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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

The Board of Directors (the "Directors") of Hans Energy Company Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009
(Expressed in Hong Kong dollars)

	Note	**2009** **$'000**	2008 $'000
Turnover	*3*	**158,944**	165,166
Cost of sales		**(50,343)**	(52,392)
Gross profit		**108,601**	112,774
Other net income	*4*	**1,579**	3,851
Administrative expenses		**(43,142)**	(44,135)
Profit from operations		**67,038**	72,490
Finance costs	*5(a)*	**-**	-
Profit before taxation	*5*	**67,038**	72,490
Income tax	*6*	**(19,085)**	(8,972)
Profit for the year		**47,953**	63,518
Attributable to:			
Equity shareholders of the Company		**41,746**	56,395
Minority interests		**6,207**	7,123
Profit for the year		**47,953**	63,518
Earnings per share	*7*		
- basic		**1.12 cents**	1.51 cents
- diluted		**1.12 cents**	1.51 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009
(Expressed in Hong Kong dollars)

	2009	2008
	$'000	*$'000*
Profit for the year	**47,953**	63,518
Other comprehensive income for the year		
Exchange differences on translation of financial statements of PRC subsidiaries	**867**	24,280
Total comprehensive income for the year	**48,820**	87,798
Attributable to:		
Equity shareholders of the Company	**42,544**	78,647
Minority interests	**6,276**	9,151
Total comprehensive income for the year	**48,820**	87,798

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2009
(Expressed in Hong Kong dollars)

	Note	**2009**	2008
		$'000	*$'000*
Non-current assets			
Fixed assets			
- Property, plant and equipment		**258,046**	280,834
- Construction in progress		**976,598**	509,716
- Interests in land held for own use under operating leases		**19,921**	21,389
Prepayments for acquisition of land use rights		**-**	25,695
Prepayments for construction costs		**34,056**	14,828
Intangible assets		**3,180**	3,380
		1,291,801	855,842
Current assets			
Interest in land held for own use under operating leases		**1,502**	1,500
Inventories - consumable parts		**2,900**	3,193
Trade and other receivables	*9*	**8,947**	7,364
Cash and cash equivalents		**342,421**	230,031
		355,770	242,088
Current liabilities			
Other payables and accruals		**108,161**	79,381
Deferred revenue		**38,527**	95,471
Short-term bank loans	*10*	**397,502**	-
Current taxation		**4,707**	2,125
		548,897	176,977
Net current (liabilities)/assets		**(193,127)**	65,111
Total assets less current liabilities		**1,098,674**	920,953
Non-current liabilities			
Deferred revenue		**-**	34,318
Deferred tax liabilities		**7,977**	7,803
Bank loans	*10*	**499,592**	340,176
		507,569	382,297
Net assets		**591,105**	538,656
Capital and reserves			
Share capital		**373,264**	373,264
Reserves		**171,274**	125,101
Total equity attributable to equity shareholders of the Company		**544,538**	498,365
Minority interests		**46,567**	40,291
Total equity		**591,105**	538,656

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009
(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	Minority interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
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 year	-	-	-	22,252	-	-	56,395	78,647	9,151	87,798
Equity settled share-based transaction	-	-	-	-	-	6,182	-	6,182	-	6,182
Balance at 31 December 2008	373,264	710,477	(251,428)	54,817	31,947	6,182	(426,894)	498,365	40,291	538,656
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 year	-	-	-	798	-	-	41,746	42,544	6,276	48,820
Equity settled share-based transaction	-	-	-	-	-	3,629	-	3,629	-	3,629
Balance at 31 December 2009	373,264	710,477	(251,428)	55,615	31,947	9,811	(385,148)	544,538	46,567	591,105

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Hong Kong dollars)

1. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements have been prepared assuming the Group will continue as a going concern notwithstanding net current liabilities of the Group as at 31 December 2009 amounting to $193 million. The directors are of the opinion that, based on a review of the working capital forecast of the Group for the year ending 31 December 2010 and the re-financing of the Group's bank loans after the balance sheet date as disclosed in note 13, the Group will have adequate funds to finance its working capital and capital expenditure requirements.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. 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*
- Amendments to HKFRS 7, *Financial instruments: Disclosures - improving disclosures about financial instruments*
- HKAS 27, *Consolidated and separate financial statements - cost of an investment in a subsidiary, jointly controlled entity or associate*
- 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 Group's financial statements. 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 8). 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 year 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 year, or otherwise in a new primary statement, the consolidated statement of comprehensive income. 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 comparatives for the preceding period have not been restated.

3. Turnover

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

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

	2009	2008
	$'000	*$'000*
Port income	**8,975**	11,867
Storage and transshipment income	**149,969**	153,299
	158,944	165,166

In 2009, the Group has one customer (2008: one) with whom transactions have exceeded 10% of the Group's revenues. In 2009, revenues from provision of storage and transshipment services to this customer, including revenues from entities which are known to the Group to be under common control with this customer, amounted to approximately $92 million (2008: $92 million).

4. Other net income

	2009	2008
	$'000	*$'000*
Interest income	**683**	1,711
Net foreign exchange (loss)/gain	**(40)**	1,062
Others	**936**	1,078
	1,579	3,851

5. Profit before taxation

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

	2009	2008
	$'000	*$'000*
(a) Finance costs:		
Interest on bank loans	**24,381**	16,429
Less: Borrowing costs capitalised as construction in progress	**(24,381)**	(16,429)
	-	-

The borrowing costs during 2009 have been capitalised at a rate of 4.86% - 5.18% per annum (2008: 5.18% - 6.97% per annum) for construction in progress.

	2009	2008
	$'000	*$'000*
(b) Staff costs:		
Contributions to defined contribution retirement plan	**1,226**	966
Salaries, wages and other benefits	**26,333**	24,527
Equity-settled share based payments	**3,629**	6,182
Total staff costs	**31,188**	31,675
(c) Other items:		
Charitable donations	**-**	3,353
Depreciation and amortisation	**28,175**	29,218
Auditors' remuneration		
- audit services	**1,180**	1,180
- review services	**380**	380
Loss/(gain) on disposals of fixed assets	**12**	(511)
Operating lease charges: minimum lease payment		
- buildings	**5,708**	5,628

6. Income tax

	2009	2008
	$'000	*$'000*
Taxation in the consolidated income statement represents:		
Current tax - PRC Enterprise Income Tax for the year	**18,923**	8,461
Deferred tax – origination and reversal of temporary differences	**162**	511
	19,085	8,972

Notes:

(i) No Hong Kong Profits Tax was provided as the Group sustained a loss for Hong Kong Profits Tax purposes for the year (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)") was granted certain tax relief whereby the profits for the five years starting from its first profit-making year were exempted from income tax in the PRC and the profits for each of the subsequent five years were taxed at 50% of the prevailing tax rate set by the local tax authority. The PRC Enterprise Income Tax rate applicable to GD (Panyu) 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 took effect on 1 January 2008. Under the new CIT Law and in accordance with the 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 would be 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 did not fully utilise its five-year tax relief upon the implementation of the new CIT Law, would be 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 was 9%. The tax relief of GD (Panyu) expired on 31 December 2008 and thereafter the applicable tax rate of GD (Panyu) is 20%.

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 31 December 2009, temporary differences relating to the undistributed profits of the Group's foreign-invested enterprise amounted to $154,111,000 (2008: $81,340,000). Deferred tax liabilities of $7,706,000 (2008: $4,067,000) 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 calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $41,746,000 (2008: $56,395,000) and the weighted average of 3,732,638,000 ordinary shares (2008: 3,732,638,000 ordinary shares) in issue during the year.

The diluted earnings per share is the same as the basic earnings per share for the years ended 31 December 2008 and 2009 as the outstanding share options are anti-dilutive.

8. 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 represents the Group's provision of terminal, transshipment 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, transshipment and storage activities to be carried out in Dongguan, PRC. DZIT is currently under construction and is expected to commence its business operations in mid 2010.

(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 investments in subsidiaries and other corporate assets. Segment liabilities include other payables and accruals, deferred revenue and current taxation 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 revenue generated by those segments and 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 years ended 31 December 2009 and 2008 is set out below.

	XHIT	
	2009	2008
	$'000	*$'000*
Reportable segment revenue	**158,944**	165,166
Reportable segment profit from operations	**98,633**	99,975
Interest income	**666**	1,070
Finance costs	**-**	-

DZIT is under construction and not yet commenced its business operations as at 31 December 2009 and accordingly, no segment information regarding the segment's revenue, profit from operations, interest income and finance costs for the years ended 31 December 2009 and 2008 are presented.

	XHIT		DZIT		Total	
	2009	2008	**2009**	2008	**2009**	2008
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Reportable segment assets	**1,136,924**	716,551	**1,034,069**	609,999	**2,170,993**	1,326,550
Reportable segment liabilities	**956,915**	485,659	**639,724**	332,722	**1,596,639**	818,381

	XHIT		DZIT		Total	
	2009	2008	**2009**	2008	**2009**	2008
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Additions to non-current segment assets during the year ended 31 December	**16,033**	26,793	**445,155**	242,963	**461,188**	269,756

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

	2009	2008
	$'000	*$'000*
Revenue		
Reportable segment revenue	**158,944**	165,166
Consolidated turnover	**158,944**	165,166
Profit		
Reportable segment profit from operations	**98,633**	99,975
Unallocated other net income	**27**	3,070
Unallocated head office and corporate expenses	**(31,622)**	(30,555)
Consolidated profit before taxation	**67,038**	72,490

	2009	2008
	$'000	*$'000*
Assets		
Reportable segment assets	**2,170,993**	1,326,550
Elimination of inter-segment receivables	**(548,359)**	(264,850)
	1,622,634	1,061,700
Unallocated head office and corporate assets	**24,937**	36,230
Consolidated total assets	**1,647,571**	1,097,930
Liabilities		
Reportable segment liabilities	**1,596,639**	818,381
Elimination of inter-segment payables	**(548,359)**	(264,850)
	1,048,280	553,531
Unallocated head office and corporate liabilities	**8,186**	5,743
Consolidated total liabilities	**1,056,466**	559,274

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, intangible assets, non-current prepayments ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset.

	Revenues from external customers		**Specified non-current assets**	
	2009	2008	**2009**	2008
	$'000	*$'000*	***$'000***	*$'000*
Hong Kong	**-**	-	**4,086**	3,186
PRC (excluding Hong Kong)	**158,944**	165,166	**1,287,715**	852,656
	158,944	165,166	**1,291,801**	855,842

9. Trade and other receivables

	2009	2008
	$'000	*$'000*
Trade receivables	**10,824**	9,234
Less: Allowance for doubtful debts (note 9(b))	**(5,925)**	(5,915)
	4,899	3,319
Prepayments and other receivables	**4,048**	4,045
	8,947	7,364

The amount of the Group's prepayments and other receivables expected to be recovered or recognised as expenses after more than one year is $1,139,000 (2008: $1,458,000). Apart from these, the prepayments and other receivables are expected to be recovered or recognised as expenses within one year.

(a) Trade receivables that are not impaired

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.

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2009	2008
	$'000	*$'000*
Neither past due nor impaired	**4,667**	3,319
Less than 1 month past due	**232**	-
	4,899	3,319

Receivables that were past due but not impaired relate to an independent customer that has good track records with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of this balance as there has not been a significant change in credit quality and the balance is considered fully recoverable. The Group does not hold any collateral over this balance.

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

At 31 December 2009, the Group's trade receivables of $5,925,000 (2008: $5,915,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts of $5,925,000 (2008: $5,915,000) were recognised. The Group does not hold any collateral over these balances.

The movement in the allowance for doubtful debts during the year represents the effect of change in exchange rates.

10. Bank loans

At 31 December 2009, the bank loans are repayable as follows:

	2009	2008
	$'000	*$'000*
Within 1 year or on demand	**397,502**	-
After 1 year but within 2 years	**204,430**	95,021
After 2 years but within 5 years	**295,162**	245,155
	499,592	340,176
	897,094	340,176

At 31 December 2009, the bank loans are secured as follows:

	2009	2008
	$'000	*$'000*
Bank loans		
- secured	**669,950**	340,176
- unsecured	**227,144**	-
	897,094	340,176

At 31 December 2009, the Group has banking facilities totalling $750,218,000 (2008: $608,915,000), of which $738,218,000 (2008: $608,915,000) were secured by certain of the Group's future non-cancellable operating lease receivables. The facilities were utilised to the extent of $669,950,000 (2008: $340,176,000).

One of the Group's banking facilities of $12,000,000 (2008: $Nil) are subject to the fulfilment of covenants relating to the Group's net asset position, 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. The Group regularly monitors its compliance with these covenants. As at 31 December 2009, no draw down was made in respect of the facility (2008: $Nil).

11. Equity settled share-based transactions

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 remains 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. Details are as follow:

(i) The terms and conditions of the grants are as follows:

	Number of options	*Vesting conditions*	*Contractual life of options*
Options granted to directors:			
- on 7 May 2008	26,100,000	One third on each of the grant date, first and second anniversaries of grant date	3 years
Options granted to employees:			
- on 7 May 2008	46,300,000	One third on each of the grant date, first and second anniversaries of grant date	3 years
Total share options	72,400,000		

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

	Weighted average exercise price *$*	*Number of options*
Outstanding at 1 January 2008	-	-
Granted during 2008	0.5	72,400,000
Outstanding at 31 December 2008 and 2009	0.5	72,400,000
Exercisable at 31 December 2008 and 2009 (note 11(iii))	-	-

The options outstanding at 31 December 2009 had an exercise price of HK$0.5 and a weighted average remaining contractual life of 1.35 years. No share options were granted or exercised during the year.

(iii)Fair value of options granted during 2008 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	$	0.1439
Share price at measurement date	$	0.4850
Exercise price	$	0.5000
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		Nil
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.

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 year'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.

13. Non-adjusting post balance sheet event

In March 2010, the Group reached an agreement with its bankers to re-finance bank loans of $398 million originally due within 12 months of the balance sheet date. No adjustments have been made to these financial statements as a result of this re-financing and therefore the bank loans are presented as current liabilities at the balance sheet date.

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	**2009**	2008	Change %
Number of vessels visited			
- foreign	**251**	225	+11.6%
- domestic	**614**	822	-25.3%
Number of trucks served to pick up cargoes	**17,982**	14,214	+26.5%
Number of drums filled	**34,883**	42,628	-18.2%
Transshipment volume (metric ton)			
- oils	**3,584**	158,389	-97.7%
- petrochemicals	**165,341**	194,083	-14.8%
Port jetty throughput (metric ton)	**1,555,900**	1,920,100	-19.0%
Tank farm throughput (metric ton)	**1,880,000**	2,161,300	-13.0%

The economic downturn after the financial crisis in late 2008 caused the dramatic drop in market demand for energies and resources, thus impacted the cargoes shipped in and out of the region we operate. Almost every operating index dropped across the board in 2009. The transshipment business in XHIT decreased almost 98% in 2009 as a result, especially as the Chinese government uplifted the import tax rebates to the domestic oil companies which were available in the beginning of the second quarter of 2008 that stimulated the increase in importation of oils that year. Fortunately, the remedial measures implemented by China government in early 2009 subsequent to the financial tsunami stimulated the modest economic growth in a relatively steady pace. Nevertheless, the port and tank farm throughput for the year dropped by 19% and 13% respectively as compared to last year, while the number of foreign vessels berthed and trucks served to pick up cargoes were increased and XHIT storage tanks maintained close to 100% lease-out rate during the year.

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 year 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 31 December 2009. As such, the reportable segment profit from operations solely represented the profit from XHIT during the year.

The breakdown of turnover of XHIT is as follows:

		2009		2008
	HK$'000	***%***	*HK$'000*	*%*
Terminal, storage and transshipment services	**149,969**	**94.4**	153,299	92.8
Port income	**8,975**	**5.6**	11,867	7.2

The turnover from the provision of terminal storage and transshipment facilities decreased by 2.2% from HK$153.3 million to HK$150.0 million. It was mainly attributable to the drop in volume of transshipment and cargoes handled in XHIT port during the year and the turnover from port income decreased by 24.4% from HK$11.9 million to HK$9.0 million, the slide was in line with the decrease in port throughput during the year.

During the year, the Group recorded a slight decrease of segment profit by 1.3% from HK$100 million to HK$98.6 million. The drop was due to the decrease of turnover from the provision of terminal, storage and transshipment facilities. For details of the segment reporting, please refer to note 8.

OUTLOOK

As the PRC economy has been recovering with the government investment stimuli and lucrative liquidity policy initiated in 2009, care is expected from the government to ensure no overheating in the economy yet not to undermine its growth and minimize asset price bubbles. We do not expect drastic changes in fiscal policies, but it is envisaged that loose liquidity will be tightened up. It is reasonable to see the commercial activities and the cargo volume moving in and out of the region will maintain steady 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 2010.

• XHIT Solid Warehousing Centre

In Xiao Hu Island, Panyu, the construction works to build a warehousing and logistic centre for solid chemicals have been started. 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. It is expected to start its operations in the second half of 2010.

• DZIT project

The construction of Dongguan port jetty and tank farm has been completed and the operating equipment is being installed. The storage capacity of 258,000 cubic metres has been installed. The testing and commissioning of operation equipment is underway. The terminal is expected to start operations in mid of this year. The demand response from the market was extremely good and we are planning to develop the second phase of the project to build another 500,000 cubic metres tanks this year to meet the pertinent market demand of port and terminal services. The existing land site is sufficient to build a storage tank farm of 1,200,000 cubic metres.

• 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

The operations of the Group for the year ended 31 December 2009 was declined as compared with that of 2008. The Group's turnover was HK$158.9 million (2008: HK$165.2 million), representing a decrease of 3.8%. It was driven by 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 port handling fee and port income collected during the year. Nevertheless, we were able to maintain a stable gross margin of 68.3%. However, the profit attributable to equity shareholders was HK$41.7 million (2008: HK$56.4 million), representing a decrease of 26%. The drop was mainly attributable to the decline in Group's turnover in the year and the increase of income tax rate of GD (Panyu) as a result of the implementation of the Transitional Tax Rate Policy. The shortfalls in storage and transshipment income as well as port income were HK$3.3 million and HK$2.9 million respectively. The tax rate for 2009 was 20% while that for 2008 was 9% and the effect to profit for the year was HK$10.1 million in this regard (please refer to note 6). EBIT and EBITDA for the year were HK$67.0 million (2008: HK$72.5 million) and HK$95.2 million (2008: HK$101.7 million) respectively. Accordingly, the basic and diluted earnings per share for the year were 1.12 Hong Kong cents (2008: 1.51 Hong Kong cents).

	2009	2008	Changes
	HK$'000	*HK$'000*	*%*
Turnover	**158,944**	165,166	-3.8
Gross profit	**108,601**	112,774	-3.7
Earnings before interest and tax ("EBIT")	**67,038**	72,490	-7.5
Profit attributable to equity shareholders of the Company	**41,746**	56,395	-26.0
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**95,213**	101,708	-6.4
Gross margin	**68.3%**	68.3%	
Net profit margin	**26.3%**	34.1%	
Basis earnings per share (HK cents)	**1.12**	1.51	-25.8
Diluted earnings per share (HK cents)	**1.12**	1.51	-25.8

Capital structure, liquidity and gearing

As at 31 December 2009, the Group's total cash and cash equivalents amounted to approximately HK$342 million (31 December 2008: HK$230 million). Most of the funds were held in HK$, RMB and US$.

As at 31 December 2009, the current ratio was 0.65 (31 December 2008: 1.37). The change in current ratio was mainly related to the draw down of the short-term banking facilities made available to the Group for construction of DZIT during the year. Necessary actions have been taken to manage the net current liabilities position as long-term financing has been arranged to replace such short-term borrowings in 2010 with repayment terms of over 10 years. It is envisaged that the existing operations of the Group will be able to generate sufficient cash flow to meet the repayment requirements.

The Group's gearing ratio as at 31 December 2009 was 1.79 (31 December 2008: 1.04) (defined as total liabilities to total equity). The increase was attributable to the draw down of the banking facilities made available to the Group to finance the DZIT capital expenditure during the year.

Financial resources

The current cash reserves and recurrent operating cash flow is sufficient for the daily requirements for current operations. However, the Group has successfully arranged external bank loan financing for development of new businesses and construction of the solid chemical warehousing and logistic centre in Xiao Hu Island and DZIT expansion, if required. Due attention will be paid to the capital and debt markets as well as the latest developments of the Group in order to ensure the efficient use of financial resources.

Finance costs

The Group had outstanding bank borrowings of HK$897 million as at 31 December 2009 (2008: HK$340 million). However, there was no finance cost charged to profit and loss for the year as the costs in these borrowings of HK$ 24.4 million have been capitalized as construction in progress for the year ended 31 December 2009 (2008: HK$16.4 million).

Taxation

The Group had no assessable profit subject to Hong Kong Profits Tax for the year. On the other hand, GD (Panyu), the PRC subsidiary of the Group, is subject to the transitional tax rate of 20% for the year ended 31 December 2009 under the new Corporate Income Tax Law of the PRC. Details are set out in note 6.

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's future non-cancellable lease receivables have been collateralized to a bank for long-term banking facilities since 2007. Apart from this, as at 31 December 2009, none of the assets of the Group was pledged.

Capital commitment and contingent liabilities

At 31 December 2009, the Group had capital expenditure contracted for but not provided in the financial statements in respect of terminal development and acquisition of port and storage facilities amounted to $184 million (2008: $82 million).

At 31 December 2009, the Group had capital expenditure not contracted for but approved by the board and not provided in the financial statements in respect of terminal development and acquisition of port and storage facilities amounted to approximately $301 million (2008: $387 million).

At 31 December 2009, the Group has no material contingent liabilities.

Final dividend

The directors do not recommend any final dividend for the year ended 31 December 2009 (2008: Nil).

CORPORATE GOVERNANCE

The Company is committed to a high standard of corporate governance practices appropriate to the conduct and growth of its business in compliance with the principles and code provisions ("Code Provisions") 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"), except for deviations from Code Provision A.4.1 which is explained below.

Under Code Provision A.4.1, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2009.

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

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

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2009, the Group had a workforce of 290 (2008: 260) employees, 274 (2008: 244) of which worked for the terminals. Every year, the Group devises a budget which states total salary and bonus plan for the year to encourage the Group's employees to contribute their best efforts and to make maximum economic benefits to the Group. In accordance with the relevant government regulations in the PRC, the Group is required to cover social insurance, including but not limited to retirement, medical, workman compensation and unemployment insurance as well as housing fund for every qualified employee in the PRC. With these insurance policies and staff benefits, the Group hopes to provide a reasonable welfare for each qualified employee.

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2009 has been reviewed by the Audit Committee of the Company.

On behalf of the Board
David An
Chairman

Hong Kong, 30 March 2010

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