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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The Board of Directors (the "Directors") of Hans Energy Company Limited (the "Company") announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014 as follows:

CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2014 - unaudited
(Expressed in Hong Kong dollars)

	Note	**Six months ended 30 June 2014 $'000**	2013 $'000
Turnover	*2*	**109,211**	111,933
Direct costs and operating expenses		**(96,438)**	(95,471)
		12,773	16,462
Other net income	*3*	**1,478**	510
Administrative expenses		**(26,911)**	(27,985)
Loss from operations		**(12,660)**	(11,013)
Finance costs	*4(a)*	**(39,373)**	(40,799)
Loss before taxation	*4*	**(52,033)**	(51,812)
Income tax	*5*	**295**	290
Loss for the period		**(51,738)**	(51,522)
Attributable to:			
Equity shareholders of the Company		**(48,787)**	(48,531)
Non-controlling interests		**(2,951)**	(2,991)
Loss for the period		**(51,738)**	(51,522)
Loss per share	*6*		
Basic		**(1.31 cent)**	(1.30 cent)
Diluted		**(1.31 cent)**	(1.30 cent)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2014 - unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2014	2013
	$'000	*$'000*
Loss for the period	**(51,738)**	(51,522)
Other comprehensive income for the period:		
Item that may be reclassified subsequently to consolidated income statement:		
- Exchange differences on translation of financial statements of subsidiaries	**(3,761)**	8,549
Total comprehensive income for the period	**(55,499)**	(42,973)
Attributable to:		
Equity shareholders of the Company	**(52,228)**	(40,667)
Non-controlling interests	**(3,271)**	(2,306)
Total comprehensive income for the period	**(55,499)**	(42,973)

CONSOLIDATED BALANCE SHEET
at 30 June 2014 - unaudited
(Expressed in Hong Kong dollars)

	Note	**At 30 June 2014** **\$'000**	At 31 December 2013 *\$'000*
Non-current assets			
Fixed assets	*7*		
- Property, plant and equipment		**1,315,241**	1,384,185
- Interests in land held for own use under operating leases		**267,756**	273,276
Prepayments for construction costs		**26,253**	27,399
Intangible assets		**2,308**	2,413
		1,611,558	1,687,273
Current assets			
Interests in land held for own use under operating leases		**7,100**	7,823
Consumable parts		**16,446**	16,881
Trade and other receivables	*8*	**58,086**	43,417
Current tax recoverable		**18,978**	19,161
Cash and cash equivalents		**38,046**	56,993
		138,656	144,275
Current liabilities			
Other payables and accruals		**52,425**	55,465
Bank loans	*9*	**25,195**	28,439
		77,620	83,904
Net current assets		**61,036**	60,371
Total assets less current liabilities		**1,672,594**	1,747,644
Non-current liabilities			
Deferred tax liabilities		**5,922**	6,276
Bank loans	*9*	**1,199,292**	1,210,887
Amounts due to related parties	*10*	**203,162**	210,764
		1,408,376	1,427,927
Net assets		**264,218**	319,717
Capital and reserves			
Share capital		**373,264**	373,264
Reserves		**(140,216)**	(87,988)
Total equity attributable to equity shareholders of the Company		**233,048**	285,276
Non-controlling interests		**31,170**	34,441
Total equity		**264,218**	319,717

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2014 – unaudited
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company								
	Share capital *$'000*	**Share premium** *$'000*	**Special reserve** *$'000*	**Translation reserve** *$'000*	**Statutory reserve** *$'000*	**Accumulated losses** *$'000*	**Total** *$'000*	**Non-controlling interests** *$'000*	**Total equity** *$'000*
Balance at 1 January 2013	373,264	710,477	(251,428)	104,509	31,947	(588,352)	380,417	40,096	420,513
Changes in equity for the six months ended 30 June 2013:									
Loss for the period	-	-	-	-	-	(48,531)	(48,531)	(2,991)	(51,522)
Other comprehensive income	-	-	-	7,864	-	-	7,864	685	8,549
Total comprehensive income	-	-	-	7,864	-	(48,531)	(40,667)	(2,306)	(42,973)
Balance at 30 June 2013 and 1 July 2013	373,264	710,477	(251,428)	112,373	31,947	(636,883)	339,750	37,790	377,540
Changes in equity for the six months ended 31 December 2013:									
Loss for the period	-	-	-	-	-	(59,530)	(59,530)	(3,808)	(63,338)
Other comprehensive income	-	-	-	5,056	-	-	5,056	459	5,515
Total comprehensive income	-	-	-	5,056	-	(59,530)	(54,474)	(3,349)	(57,823)
Balance at 31 December 2013 and 1 January 2014	**373,264**	**710,477**	**(251,428)**	**117,429**	**31,947**	**(696,413)**	**285,276**	**34,441**	**319,717**
Changes in equity for the six months ended 30 June 2014:									
Loss for the period	**-**	**-**	**-**	**-**	**-**	**(48,787)**	**(48,787)**	**(2,951)**	**(51,738)**
Other comprehensive income	**-**	**-**	**-**	**(3,441)**	**-**	**-**	**(3,441)**	**(320)**	**(3,761)**
Total comprehensive income	**-**	**-**	**-**	**(3,441)**	**-**	**(48,787)**	**(52,228)**	**(3,271)**	**(55,499)**
Balance at 30 June 2014	**373,264**	**710,477**	**(251,428)**	**113,988**	**31,947**	**(745,200)**	**233,048**	**31,170**	**264,218**

NOTES：

(Expressed in Hong Kong dollars, unless otherwise indicated)

1. Basis of preparation

The financial information set out in this announcement does not constitute the Group's interim financial report for the six months ended 30 June 2014 but is extracted from the report.

The 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 by the Board of Directors on 26 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements.

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and one new Interpretation that are first effective for the current accounting period of the group and the company. Of these, the following developments are relevant to the Group's financial statements:

- *Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities*
- *Amendments to HKAS 32, Offsetting financial assets and financial liabilities*

The adoption of these amendments does not result in a significant impact on the Group's result of operations and financial position for current or comparative periods nor any significant change in the Group's accounting policies.

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

2. Segment reporting

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

- Xiao Hu Island Terminal ("XHIT"): this segment represents the Group's provision of terminal, transhipment, warehousing and storage activities carried out in Panyu, the People's Republic of China ("PRC").
- Dongzhou International Terminal ("DZIT"): this segment represents the Group's provision of terminal, transhipment and storage activities carried out in Dongguan, the PRC.

(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 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 turnover 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/(loss) is "profit/(loss) before taxation" i.e. "adjusted earnings/(losses) before taxes". To arrive at "profit/(loss) before taxation", the Group's earnings/(losses) are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs.

Information regarding the Group's reportable segments as 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 2014 and 2013 is set out below:

For the six months ended 30 June	**XHIT**		**DZIT**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Reportable segment revenue	**51,995**	55,735	**57,216**	56,198	**109,211**	111,933
Reportable segment profit/(loss) before taxation	**2,924**	3,214	**(39,581)**	(40,128)	**(36,657)**	(36,914)

	XHIT		**DZIT**		**Total**	
	At 30 June 2014	At 31 December 2013	**At 30 June 2014**	At 31 December 2013	**At 30 June 2014**	At 31 December 2013
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Reportable segment assets	**1,466,322**	1,493,290	**1,265,433**	1,315,249	**2,731,755**	2,808,539
Reportable segment liabilities	**1,373,053**	1,395,808	**1,031,548**	1,039,253	**2,404,601**	2,435,061

(b) Reconciliations of reportable segment revenues, loss before taxation, assets and liabilities

	Six months ended 30 June	
	2014	2013
	$'000	*$'000*
Revenue		
Reportable segment revenue	**109,211**	111,933
Consolidated turnover	**109,211**	111,933
Loss before taxation		
Reportable segment loss before taxation	**(36,657)**	(36,914)
Unallocated other net (loss)/income	**(25)**	176
Unallocated head office and corporate expenses	**(15,351)**	(15,074)
Consolidated loss before taxation	**(52,033)**	(51,812)

	At 30 June 2014	At 31 December 2013
	$'000	*$'000*
Assets		
Reportable segment assets	**2,731,755**	2,808,539
Elimination of inter-segment receivables	**(1,010,431)**	(1,017,897)
	1,721,324	1,790,642
Unallocated head office and corporate assets	**28,890**	40,906
Consolidated total assets	**1,750,214**	1,831,548
Liabilities		
Reportable segment liabilities	**2,404,601**	2,435,061
Elimination of inter-segment payables	**(1,010,431)**	(1,017,897)
	1,394,170	1,417,164
Unallocated head office and corporate liabilities	**91,826**	94,667
Consolidated total liabilities	**1,485,996**	1,511,831

3. Other net income

	Six months ended 30 June	
	2014	2013
	$'000	*$'000*
Interest income	**155**	420
Loss on disposal of property, plant and equipment	**(6)**	(5)
Net foreign exchange gain/(loss)	**348**	(841)
Others	**981**	936
	1,478	510

4. Loss before taxation

Loss before taxation is arrived at after charging:

		Six months ended 30 June	
		2014	2013
		$'000	*$'000*
(a)	Finance costs		
	Interest on bank loans	**39,373**	40,799
(b)	Staff costs*		
	Contributions to defined contribution retirement plan	**1,286**	1,126
	Salaries, wages and other benefits	**27,762**	25,929
	Total staff costs	**29,048**	27,055
(c)	Other items		
	Depreciation and amortisation	**63,803**	65,498
	Operating lease charges on properties*	**2,105**	3,960

* Staff costs includes $900,000 (six months ended 30 June 2013: $900,000) relating to operating lease charges on properties, which amount is also included in the respective total amount disclosed separately above.

5. Income tax

	Six months ended 30 June	
	2014	2013
	$'000	*$'000*
Deferred taxation – origination and reversal of temporary differences	**(295)**	(290)

Notes:

(i) No Hong Kong Profits Tax was provided for the six months ended 30 June 2014 as the Group sustained a loss for Hong Kong Profits Tax purposes for the period (six months ended 30 June 2013: Nil).

(ii) No PRC Enterprise Income Tax was provided for the six months ended 30 June 2014 as the Group's PRC subsidiaries either sustained a loss for PRC Enterprise Income Tax purposes or have accumulated tax loss brought forward to offset the estimated assessable profit for the period (six months ended 30 June 2013: Nil).

The applicable tax rate of the PRC subsidiaries for the six months ended 30 June 2014 and 2013 was 25%.

At 30 June 2014, temporary differences relating to the undistributed profits of the Group's subsidiaries amounted to $157,644,000 (31 December 2013: $155,215,000). Deferred tax liabilities of $7,882,000 (31 December 2013: $7,761,000) have not been recognised in respect of the tax that would be payable on distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that the profits will not be distributed in the foreseeable future.

6. Loss per share

The calculations of basic and diluted loss per share is based on the loss attributable to ordinary equity shareholders of the Company of $48,787,000 (six months ended 30 June 2013: $48,531,000) and the weighted average of 3,732,638,000 ordinary shares (six months ended 30 June 2013: 3,732,638,000 ordinary shares) in issue during the interim period.

The diluted loss per share is the same as the basic loss per share as there were no diluted potential ordinary shares in existence during the six months ended 30 June 2014 and 2013.

7. Fixed assets

Acquisition and disposal

During the six months ended 30 June 2014, additions to the Group's dock and storage facilities with a cost amounted to approximately $4,231,000 (six months ended 30 June 2013: $279,000). Dock and storage facilities with net book value of $6,000 were disposed of during the six months ended 30 June 2014 (six months ended 30 June 2013: $5,000), resulting in a loss on disposal of $6,000 (six months ended 30 June 2013: $5,000).

8. Trade and other receivables

At the balance sheet date, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2014	At 31 December 2013
	$'000	*$'000*
Within 1 month	**24,269**	23,787
Over 1 month but within 2 months	**6,728**	2,213
Over 2 months but within 3 months	**3,953**	5,505
Over 3 months	**11,144**	-
Trade debtors, net of allowance for doubtful debts	**46,094**	31,505
Prepayment and other receivables	**11,992**	11,912
	58,086	43,417

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.

(a) Impairment of trade debtors

Impairment losses in respect of trade debtors 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 debtors directly.

A PRC subsidiary of the Company and SINOPEC Guangdong Oil Products Company (the "Lessee") entered into an oil storage tanks lease agreement (the "Lease Agreement") in 2004. During the year ended 31 December 2011, a request was made by the Lessee for its unilateral termination of the Lease Agreement since 1 July 2011 because of changes in the Lessee's business operating conditions.

In this connection, the Group has ceased to recognise revenue from the Lease Agreement since 1 July 2011. Further, there is accrued rental income receivable arising from initial rent free period of the Lease Agreement (included within trade receivables) of RMB$90,795,000 (equivalent to $115,486,000). As it is uncertain that the Lease Agreement will continue to be executed for the remaining lease term, full impairment loss was recognised on the accrued rental income receivable during the year ended 31 December 2011. Apart from the accrued rental income receivable, the Group did not have other outstanding receivables due from the Lessee at 31 December 2013 and 30 June 2014.

On 11 June 2012, the Group has applied for an arbitration to the Guangzhou Arbitration Commission (the "Arbitration Commission") in accordance with the specific terms and conditions of the Lease Agreement in respect of the unilateral termination of the Lease Agreement by the Lessee.

On 5 March 2014, the Group received an arbitration award (the "Arbitration Award") from the Arbitration Commission, details of which are as follows:

– the Lease Agreement and a supplemental agreement to the Lease Agreement entered into between the Group and the Lessee be terminated:

– the Lessee shall pay the Group a default payment of RMB607,320,000 (equivalent to $772,475,000);

– the Group shall refund to the Lessee the rental of oil storage tanks of RMB21,786,000 (equivalent to $27,711,000);

– the other claims made by the Group be rejected;

– the other counterclaims made by the Lessee be rejected; and

– the arbitration fee for the claims made by the Group amounted to RMB4,982,000 (equivalent to $6,336,000), which shall be borne by the Group as to RMB996,000 (equivalent to $1,267,000) and by the Lessee as to RMB3,986,000 (equivalent to $5,069,000). The arbitration fee for the counterclaims made by the Lessee amounted to RMB9,559,000 (equivalent to $12,159,000), which shall be borne by the Group as to RMB956,000 (equivalent to $1,216,000) and by the Lessee as to RMB8,603,000 (equivalent to $10,943,000).

The Arbitration Commission ordered that an one-off payment of the net amount of the above awards (being the gross amount payable by the Lessee to the Group off-setting the gross amount payable by the Group to the Lessee pursuant to the Arbitration Award) be paid by the Lessee to the Group within ten days from the date of the Arbitration Award being served, and the Arbitration Award shall have legal effect from the date when the Arbitration Award was made.

Up to the date of this announcement, the above payment has not yet been received from the Lessee. In this connection, the Group filed an application to the Intermediate People's Court of Guangzhou City, Guangdong Province (the "Court") for enforcement of the Arbitration Award by the Lessee on 19 March 2014 and received a notice of acceptance of lawsuit dated 24 March 2014 from the Court.

On 17 April 2014, the Group received a notice of responses to legal proceedings (the "Notice") from the Court. According to the Notice, the Court has accepted the application made by the Lessee for revoking the arbitration ruling made by the Arbitration Commission dated 5 March 2014. On 17 April 2014, the Group also received a summon issued by the Court for a hearing of the Lessee's application, which has taken place on 20 May 2014.

The court case is still in progress and no conclusion has been drawn up to date.

9. **Bank loans**

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

	At 30 June 2014 *$'000*	At 31 December 2013 *$'000*
Current liabilities		
Short-term bank loans	**25,195**	27,839
Long-term bank loans repayable on demand	**-**	600
	25,195	28,439
Non-current liabilities		
Long-term bank loans	**1,199,292**	1,210,887
	1,224,487	1,239,326

(b) ***As at 30 June 2014, according to the original repayment schedule, the bank loans were repayable as follows:***

	At 30 June 2014 *$'000*	At 31 December 2013 *$'000*
Within 1 year or on demand	**25,195**	27,839
After 1 year but within 2 years	**62,988**	64,197
After 2 years but within 5 years	**199,042**	198,423
After 5 years	**937,262**	948,867
	1,199,292	1,211,487
	1,224,487	1,239,326

(c) ***As at 30 June 2014, the bank loans were secured as follows:***

	At 30 June 2014 *$'000*	At 31 December 2013 *$'000*
Bank loans		
- secured (note 9(d))	**1,224,487**	1,236,326
- unsecured (note 9(e))	**-**	3,000
	1,224,487	1,239,326

(d) At 30 June 2014, the Group had banking facilities totalling $1,621,311,000 (31 December 2013: $1,639,987,000), of which $1,621,311,000 (31 December 2013: $1,636,987,000) were secured by certain of the Group's fixed assets with net book value of $1,335,221,000 as at 30 June 2014 (31 December 2013: $1,393,779,000) and certain of the Group's future operating lease receivables. The banking facilities were utilised to the extent of $1,224,487,000 as at 30 June 2014 (31 December 2013: $1,236,326,000).

(e) During the period ended 30 June 2014, the Group's unsecured bank loan of $3,000,000 has been fully repaid.

10. Amounts due to a related parties

The amounts due to related parties are unsecured, interest-free and with no fixed terms of repayment. The related parties have confirmed that they have no intention to request repayment within twelve months from the balance sheet date and accordingly, the balance is shown as non-current.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

The operational results of the two liquid product terminals of the Group operating in Panyu ("XHIT") and Dongguan ("DZIT") plus the warehouse and logistic centre for solid chemical products located in Xiao Hu Island (the "Solid Warehousing Centre") during the reporting period are set forth as follows:

	XHIT			**DZIT**		
	Six months ended 30 June			Six months ended 30 June		
Operational statistics	**2014**	2013	Change %	**2014**	2013	Change %
Liquid product terminal, storage and transshipment services						
Number of vessels visited						
- foreign	**89**	97	-8.2	**57**	63	-9.5
- domestic	**159**	180	-11.7	**138**	94	+46.8
Number of trucks served to pick up cargoes	**6,636**	6,407	+3.6	**12,085**	11,539	+4.7
Number of drums filled	**23,171**	25,067	-7.6	**437**	544	-19.7
Transshipment volume (metric ton)						
- oils	**-**	-	-	**106,616**	25,386	+320.0
- petrochemicals	**79,775**	92,691	-13.9	**1,597**	18,590	-91.4
Port jetty throughput (metric ton)	**442,000**	486,000	-9.1	**770,000**	590,000	+30.5
Tank farm throughput (metric ton)	**596,000**	630,000	-5.4	**1,139,000**	948,000	+20.1
Solid chemical warehousing services						
Floor area leased out (m^2)	**24,475**	29,230	-16.3	**N/A**	N/A	N/A
Cargoes received (metric ton)	**35,102**	50,714	-30.8	**N/A**	N/A	N/A
Cargoes issued (metric ton)	**32,768**	51,975	-37.0	**N/A**	N/A	N/A

LIQUID PRODUCT TERMINAL BUSINESS

XHIT

With the slowdown of China's economy coupled with shrinkage of oil and petrochemical market, XHIT encountered operational down turn during the period and the major operational indices dropped. The total port jetty and tank farm throughput decreased by 9.1% and 5.4% respectively on a half-year on half-year basis. At the same time, the number of vessels visited, including foreign and domestic vessels, totaled 248, representing a decrease of 10.5% compared with 277 of the same period of last year. In order to adapt to the market demand change, XHIT expedited revamping most of its fuel oil tanks in the first half of 2014. As at 30 June 2014, 123,000 cubic meters of oil tanks were revamped to light oil or chemical tanks, and another 10,000 cubic meter tanks were revamped and further 20,000 cubic meter tanks are under revamping up to the reporting date. The average lease out rate of oil tanks was about 38% of the revamped storage capacity. The average lease out rate of chemical tanks reached 90.7% during the period.

DZIT

In the first half of 2014, DZIT continued to improve its operational performance significantly. Total port jetty and tank farm throughput during the period increased by 30.5% and 20.1% respectively. Meanwhile, the number of vessels visited, including foreign and domestic vessels, totaled 195, representing an increase of 24.2% compared with 157 of the same period of last year. In addition, DZIT proactively expanded its value-added services, the transshipment volume, including oils and petrochemicals reached approximately 108,000 metric tons, an increase of 146% on a half-year on half-year basis. The average lease out rate reached 83.9% during the period.

SOLID CHEMICAL WAREHOUSING BUSINESS

The Solid Warehousing Centre did not perform well as in last year due to the relatively sluggish market situation. By the end of the period, the floor area leased out was about 24,000 square meters, representing a decrease of 16.3% compared with the same period of last year, and the leased out rate was about 75.7%. Accordingly，the cargoes received and issued during the period were decreased by 30.8% and 37.0% respectively on a half-year on half-year basis.

Operating financials

The Group's reportable segments represent XHIT and DZIT. The breakdown of turnovers of XHIT and DZIT are as follows:

	XHIT				DZIT			
Six months ended 30 June	**2014**		2013		**2014**		2013	
	HK$'000	*%*	*HK$'000*	*%*	***HK$'000***	*%*	*HK$'000*	*%*
Terminal, storage and transshipment income	**37,327**	**71.8**	40,398	72.4	**56,235**	**98.3**	55,047	98.0
Port income	**1,541**	**3.0**	1,764	3.2	**981**	**1.7**	1,151	2.0
Solid chemical warehousing income	**13,127**	**25.2**	13,573	24.4	**N/A**	**N/A**	N/A	N/A

XHIT

The turnover from the provision of terminal, storage and transshipment facilities for liquid products in XHIT was about HK$38.9 million during the period, representing a decrease of 7.8% compared with the same period of last year. The major reasons were because the port jetty throughput and tank farm throughput decreased in a big margin, with the shrink of oil and petrochemical market as well as tough competitions, which also result in decrease of unit storage rate.

The revenue from the Solid Warehousing Centre decreased slightly by 3.3%. Despite the floor area leased out dropped by 16.3%, the reduction was mainly resulted on lower-rental-rate areas of the warehouse. More high-rental-rate areas were leased out while the lower-rental rate areas decreased during the period. This resulted in that the revenue from lower-rental-rate areas decreased while revenue from relatively higher-unit-rate areas increased, although cargoes received and cargoes issued decreased significantly by a bigger margin.

DZIT

With the improvements of operations, DZIT contributed to the Group's results with terminal, storage and transshipment income of HK$57.2 million during the period (six months ended 30 June 2013: HK$56.2 million), representing an increase of 1.8%. The increase was mainly attributable to the substantial increase in volume of cargoes handled in port jetty and tank farm. However, the jump in operational activities resulting in the increase in revenue was mostly offset by the squeeze in unit storage rates. It turned out to have only a moderate increase in revenue for DZIT in the first half of 2014.

OUTLOOK

In the second half of 2014, we expected China's economy to grow in a reasonable pace, which will bring into moderate growth both in demand for oil and chemical products and flows of liquid cargoes in and out of the region. It is therefore reasonable to expect a moderate market expansion for our business. In addition, it is widely expected that the Guangdong-Hong Kong-Macau free trade zone will be soon established, and we, being the leading international logistics centre in the region, will probably tap into the benefits under such establishment. Besides, the hot topic on liberalization of crude oil and oil product imports is under discussion. Once the liberalization is realized into actual policies, the demand for terminal services and facilities will surge and the potential of our oil terminals will greatly boost our business growth.

- **Liquid Product Terminal Business**

In the second half of 2014, the Group will continue to implement our existing strategies to develop our future business. First of all, we are going to fully leverage our existing facilities and improve the efficiency and utilization of our assets. Meanwhile, with best effort, we will expand our value added services including transshipment and blending of products in accordance with demand and requirements of our clients. In addition, due to the shrinking demand for domestic fuel oil, we will continue to revamp the remaining fuel oil tanks to light oil or chemical tanks. Secondly, we will proactively pursue to utilize our spare port capacity and reserved land in DZIT. The current storage capacity of DZIT is still far from fully utilizing the maximum port capacity. Through the cooperation with our customers for tailor-made new storage tanks and services, these precious resources will become the important base for perspective business growth and will bring tremendous return to the Group. Thirdly, the Group will take various measures to reduce cost, in particular, finance cost. Lastly, we will try every effort to diversify our business scopes and look for some new business areas, to realize business integration.

With the efforts of all the team members in the Group, we are confident that the Company would turn around its results and return its shareholders in the coming years.

- **Solid Warehousing Centre**

We will try every effort to expand our market for the Group’s solid warehousing centre business in the second half of 2014. We maintain the provision of quality services, expand customer base, and especially introduce high-end renowned multinational companies to land on our Centre to expand its market share. We expect that the business will realize stable growth in the future.

FINANCIAL REVIEW

	Six months ended 30 June 2014 *HK$'000*	Six months ended 30 June 2013 *HK$'000*	Changes *%*
Turnover	**109,211**	111,933	-2.4
Turnover less direct costs and operating expenses	**12,773**	16,462	-22.4
Loss before interest and tax ("LBIT")	**(12,660)**	(11,013)	+15.0
Loss attributable to equity shareholders of the Company	**(48,787)**	(48,531)	+0.5
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**51,143**	54,485	-6.1
Gross margin	**11.7%**	14.7%	-20.4
Net loss margin	**(47.4%)**	(46.0%)	+3.0
Basic loss per share (HK cent)	**(1.31)**	(1.30)	+0.8
Diluted loss per share (HK cent)	**(1.31)**	(1.30)	+0.8

For the six months ended 30 June 2014, the Group's turnover decreased slightly by 2.4% from HK$111.9 million to HK$109.2 million over the same period of last year. The decrease was mainly attributable to the decrease of rental income from oil tanks resumed from Sinopec by XHIT by HK$2.4 million from HK$8.7 million to HK$6.3 million over the same period of last year. In respect of direct costs, despite the total costs were slightly reduced, the effect of appreciation of Renminbi yuan ("RMB") caused the costs increased by almost HK$1 million. In this connection, the gross operating profit reduced by 22.4% from HK$16.5 million to HK$12.8 million and gross margin decreased by 20.4% during the period. LBIT for the period was HK$12.7 million (six months ended 30 June 2013: HK$11.0 million) and EBITDA for the period was HK$51.1 million (six months ended 30 June 2013: HK$54.5 million). The loss attributable to equity shareholders of the Company was HK$48.8 million as compared to HK$48.5 million over the same period of 2013. The basic and diluted loss per share for the period slightly increased from 1.30 Hong Kong cent to 1.31 Hong Kong cent on a half-year on half-year basis.

Capital structure, liquidity and gearing

The Group's financial position remained stable. As at 30 June 2014, the Group's total cash and cash equivalents amounted to approximately HK$38 million (31 December 2013: HK$57 million). Most of the funds were held in Hong Kong dollar, RMB and US dollar.

As at 30 June 2014, the Group's current ratio was 1.79 (31 December 2013: 1.72) and the Group's gearing ratio (defined as total liabilities to total equity) as at 30 June 2014 was 5.62 (31 December 2013: 4.73). The increase was attributable to the reduction of shareholder's equity in respect of the loss incurred during the period.

Financial resources

The current cash reserves and recurrent operating cash flow is sufficient for the daily requirements for current operations. Due attention will be paid to the capital and debt markets as well as the latest developments of the Group in order to ensure the efficient use of financial resources.

Finance costs

The Group had outstanding bank borrowings of HK$1,224 million as at 30 June 2014 (31 December 2013: HK$1,239 million). During the six months ended 30 June 2014, the finance cost charged to profit or loss was approximately HK$39.4 million (2013: HK$40.8 million).

Taxation

The Group sustained a loss for Hong Kong Profits Tax purposes for the period. The Group's PRC subsidiaries either sustained a loss for PRC Enterprises Income Tax purpose or have accumulated tax loss brought forward to offset the estimated assessable profit for the period.

Exposure to fluctuation in exchange rates and related hedge

The Group's cash and cash equivalents are held predominately in Hong Kong dollar, RMB and US dollar. Operating outgoings incurred by the Group's subsidiary in the PRC are mainly denominated in RMB, which usually receives revenue in RMB as well. Management is of the opinion that the Group's exposure to foreign exchange rate risks is not significant, and hedging by means of derivative instruments is considered unnecessary.

Charge on group assets

The Group has provided the Lender with certain of the Group's fixed assets and certain future non-cancellable operating lease receivables as collaterals for the banking facilities granted.

Capital commitment

At 30 June 2014, 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 $19 million (31 December 2013: $22 million).

At 30 June 2014, 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 $148 million (31 December 2013: $149 million).

Contingent liabilities

At 30 June 2014, the Group has no material contingent liabilities.

Employees and remuneration policy

The Group had a workforce of approximately 438 people (31 December 2013: 450). 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 2014 (2013: Nil).

OTHER INFORMATION

REVIEW OF THE INTERIM FINANCIAL REPORT

The Group's interim financial report for the six months ended 30 June 2014 has not been audited but has been reviewed by the Audit Committee and auditors of the Company, KPMG, whose review report will be included in the interim financial report to be sent to shareholders.

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

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

CORPORATE GOVERNANCE

(a) Compliance with the Corporate Governance Code and Corporate Governance Report

The Company's corporate governance practices are based on the principles and the code provisions (''Code Provisions'') set out in the Code on Corporate Governance Practices which was subsequently revised as the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules"). The Company has complied with the CG Code except for the deviations from Code Provisions A.2.1, A.4.1 and E.1.2 as disclosed in 2013 annual report.

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") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the directors and all of them have confirmed that they have complied with the Model Code for the six months ended 30 June 2014.

On behalf of the Board
David An
Chairman

Hong Kong, 26 August 2014

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. Chan Chun Wai, Tony and Miss Cheung Siu Yuen, Rose.

website : www.hansenergy.com