'000 (audited)
Non-current assets			
Fixed assets			
- Property, plant and equipment		268,332	280,834
- Construction in progress		625,728	509,716
- Interests in land held for own use under operating leases		20,648	21,389
Prepayments for acquisition of land use rights		25,706	25,695
Prepayments for construction costs		74,148	14,828
Intangible assets		3,280	3,380
		<u>1,017,842</u>	<u>855,842</u>
Current assets			
Interest in land held for own use under operating leases		1,500	1,500
Inventories - consumable parts		3,221	3,193
Trade and other receivables	8	9,645	7,364
Cash and cash equivalents		182,672	230,031
		<u>197,038</u>	<u>242,088</u>
Current liabilities			
Other payables and accruals		95,962	79,381
Deferred revenue		84,182	95,471
Current taxation		4,826	2,125
		<u>184,970</u>	<u>176,977</u>
Net current assets		<u>12,068</u>	<u>65,111</u>
Total assets less current liabilities		<u>1,029,910</u>	<u>920,953</u>
Non-current liabilities			
Deferred revenue		-	34,318
Deferred tax liabilities		7,887	7,803
Bank loans	9	453,772	340,176
		<u>461,659</u>	<u>382,297</u>
Net assets		<u>568,251</u>	<u>538,656</u>
Capital and reserves			
Share capital		373,264	373,264
Reserves		151,388	125,101
Total equity attributable to equity shareholders of the Company		<u>524,652</u>	<u>498,365</u>
Minority interests		<u>43,599</u>	<u>40,291</u>
Total equity		<u>568,251</u>	<u>538,656</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2009 – unaudited

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company							Total	Minority interests	Total equity
	Share capital	Share premium	Special reserve	Translation reserve	PRC statutory reserve	Share-based compensation reserve	Accumulated losses			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2009	373,264	710,477	(251,428)	54,817	31,947	6,182	(426,894)	498,365	40,291	538,656
Total comprehensive income for the period	-	-	-	206	-	-	23,720	23,926	3,308	27,234
Equity settled share-based transaction	-	-	-	-	-	2,361	-	2,361	-	2,361
Balance at 30 June 2009	<u>373,264</u>	<u>710,477</u>	<u>(251,428)</u>	<u>55,023</u>	<u>31,947</u>	<u>8,543</u>	<u>(403,174)</u>	<u>524,652</u>	<u>43,599</u>	<u>568,251</u>
Balance at 1 January 2008	373,264	710,477	(251,428)	32,565	31,947	-	(483,289)	413,536	31,140	444,676
Total comprehensive income for the period	-	-	-	24,474	-	-	29,775	54,249	5,875	60,124
Equity settled share-based transaction	-	-	-	-	-	3,473	-	3,473	-	3,473
Balance at 30 June 2008	<u>373,264</u>	<u>710,477</u>	<u>(251,428)</u>	<u>57,039</u>	<u>31,947</u>	<u>3,473</u>	<u>(453,514)</u>	<u>471,258</u>	<u>37,015</u>	<u>508,273</u>

NOTES TO 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 issue on 27 August 2009.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policies changes that are expected to be reflected in the 2009 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 one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. The following developments are relevant to the Group's financial statements:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- HKAS 27, *Consolidated and separate financial statements - cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to HKFRS 7, *Financial instruments: Disclosures - improving disclosures about financial instruments*
- HKAS 23 (revised 2007), *Borrowing costs*
- Amendments to HKFRS 2, *Share-based payment - vesting conditions and cancellations*

The amendments to HKAS 23 and HKFRS 2 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in different reportable segments being identified and presented (see note 3). Corresponding amounts have been provided on a basis consistent with the revised segment information.

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries, whether out of pre-or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3. Segment reporting

The Group manages its businesses by entities, which are organised by geography. On first-time adoption of HKFRS 8, *Operating Segments* and 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 leases oil and petrochemical tanks and provides transshipment services to generate storage and transshipment income and port income. The Group's activities for this segment are carried out in Panyu, the People's Republic of China ("PRC").
- Dongzhou International Terminal ("DZIT"): DZIT is currently under construction and not yet commenced its business operations as at 30 June 2009. This segment will lease oil and petrochemical tanks and provide transshipment services to generate storage and transshipment income and port income. The Group's activities for this segment are to be carried out in Dongguan, PRC.

(a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, 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 investment in subsidiaries and other corporate assets. Segment liabilities include other payable and accruals, deferred revenue and current taxable 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 from operations" i.e. "adjusted earnings before finance costs and taxes". To arrive at "profit from operations", 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 from operations, 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 2009 and 30 June 2008 is set out below.

	XHIT	
<i>For the six months ended 30 June</i>	2009	2008
	\$'000	\$'000
Reportable segment revenue	80,238	84,029
Reportable segment profit from operations	51,678	51,898
Interest income	287	530
Finance costs	-	-

DZIT is under construction and not yet commenced its business operations as at 30 June 2009 and accordingly, no segment information regarding the segment's revenue, profit from operations, interest income and finance costs for the six months ended 30 June 2009 and 30 June 2008 are presented.

	XHIT		DZIT		Total	
	At	At	At	At	At	At
	30 June	31 December	30 June	31 December	30 June	31 December
	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	770,845	716,551	741,992	609,999	1,512,837	1,326,550
Reportable segment liabilities	555,158	485,659	416,160	332,722	971,318	818,381
	XHIT		DZIT		Total	
<i>For the six months ended 30 June</i>	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Additions to non-current segment assets during the period	9,580	4,248	166,161	102,710	175,741	106,958

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

	Six months ended 30 June	
	2009	2008
	\$'000	\$'000
Revenue		
Reportable segment revenue	<u>80,238</u>	<u>84,029</u>
Consolidated turnover	<u>80,238</u>	<u>84,029</u>
Profit		
Reportable segment profit from operations	51,678	51,898
Other net income	14	1,913
Unallocated head office and corporate expenses	(15,187)	(13,772)
	<u> </u>	<u> </u>
Consolidated profit before taxation	<u>36,505</u>	<u>40,039</u>
	At	At
	30 June	31 December
	2009	2008
	\$'000	\$'000
Assets		
Reportable segment assets	1,512,837	1,326,550
Elimination of inter-segment receivables	<u>(331,262)</u>	<u>(264,850)</u>
	<u>1,181,575</u>	<u>1,061,700</u>
Unallocated head office and corporate assets	<u>33,305</u>	<u>36,230</u>
Consolidated total assets	<u>1,214,880</u>	<u>1,097,930</u>
Liabilities		
Reportable segment liabilities	971,318	818,381
Elimination of inter-segment payables	<u>(331,262)</u>	<u>(264,850)</u>
	<u>640,056</u>	<u>553,531</u>
Unallocated head office and corporate liabilities	<u>6,573</u>	<u>5,743</u>
Consolidated total liabilities	<u>646,629</u>	<u>559,274</u>

4. Other net income

	Six months ended 30 June	
	2009	2008
	\$'000	\$'000
Interest income	297	896
Net gain on disposal of property, plant and equipment	17	629
Others	346	519
	<u>660</u>	<u>2,044</u>

5. Profit before taxation

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

	Six months ended 30 June	
	2009	2008
	\$'000	\$'000
(a) Finance costs:		
Interest on bank loans	10,444	6,532
Less: Borrowing costs capitalised as construction in progress	<u>(10,444)</u>	<u>(6,532)</u>
	<u>-</u>	<u>-</u>
<p>The borrowing costs during the six months ended 30 June 2009 have been capitalised at a rate of 5.184% per annum (six months ended 30 June 2008: 6.97% per annum) for construction in progress.</p>		
(b) Staff costs:		
Contributions to defined contribution retirement plan	582	458
Salaries, wages and other benefits	10,945	9,264
Equity-settled share based payments	<u>2,361</u>	<u>3,473</u>
Total staff costs	<u>13,888</u>	<u>13,195</u>
(c) Other items:		
Charitable donations	-	3,314
Depreciation and amortisation	14,099	14,488
Operating lease charges: minimum lease payment - buildings	<u>2,869</u>	<u>2,713</u>

6. Income tax

	Six months ended 30 June	
	2009	2008
	\$'000	\$'000
Taxation in the consolidated income statement represents:		
Current tax - PRC Enterprise Income Tax for the period	9,414	4,155
Deferred taxation	81	2,371
	<u>9,495</u>	<u>6,526</u>

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 2008: 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 full PRC Enterprise Income Tax rate applicable to GD (Panyu) is 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. Accordingly, the applicable tax rate of GD (Panyu) for the year ended 31 December 2008 is 9%. The tax relief of GD (Panyu) ended 31 December 2008 and the applicable tax rate of GD (Panyu) for the six months ended 30 June 2009 is 20%. 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 2009.

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 2009, temporary differences relating to the undistributed profits of the Group’s foreign-invested enterprise amounted to \$120,407,000. Deferred tax liabilities of \$6,020,000 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 and diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the parent of \$23,720,000 (six months ended 30 June 2008: \$29,775,000) and the weighted average of 3,732,638,000 ordinary shares (2008: 3,732,638,000 ordinary shares) in issue during the interim period.

The diluted earnings per share for the six months ended 30 June 2009 is same as the basic earnings per share as the inclusion of the effect of outstanding share options would have an anti-dilutive effect on the earnings per share.

8. 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 2009 \$'000	At 31 December 2008 \$'000
Current	4,607	3,319
Less than 1 month past due	696	-
1 to 3 months past due	78	-
	<hr/>	<hr/>
Trade debtors, net of allowance for doubtful debts	5,381	3,319
Prepayments and other receivables	4,264	4,045
	<hr/>	<hr/>
	9,645	7,364
	<hr/> <hr/>	<hr/> <hr/>

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 customers.

9. Bank loans

At 30 June 2009, the bank loans are repayable as follows:

	At 30 June 2009 \$'000	At 31 December 2008 \$'000
After 1 year but within 2 years	126,752	95,021
After 2 years but within 5 years	327,020	245,155
	<u>453,772</u>	<u>340,176</u>

At 30 June 2009, the Group's banking facilities totalling \$609,189,000 (31 December 2008: \$608,915,000) were secured by certain of the Group's future non-cancellable operating leases receivables. The facilities were utilised to the extent of \$453,772,000 as at 30 June 2009 (31 December 2008: \$340,176,000).

10. Commitments

(a) Capital commitments

At 30 June 2009, 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 \$189,323,000 (31 December 2008: \$82,494,000).

At 30 June 2009, 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 \$332 million (31 December 2008: \$390 million).

(b) Operating lease arrangement

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 2009 \$'000	At 31 December 2008 \$'000
Within one year	3,372	5,481
In the second to fifth year inclusive	-	800
	<u>3,372</u>	<u>6,281</u>

11. 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 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 2009 had an exercise price of \$0.5 and a weighted average remaining contractual life of 1.85 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 not less than \$1.2 per share. 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 grant of the options were \$0.485 per share and \$0.474 per share respectively. No share option was granted during the six months ended 30 June 2009.

No share options were exercised by the Directors and senior management during the six months ended 30 June 2009 (year ended 31 December 2008: Nil).

12. Comparative figures

As a result of the application of HKAS 1 (revised 2007), *Presentation of financial statements*, and HKFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to the current period’s presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

The oil and petrochemical terminal located in Xiao Hu Island of Nansha, Panyu, Guangdong Province in the PRC (“XHIT”) is the core business of Hans Energy Company Limited (the “Company”) and its subsidiaries (the “Group”), its operational results were as follows:

Operational statistics	Six months ended 30 June 2009	Six months ended 30 June 2008	Change %
Number of vessels visited			
- foreign	132	128	+3.1
- domestic	353	510	-30.8
Number of trucks served to pick up cargoes	8,573	8,409	+2.0
Number of drums filled	16,167	25,117	-35.6
Transshipment volume (metric ton)			
- oils	999	125,332	-99.2
- petrochemicals	90,907	101,219	-10.2
Port jetty throughput (metric ton)	859,000	1,237,000	-30.6
Tank farm throughput (metric ton)	1,011,000	1,380,000	-26.7

The global economy was presented with unprecedented challenges in the period under review. Since the financial tsunami swept across the world last September, the real economy was deeply affected as the level of commercial activities slowed down significantly. This in turn translated into significant drop in cargoes shipped in and out of the region we operate. The situation did not change in the fourth quarter of 2008 and extended to the first quarter of 2009. However, it was improved in the second quarter of this year. The 30.6% drop in the XHIT port jetty throughput during the first half of 2009 reflected what has happened. The resultant effect in port income was a decrease of 41.2% as compared to last period.

During the period, number of foreign vessels berthed and trucks served to pick up cargoes was slightly increased over the corresponding period in last period, however, total number of tankers berthed for unloading cargoes and drums filled, transshipment volume, port jetty and tank farm throughput were decreased that was arisen from the drop in flow of goods across the south China region and decrease in volume of cargoes handled in XHIT port during the period. Fortunately, despite the drop in port throughput, XHIT storage tanks maintained almost 100% lease-out rate for the first half of 2009.

Segment results

Under the first-time adoption of HKFRS 8, *Operating Segments*, the Group revised segment disclosure to be based on the way that the chief operating decision maker regards and manages the Group. Segment results represent the profit for the period in 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 is currently under construction and has not yet commenced its business operations as at 30 June 2009. 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		Six months ended	
	30 June 2009		30 June 2008	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Terminal, storage and transshipment services	75,791	94.5	76,469	91.0
Port income	4,447	5.5	7,560	9.0

For the half year ended 30 June 2009, turnover from the provision of terminal storage and transshipment facilities decreased by 0.9% from HK\$76.5 million to HK\$75.8 million, it was mainly attributable to the decrease in volume of cargoes handled in XHIT port during the period while the turnover from port income decreased by 41.2% from HK\$7.56 million to HK\$4.45 million, the decrease was in line with the decrease in port throughput during the period.

For the six months ended 30 June 2009, the Group recorded a slight decrease of segment profit by 0.4% from HK\$51.9 million to HK\$51.7 million. The decrease was in line with the decrease of turnover from the provision of terminal, storage and transshipment facilities. For details of the segment reporting, please refer to note 3 on page 7 to 9.

OUTLOOK

As the PRC economy is recovering with the government investment stimuli and lucrative liquidity policy, it is expected the commercial activities and the cargo volume moving in and out of the region will maintain steadily as what we experienced since the second quarter of 2009.

• XHIT Liquid Terminal Business

With the term leases in long to medium terms, we expect the lease-out rate of XHIT storage tanks to maintain at high 90%. As the volume of cargoes moving in and out of the region improves, we are conservatively optimistic in XHIT operations for the second half of 2009.

• XHIT Solid Warehousing Centre

In Xiao Hu Island, Panyu, we have successfully acquired a site to develop a warehousing and logistic centre for solid chemicals to cope with the demand of such service. According to the initial design, the warehouse will have a floor area of 35,000 square metres. The construction of the centre will be completed in mid 2010 to capture the business opportunity of new safety requirements in dangerous goods caretaking industry in Pearl River Delta.

• DZIT project

The construction of Dongguan port jetty has been completed and the operating equipment is being installed. The tank farm construction is underway. All the works are expected to be completed close to the end of this year. The costs of most construction materials and components dropped significantly in the economic downturn, giving rise to material cost savings for the project.

• Taishan Crude Oil Terminal project (“TSOT”)

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 for the development of the TSOT have been started and we shall apply with all relevant authorities for approval once the government issues the official guidelines.

FINANCIAL REVIEW

For the six months ended 30 June 2009, the Group's turnover was HK\$80.2 million (2008: HK\$84.0 million), representing a decrease of 4.5% over the same period in 2008. It was arisen from the drop in flow of goods across the south China region and the decrease in volume of cargoes handled in XHIT port which resulted in less cargo handling fee and port income in the period. The profit attributable to equity shareholders was HK\$23.7 million (2008: HK\$29.8 million), representing a decrease of 20.3% over the corresponding period last year. The decrease was mainly attributed by the declining in Group's turnover in the period and the tax relief of GD (Panyu) ended at 31 December 2008 and the implementation of the Transitional Tax Rate (please refer to note 6(ii) of page 11). EBIT and EBITDA for the six months ended 30 June 2009 were HK\$36.5 million (2008: HK\$40.0 million) and HK\$50.6 million (2008: HK\$54.5 million) respectively. Accordingly, the basic and diluted earnings per share for the six months ended 30 June 2009 were 0.64 Hong Kong cents (2008: 0.80 Hong Kong cents).

	Six months ended 30 June 2009 HK\$'000	Six months ended 30 June 2008 HK\$'000	Changes %
Turnover	80,238	84,029	-4.5
Gross profit	56,278	59,569	-5.5
Earnings before interest and tax ("EBIT")	36,505	40,039	-8.8
Profit attributable to equity shareholders of the Company	23,720	29,775	-20.3
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	50,604	54,527	-7.2
Gross margin	70.1%	70.9%	
Net profit margin	29.6%	35.4%	
Basis earnings per share (HK cents)	0.64	0.80	-20.0
Diluted earnings per share (HK cents)	0.64	0.80	-20.0

Capital structure, liquidity and gearing

As at 30 June 2009, the Group's total cash and cash equivalents amounted to approximately HK\$183 million (31 December 2008: HK\$230 million). Most of the funds were held in HK\$, RMB and US\$.

As at 30 June 2009, the current ratio was 1.07 (31 December 2008: 1.37). The change in current ratio was mainly related to the funds utilised for construction of the DZIT new terminal in the period.

The Group's gearing ratio as at 30 June 2009 was 1.14 (31 December 2008: 1.04) (defined as total liabilities to total equity). The increase was attributable to the draw down of the long-term banking facilities made available to the Group for DZIT capital expenditure 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 XHIT expansion and construction of DZIT 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 collateralized the future non-cancellable lease payments to a bank for long-term banking facilities during the period. Apart from this, as at 30 June 2009, none of the assets of the Group was pledged.

Capital commitment and contingent liabilities

At 30 June 2009, 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\$189 million. Besides, 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\$332 million at 30 June 2009.

At 30 June 2009, the Group has no material contingent liabilities.

Employees and remuneration policy

The Group had a workforce of approximately 264 people. 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 2009 (2008: Nil).

OTHER INFORMATION

REVIEW OF THE INTERIM REPORT

The Group's interim report for the six months ended 30 June 2009 has not been audited but has been reviewed by the Audit Committee and auditors of the Company, KPMG.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2009, the interests and short positions of directors of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Ordinary shares of HK\$0.10 each of the Company

Name of director	Nature of interest	Number of shares		Approximate percentage to the issued share capital of the Company	
		Long Positions	Short positions	Long Positions	Short positions
Mr. David An *	Corporate	2,548,203,980 (Note 1)	Nil	68.27%	Nil
	Personal	178,006,000	Nil	4.77%	Nil

Note:

1. The shares are held directly as to 209,773,980 shares by Extreme Wise Investments Ltd ("Extreme Wise") and 2,338,430,000 shares by Vand Petro-Chemicals, both of which are wholly-owned by Mr. David An. By virtue of SFO, Mr. David An is deemed to have corporate interest in the 2,548,203,980 shares.

* Mr. David An, being a director of the Company, is also acting as the Chief Executive of the Company.

Save as disclosed above, as at 30 June 2009, none of the directors of the Company and their associates had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme detailed in note 11 to the unaudited interim financial report, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debts securities (including debentures) of, the Company or any other body corporate and none of the directors, their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

DIRECTORS' INTEREST IN CONTRACTS

There were no contracts of significance to which the Company, or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisting at the end of the period or at any time during the period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2009, shareholders (other than directors of the Company) who had interests and short positions in the shares and underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Ordinary shares of HK\$0.10 each of the Company

Name of shareholder	Number of shares		Approximate percentage to the issued share capital of the Company	
	Long Positions	Short positions	Long Positions	Short positions
Mr. David An (<i>Note 1</i>)	2,726,209,980	Nil	73.04%	Nil
Vand Petro-Chemicals (<i>Note 1</i>)	2,338,430,000	Nil	62.65%	Nil
Dubai World Corporation (<i>Note 2</i>)	370,000,000	Nil	9.91%	Nil
Extreme Wise (<i>Note 1</i>)	209,773,980	Nil	5.62%	Nil

Notes:

1. The shares are held directly as to 178,006,000 shares by Mr. David An personally, as to 209,773,980 shares by Extreme Wise and 2,338,430,000 shares by Vand Petro-Chemicals, both companies being wholly-owned by Mr. David An. By virtue of the SFO, Mr. David An is deemed to be interested in the 2,726,209,980 shares. Mr. David An is a director of Extreme Wise, Vand Petro-Chemicals and the Company.
2. The shares are held directly by Pony HK World, indirectly wholly-owned by Dubai World Corporation.

Save as disclosed above, as at 30 June 2009, the Company has not been notified by any persons (other than directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on 16 December 2002, the Company adopted a share option scheme (the “scheme”) which 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. Details of the share options granted are set out in note 11 to the unaudited interim financial report.

Information in relation to share options disclosed in accordance with the Listing Rules on the Stock Exchange was as follows:

Eligible person	Date of grant <i>D/M/YYYY</i>	Period during which share options are exercisable <i>D/M/YYYY</i>	Exercise price per share <i>HK\$</i>	Number of share options outstanding at 1/1/2009	Granted/ exercised/ lapsed/cancelled during the period	Number of share options outstanding at 30/6/2009
Executive directors						
Mr. Fung Chi Kwan, Nicholas	7/5/2008	7/5/2008 - 7/5/2011	0.50	8,500,000	-	8,500,000
Ms. Liu Zhijun	7/5/2008	7/5/2008 - 7/5/2011	0.50	8,500,000	-	8,500,000
Mr. Zhang Lei	7/5/2008	7/5/2008 - 7/5/2011	0.50	8,500,000	-	8,500,000
Independent non-executive directors						
Mr. Li Wai Keung	7/5/2008	7/5/2008 - 7/5/2011	0.50	200,000	-	200,000
Mr. Liu Jian	7/5/2008	7/5/2008 - 7/5/2011	0.50	200,000	-	200,000
Mr. Chan Chun Wai, Tony	7/5/2008	7/5/2008 - 7/5/2011	0.50	200,000	-	200,000
				<u>26,100,000</u>	<u>-</u>	<u>26,100,000</u>
Employees	7/5/2008	7/5/2008 - 7/5/2011	0.50	<u>46,300,000</u>	<u>-</u>	<u>46,300,000</u>
				<u>72,400,000</u>	<u>-</u>	<u>72,400,000</u>

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 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 2009.

(c) Disclosure of information regarding the directors

In accordance with the Listing Rules on the Stock Exchange, any change of the information about the directors are required to be disclosed during the course of the director's term of office.

During the period, Mr. Chan Chun Wai, Tony is appointed as non-executive director by China Nutrifruit Group Limited, the share of which is listed on OTC Bulletin Board in United States.

On behalf of the Board
David An
Chairman

Hong Kong, 27 August 2009

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.

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