

CHAIRMAN'S STATEMENT



On behalf of the board, I would like to present the annual report of Hans Energy Company Limited and its subsidiaries (the "Hans Energy Group" or "Group") for the year 2006. For the year ended 31 December 2006, the Group recorded turnover of HK\$166.9 million (2005: HK\$201.8 million) and the profit attributable to shareholders was HK\$134.2 million (2005: HK\$92.6 million), representing a decrease of 17.3% and an increase of 45.0% respectively. The drop in turnover was mainly due to the fact that the operation of XHIT was influenced and hindered by the construction works of a terminal with a docking capacity of 50,000 tons (the "Adjacent Terminal"), which was built by China Petroleum & Chemical Corporation Guangdong Branch (中石化廣東省公司) ("Sinopec Guangdong") in the neighbouring area of XHIT. Notwithstanding, the Group attained a considerable net profit growth. This was attributable to stable source of income was generated from the Group's previous long-term leases. Lease rentals were not impacted by the cargo storage volume within the region. In addition, the Group has received a compensation payment as the operation of XHIT was affected by the construction works of the Adjacent Terminal. As such, material gains were brought for the Group's bottom line. To smooth the operation of the two terminals, the Group has entered into negotiations with Sinopec Guangdong for collaborative cooperation. Basic understanding has been reached, and an agreement relating to the joint management of such terminal with a docking capacity of 50,000 tons is expected to be secured within this year. Coupled with pipelines connecting the two terminals, the operating capacity of XHIT will be enhanced to a new height. Competitive strengths will be reinforced in order to seek for synergies on a "win-win" basis.

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

Under the support of government policies of the PRC, the petrochemical production industry has flourished with robust development in the country. Domestic or foreign enterprises are either constructing new oil refineries or expanding production capacity of their current oil refineries. Furthermore, the international demand for crude oil has been constantly surging and the



international refinery capacities have been increasing. Thus, the domestic and international demand for storage ancillary facilities and service in respect of crude oil terminals continues to surge. Moreover, there is an international trend of increasing scale of refined oil transportation (VLCC). At present, supply of large-scale modernized crude oil terminals and storage ancillary facilities in the Asia Pacific region and China are inadequate. In order to sustain the leadership of the Group in the industry, and the development of the Group's core business, increase our market share and strengthen ourselves through expansion, the Group has set up a sizable and systematic plan to explore and construct a deep water crude oil terminal which is to be arranged in Southern China zone. We will expand our bonded storage and transportation business in order to extend our coverage into the Asia Pacific region through loading and unloading of a wide range of oil products including gasoline and diesels, and by connecting with the pipeline network of large refineries within the region. We hope to implement the plan this year to strive for substantial return to shareholders by capitalizing on this golden opportunity and leveraging on robust growth of the industry.

As a listed company in Hong Kong having its own port and providing specialized integrated terminal, storage and logistic services for oil, gas and petrochemical products, Hans Energy will focus its development of an efficient logistic service chain, delivering quality services to customers. The synergy and capabilities created through the integration of the wharf jetties and storage tank farm is incomparable by other storage service providers. We shall maintain the value of our brand name, reputation and competitive edge for the Group established over the years. We believe our effort in this regard will eventually bring values to our shareholders.

The Group recognizes that safety and environmental protection and preservation are the critical success factors of our business. We shall maintain our policy to ensure the compliance of all relevant laws and regulations at high standard level. These are the drivers of our business excellence and create value to the shareholders. We place great emphasis on social responsibility and environmental conscience.

On behalf of the board, I would like to express my heartfelt gratitude for the continuing support of the shareholders and business partners to the Group over the years, as well as the efforts and hard work of all directors, the management and staff of the Group.

David An

Chairman

Hong Kong, 28 March 2007