HANS ENERGY COMPANY LIMITED
漢思能源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00554)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 2016 as follows:

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2016 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	**2016**	2015
		$'000	*$'000*
Revenue	*3*	**110,332**	105,435
Direct costs and operating expenses		**(92,336)**	(94,926)
		17,996	10,509
Other income	*4*	**1,303**	964
Administrative expenses		**(30,964)**	(32,428)
Loss from operations		**(11,665)**	(20,955)
Finance costs	*5(a)*	**(30,403)**	(37,015)
Loss before taxation	*5*	**(42,068)**	(57,970)
Income tax	*6*	**(4,313)**	251
Loss for the period		**(46,381)**	(57,719)
Attributable to:			
Equity shareholders of the Company		**(43,949)**	(54,107)
Non-controlling interests		**(2,432)**	(3,612)
Loss for the period		**(46,381)**	(57,719)
Loss per share	*7*		
Basic		**(1.18 cent)**	(1.45 cent)
Diluted		**(1.18 cent)**	(1.45 cent)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2016 - unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2016	2015
	$'000	*$'000*
Loss for the period	**(46,381)**	(57,719)
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	**(4,569)**	1
Total comprehensive income for the period	**(50,950)**	(57,718)
Attributable to:		
Equity shareholders of the Company	**(48,153)**	(54,108)
Non-controlling interests	**(2,797)**	(3,610)
Total comprehensive income for the period	**(50,950)**	(57,718)

CONSOLIDATED BALANCE SHEET
at 30 June 2016 - unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 June 2016 $'000	At 31 December 2015 $'000
Non-current assets			
Property, plant and equipment	*8*	**1,022,210**	1,088,906
Interests in land held for own use under operating leases		**235,489**	243,603
Prepayments for construction costs		**10,807**	10,667
Intangible assets		**1,994**	1,988
Deferred tax asset		**10,032**	14,839
		1,280,532	1,360,003
Current assets			
Interests in land held for own use under operating leases		**6,594**	6,727
Consumable parts		**15,152**	14,145
Trade and other receivables	*9*	**67,585**	61,600
Current tax recoverable		**534**	545
Cash and cash equivalents		**41,260**	52,703
		131,125	135,720
Current liabilities			
Other payables and accruals		**53,141**	50,314
Bank loans and other borrowings	*10*	**58,500**	109,211
		111,641	159,525
Net current assets/(liabilities)		**19,484**	(23,805)
Total assets less current liabilities		**1,300,016**	1,336,198
Non-current liabilities			
Deferred tax liabilities		**4,409**	4,776
Bank loans and other borrowings	*10*	**996,840**	1,016,947
Amounts due to related parties	*11*	**264,407**	228,696
		1,265,656	1,250,419
Net assets		**34,360**	85,779
Capital and reserves			
Share capital		**373,264**	373,264
Reserves		**(356,671)**	(308,049)
Total equity attributable to equity shareholders of the company		**16,593**	65,215
Non-controlling interests		**17,767**	20,564
Total equity		**34,360**	85,779

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2016 – 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** *$'000*	**Capital reserve** *$'000*	**Accumulated losses** *$'000*	**Total** *$'000*	**Non-controlling interests** *$'000*	**Total equity** *$'000*
Balance at 1 January 2015	373,264	710,477	(251,428)	116,002	31,947	-	(805,227)	175,035	27,744	202,779
Changes in equity for the six months ended 30 June 2015:										
Loss for the period	-	-	-	-	-	-	(54,107)	(54,107)	(3,612)	(57,719)
Other comprehensive income	-	-	-	(1)	-	-	-	(1)	2	1
Total comprehensive income	-	-	-	(1)	-	-	(54,107)	(54,108)	(3,610)	(57,718)
Balance at 30 June 2015 and 1 July 2015	373,264	710,477	(251,428)	116,001	31,947	-	(859,334)	120,927	24,134	145,061
Changes in equity for the six months ended 31 December 2015:										
Loss for the period	-	-	-	-	-	-	(40,362)	(40,362)	(2,192)	(42,554)
Other comprehensive income	-	-	-	(15,819)	-	-	-	(15,819)	(1,378)	(17,197)
Total comprehensive income	-	-	-	(15,819)	-	-	(40,362)	(56,181)	(3,570)	(59,751)
Issuance of convertible bonds	-	-	-	-	-	469	-	469	-	469
Balance at 31 December 2015 and 1 January 2016	**373,264**	**710,477**	**(251,428)**	**100,182**	**31,947**	**469**	**(899,696)**	**65,215**	**20,564**	**85,779**
Changes in equity for the six months ended 30 June 2016:										
Loss for the period	-	-	-	-	-	-	**(43,949)**	**(43,949)**	**(2,432)**	**(46,381)**
Other comprehensive income	-	-	-	**(4,204)**	-	-	-	**(4,204)**	**(365)**	**(4,569)**
Total comprehensive income	-	-	-	**(4,204)**	-	-	**(43,949)**	**(48,153)**	**(2,797)**	**(50,950)**
Redemption of convertible bonds	-	-	-	-	-	(469)	-	(469)	-	(469)
Balance at 30 June 2016	**373,264**	**710,477**	**(251,428)**	**95,978**	**31,947**	**-**	**(943,645)**	**16,593**	**17,767**	**34,360**

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 2016 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 25 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

Going concern

The Group expects to incur non-operating cash outflows of $108,096,000 within one year, being repayment of bank loans of $58,500,000 in December 2016 and payment of interest of $49,596,000. The Group will be unable to repay these bank loans and interest payments in full when they fall due unless it is able to generate sufficient net cash inflows from its operations and/or other sources, since as at 30 June 2016, the Group only had cash and cash equivalents of $41,260,000.

The directors have been taking various initiatives to improve the Group's operating cash flows, which include:

– implementing various strategies to improve the Group's storage, warehousing and transhipment income to generate additional operating cash inflows;

– putting extra efforts on the collection of trade debtors to try to improve the debtors turnover days; and

– actively and regularly reviewing its capital structure and sourcing additional capital by issuing bonds or new shares, where appropriate.

As part of its going concern assessment, the Group has carried out a review of its cash flow forecast and concluded that material uncertainties exist regarding the Group's ability to successfully implement the above initiatives and therefore the achievability of the forecast.

These facts and circumstance continue to indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Based on the directors' intentions and the cash flow forecast mentioned above, the directors are of the opinion that it is appropriate to prepare the Group's interim financial report for the six months ended 30 June 2016 on a going concern basis. Should the Group not be able to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in this interim financial report.

2. Changes in accounting policies

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to HKFRSs 2012-2014 Cycle*

- *Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Segment reporting

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

- Xiao Hu Island Terminal ("XHIT"): this segment represents the Group's provision of terminal, transhipment, 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 revenue 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 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 2016 and 2015 is set out below:

For the six months ended 30 June	XHIT		DZIT		Total	
	2016	2015	**2016**	2015	**2016**	2015
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Reportable segment revenue	**60,260**	53,183	**50,072**	52,252	**110,332**	105,435
Reportable segment profit/(loss) before taxation	**17,406**	(967)	**(42,932)**	(43,877)	**(25,526)**	(44,844)

	XHIT		DZIT		Total	
	At 30 June 2016	At 31 December 2015	**At 30 June 2016**	At 31 December 2015	**At 30 June 2016**	At 31 December 2015
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Reportable segment assets	**1,319,992**	1,340,190	**1,027,189**	1,083,813	**2,347,181**	2,424,003
Reportable segment liabilities	**1,185,286**	1,209,914	**973,291**	983,785	**2,158,577**	2,193,699

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

	Six months ended 30 June	
	2016	2015
	$'000	*$'000*
Revenue		
Reportable segment revenue	**110.332**	105,435
Consolidated revenue	**110,332**	105,435
Loss		
Reportable segment loss before taxation	**(25,526)**	(44,844)
Unallocated other (expenses)/income	**(213)**	395
Unallocated head office and corporate expenses	**(16,329)**	(13,521)
Consolidated loss before taxation	**(42,068)**	(57,970)

	At 30 June 2016	At 31 December 2015
	$'000	*$'000*
Assets		
Reportable segment assets	**2,347,181**	2,424,003
Elimination of inter-segment receivables	**(953,783)**	(966,691)
	1,393,398	1,457,312
Unallocated head office and corporate assets	**18,259**	38,411
Consolidated total assets	**1,411,657**	1,495,723
Liabilities		
Reportable segment liabilities	**2,158,577**	2,193,699
Elimination of inter-segment payables	**(953,783)**	(966,691)
	1,204,794	1,227,008
Unallocated head office and corporate liabilities	**172,503**	182,936
Consolidated total liabilities	**1,377,297**	1,409,944

4. Other income

	Six months ended 30 June	
	2016	2015
	$'000	*$'000*
Interest income	**130**	177
Loss on disposal of property, plant and equipment	**(719)**	-
Net foreign exchange gain/(loss)	**672**	(124)
Others	**1,220**	911
	1,303	964

5. Loss before taxation

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2016	2015
	$'000	*$'000*
(a) Finance costs		
Interest on bank loans	**28,233**	37,015
Interest on convertible bonds	**2,170**	-
	30,403	37,015
(b) Staff costs*		
Contributions to defined contribution retirement plan	**1,377**	1,615
Salaries, wages and other benefits	**25,668**	28,549
Total staff costs	**27,045**	30,164
(c) Other items		
Depreciation and amortisation	**58,316**	64,502
Operating lease charges on properties*	**2,111**	2,106

* Staff costs include $900,000 (six months ended 30 June 2015: $900,000) relating to operating lease charges on properties, which amount is also included in the respective total amount disclosed separately above.

6. Income tax

	Six months ended 30 June	
	2016	2015
	$'000	*$'000*
Current tax – PRC Enterprise Income Tax in respect of prior years	**-**	44
Deferred taxation – origination and reversal of temporary differences	**4,313**	(295)
	4,313	(251)

Notes:

(i) No Hong Kong Profits Tax was provided for the six months ended 30 June 2016 as the Group sustained a loss for Hong Kong Profits Tax purposes for the period (six months ended 30 June 2015: Nil).

(ii) The applicable tax rate of the PRC subsidiaries for the six months ended 30 June 2016 and 2015 was 25%.

At 30 June 2016, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to $167,562,000 (31 December 2015: $156,044,000). Deferred tax liabilities of $8,378,000 (31 December 2015: $7,802,000) 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.

7. 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 $43,949,000 (six months ended 30 June 2015: $54,107,000) and the weighted average of 3,732,638,000 ordinary shares (six months ended 30 June 2015: 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 dilutive potential ordinary shares in existence during the six months ended 30 June 2016 and 2015.

8. Property, plant and equipment

Acquisition and disposal

During the six months ended 30 June 2016, the Group acquired items of dock and storage facilities and equipments with a cost of $9,537,000 (six months ended 30 June 2015: $592,000) and $162,000 (six months ended 30 June 2015: $Nil) respectively. Items of dock and storage facilities with a net book value of $747,000 were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: $Nil), resulting in a loss on disposal of $719,000 (six months ended 30 June 2015: $Nil).

9. 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 2016	At 31 December 2015
	$'000	*$'000*
Within 1 month	**18,848**	21,536
Over 1 month but within 2 months	**3,506**	1,684
Over 2 months but within 3 months	**137**	1,206
Over 3 months	**38,763**	32,884
Trade debtors, net of allowance for doubtful debts	**61,254**	57,310
Prepayment and other receivables	**6,331**	4,290
	67,585	61,600

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.

10. Bank loans and other borrowings

(a) The analysis of the carrying amount of bank loans and other borrowings is as follows:

	At 30 June 2016	At 31 December 2015
	$'000	*$'000*
Current liabilities		
Short-term bank loans	**58,500**	59,680
Convertible bonds	**-**	49,531
	58,500	109,211
Non-current liabilities		
Long-term bank loans	**996,840**	1,016,947
	1,055,340	1,126,158

(b) ***As at 30 June 2016, the bank loans and other borrowings were repayable as follows:***

	At 30 June 2016	At 31 December 2015
	$'000	*$'000*
Bank loans (secured)		
Within 1 year or on demand	**58,500**	59,680
After 1 year but within 2 years	**72,540**	62,067
After 2 years but within 5 years	**292,500**	312,723
After 5 years	**631,800**	642,157
	996,840	1,016,947
	1,055,340	1,076,627
Convertible bonds (unsecured)		
Within 1 year or on demand	**-**	49,531

(c) At 30 June 2016, the Group had banking facilities totalling $1,055,340,000 (31 December 2015: $1,076,627,000), which were secured by certain of the Group's property, plant and equipment with net book value of $1,032,068,000 as at 30 June 2016 (31 December 2015: $849,572,000). The banking facilities were utilised to the extent of $1,055,340,000 as at 30 June 2016 (31 December 2015: $1,076,627,000).

(d) On 7 December 2015, the Group entered into a subscription agreement with a third party to issue two series, Series A and Series B, of unsecured convertible bonds with principal amount up to $50,000,000 each and one year maturity ("Convertible Bonds"). The Convertible Bonds are interest-bearing at 8% per annum and the interest are payable quarterly in arrears. The Convertible Bonds can be converted to shares of the Company at $0.3802 per share ("Conversion Price"), subject to antidilutive and dividend protection adjustments. The holder of the Convertible Bonds ("bond holder") has the right to convert all or any part of the principal amount of the Convertible Bonds into shares of the Company at any time from the date on which the closing price of the shares of the Company traded in Hong Kong Stock Exchange reaches 140% of the Conversion Price up to the maturity date.

Series A Convertible Bonds

On 16 December 2015, the Group issued Series A of the Convertible Bonds ("Series A Convertible Bonds") with a maturity date of 16 December 2016 ("Series A Maturity Date"). The Group may early redeem the Series A Convertible Bonds from 16 June 2016 to 16 December 2016 at principal amount plus any accrued but unpaid interest thereon the redemption date. Any Series A Convertible Bonds not previously redeemed, converted or purchased and cancelled will be redeemed at principal amount on Series A Maturity Date.

During the six months ended 30 June 2016, the Group has fully redeemed principal amounts of $50,000,000 of Series A Convertible Bonds. There was no outstanding convertible bonds as at 30 June 2016.

Series B Convertible Bonds

The Group will issue Series B of the Convertible Bonds ("Series B Convertible Bonds") to the bond holder upon fulfilment of certain conditions.

11. Amounts due to related parties

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.

EXTRACT OF THE REVIEW REPORT FROM THE DRAFT INTERIM FINANCIAL REPORT OF THE GROUP FOR THE PERIOD ENDED 30 JUNE 2016

"*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

Emphasis of matter

Without qualifying our review conclusion, we draw attention to note 1 to the interim financial report which describes that the Group is committed to repay bank loans and interest totalling HK$108,096,000 within one year and that the Group's ability to meet these liquidity requirements depends on its ability to generate sufficient net cash inflows from future operations and/or other sources. These facts and circumstances indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

The interim financial report has been prepared on a going concern basis, the validity of which is dependent on the Group's ability to generate sufficient cash flows from future operations and/or other sources to meet its liquidity commitments. Further details are set out in note 1. The interim financial report does not include any adjustments that would result should the Group be unable to continue to operate as a going concern."

BUSINESS REVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Hans Energy Company Limited is a leading operator in provision of terminal and storage facilities and services for liquid petrochemical products in south China. As used in this report, the terms of Hans, Hans Energy, we and the Company may refer to Hans Energy Company Limited or any one or more of its consolidated subsidiaries ("The Group").

Company Profile

The Group is a leading midstream player in providing integrated facilities of jetties, storage tanks, warehousing and logistic services in south China for petroleum, liquid chemicals and gas products, offering value-added services in its own ports and storage tank farms. The Group owns and operates three major facilities, namely Panyu Petrochemical Terminal ("XHIT"), Panyu Solid Chemical warehouse and logistic centre ("Solid Warehousing Centre"), and Dongzhou Petrochemical Terminal ("DZIT").

Operation Performance Review

The lease-out rates and cargo throughput of the two terminals during the period were as follows:

	XHIT Six months ended 30 June			**DZIT** Six months ended 30 June		
Operational statistics	**2016**	2015	Change %	**2016**	2015	Change %
Liquid product terminal and transshipment services						
Number of vessels visited						
- foreign	**107**	109	-1.8	**64**	53	+20.8
- domestic	**342**	180	+90.0	**223**	120	+85.8
Number of trucks served to pick up cargoes	**17,651**	11,940	+47.8	**18,095**	20,809	-13.0
Number of drums filled	**24,459**	20,636	+18.5	**31**	708	-95.6
Transshipment volume (metric ton)						
- petrochemicals	**153,839**	101,431	+51.7	**496**	1,601	-69.0
Terminal throughput (metric ton)	**1,300,000**	768,000	+69.3	**1,321,000**	953,000	+38.6
- port jetty throughput	**974,000**	542,000	+79.7	**860,000**	473,000	+81.8
- loading station throughput	**326,000**	226,000	+44.2	**461,000**	480,000	-4.0
Storage services						
Leaseout rate – oil and chemicals products	**54.6%**	40.9%	+13.7 % points	**84.7%**	80.9%	+3.8 % points
Solid chemical warehousing services						
Cargoes received (metric ton)	**29,232**	36,194	-19.2	**N/A**	N/A	N/A
Cargoes issued (metric ton)	**30,609**	34,864	-12.2	**N/A**	N/A	N/A
Floor area leased out (m^2)	**24,618**	26,520	-7.2	**N/A**	N/A	N/A
Leaseout rate	**76.1%**	82.2%	-6.1 % points	**N/A**	N/A	N/A

LIQUID PRODUCT TERMINAL BUSINESS

XHIT

The major operational indices achieved significant growth at XHIT during the six months ended 30 June 2016. Port jetty throughput and loading station throughput increased by 79.7% and 44.2% respectively. In line with the growth of throughput volume, the number of trucks served to pick up cargoes and the transshipment volume for petrochemicals increased accordingly by 47.8% and 51.7% respectively. The oil trading market for first half of 2016 was more active than last year thus drove the increase in demand for storage facilities and logistic services. In this connection, there were new clients introduced to utilize our light oil storage tanks, while the existing clients continued to keep their storage volume growth. During the past years, the Company made efforts to revamp its fuel oil tanks into light oil tanks, to adapt to the market transformation. We noticed the great improvements for light oil market situation in 2016. Resulting from the Company's efforts as well as market environment, the average utilization of the oil tanks reached to 42% in the first half of 2016 compared with 20% in 2015. While the average utilization rate of chemical tanks remained high at 97% during the period, the total average leaseout rate for both categories was 54.6% in the first half of 2016, although 13.7 percentage points higher than that in the first half of prior year, still kept at relatively lower level. It demonstrated that XHIT have big room to improve in the future.

DZIT

The oil and petrochemical market in the first half of 2016 remained challenging in DZIT. During the period, port jetty throughput increased by 81.8% as compared to the same period of last year. The major reason was the improvements of oil blending market situation in the first half of 2016 that resulted the increase in demand of facilities for customers who engaged in trading business with blending services required. The Group tried its best to tap into market potentials and to expand its oil and chemical storage volume. The average leaseout rate of tank farm was approximately 84.7% during the period as compared with 80.9% of the same period of last year. Same to XHIT, performance in DZIT in the second half was much improved than those in the first half, and we expect this trend will continue.

SOLID CHEMICAL WAREHOUSING BUSINESS

With the downturn of solid chemical markets, the cargoes received and issued decreased by 19.2% and 12.2% respectively in the first half of 2016 as compared with the same period of last year, and some existing customers did not renew the contracts upon the expiry as their manufacturing and selling activities dropped. As such, the average floor areas leased out reduced by 7.2%, on a half-year on half-year basis. The leaseout rate was approximately 76% in 2016, 6.1 percentage points lower than that in 2015.

The operational results in XHIT, DZIT and the Solid Warehousing Centre continuously and significantly improved during 2016. The Group will continuously explore market potentials and to expand its oil and chemical storage volume.

Operating financials

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

	XHIT				DZIT			
Six months ended 30 June	**2016**		2015		**2016**		2015	
	HK\$'000	***%***	*HK\$'000*	*%*	***HK\$'000***	***%***	*HK\$'000*	*%*
Storage and transshipment income	**44,883**	**74.5**	38,683	72.8	**48,817**	**97.5**	51,534	98.6
Port income	**1,819**	**3.0**	1,242	2.3	**1,255**	**2.5**	718	1.4
Solid chemical warehousing income	**13,558**	**22.5**	13,258	24.9	**N/A**	**N/A**	N/A	N/A

<u>XHIT</u>

The revenue from the provision of terminal, storage and transshipment facilities for liquid products in XHIT was about HK\$46.7 million during the period, representing an increase of 17.0% compared with HK\$39.9 million of the same period of last year, which was in line with the higher utilization of storage tanks and increase in a big margin in the terminal throughput, although unit storage rate decreased slightly due to keen competitions.

The revenue from the Solid Warehousing Centre increased by 2.3% during the period. The average floor area leased out decreased to 76.1% compared with 82.2% at the same period of last year. However, the average unit rate increased by 19.3% due to product mix effect. The floor areas to cater more dangerous goods increased while that for less dangerous categories decreased. More dangerous goods commanded for higher rental rate. Therefore, despite overall floor areas leased out dropped, the rental income increased.

<u>DZIT</u>

The revenue from the provision of terminal, storage and transshipment facilities for liquid products in DZIT increased slightly in Renminbi ("RMB") terms. However, when it was translated to HK\$, it was approximately HK\$50.1 million during the period, slightly decreased by 4.2% from HK\$52.2 million at the same time of last year. The major reason of the drops was the exchange effect on translation of its revenue in relation to the depreciation of RMB during the period.

OUTLOOK

With the carrying over from the recovery of trading market of liquid products in the second half of last year, the demand of storage facilities and terminal services was strong and stable in the first half of 2016. Despite the global environment was characterized by various uncertainties, the terminal utilization achieved growth during the period. Topics included the concern over the sustainability of China economic growth, interest rate hiking by the US Federal Reserves throughout the period, and the decision of the UK referendum on membership of the European Union in the second quarter casted doubtful sentiments to the global economies.

- **Liquid Product Terminal Business**

We have seen the oil price started to level in 2015. Despite the turbulent period in respect of global economy in the first half in 2016, the movements of the international crude oil prices were contained within a relatively narrow range. This provided a stable environment for trading activities in the region. Our heavy oil tanks revamping exercise in XHIT provided spaces to absorb the increase in demand for storage of light oil products. 40,000 cubic metre oil tanks will be available for new customers in early second half this year. The revamping exercise is expected to be completed and another 48,000 cubic metre oil tanks will be put into market by the fourth quarter this year. The LNG project in DZIT is underway in a modest pace. New resources are pooling together with our strategic partners to build a strong team and to form a promising business model. It is envisaged that the project will better utilize our facilities and resources to generate new revenue to the Group in coming years.

- **Solid Chemical Warehousing Business**

The Solid Warehousing Centre remained to provide the Group a source of stable income. It has established itself as a professional and specialized logistic centre for high-end customers who place greater concern over product safety and quality services in the region. The Centre will maintain its quality and standards to retain renowned multi-national companies and attract new customers.

FINANCIAL REVIEW

	Six months ended 30 June 2016 *HK$'000*	Six months ended 30 June 2015 *HK$'000*	Changes %
Revenue	**110,332**	105,435	+4.6
Revenue less direct costs and operating expenses	**17,996**	10,509	+71.2
Loss before interest and tax ("LBIT")	**(11,665)**	(20,955)	-44.3
Loss attributable to equity shareholders of the company	**(43,949)**	(54,107)	-18.8
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**46,651**	43,547	+7.1
Gross margin	**16.3%**	10.0%	+63.0
Net loss margin	**(42.0%)**	(54.7%)	-23.2
Basic loss per share (HK cent)	**(1.18)**	(1.45)	-18.6
Diluted loss per share (HK cent)	**(1.18)**	(1.45)	-18.6

The Group's financial performances continuously improved during the period. For the six months ended 30 June 2016, the Group's revenue increased by 4.6% from HK$105.4 million to HK$110.3 million over the same period of last year. The improvements were attributable to the higher utilization of storage facilities in the first half of 2016. During the period, revenue contributed from oil storage in XHIT was HK$12.9 million, increased by 89.7% from HK$6.8 million over the same period of last year and total costs were HK$92.3 million, slightly reduced by 2.7% from HK$94.9 million. In this connection, the gross operating profits for the period was HK$18.0 million, significantly increased by 71.2% and the gross margin improved from 10.0% in 2015 to 16.3% in 2016. For the six months ended 30 June 2016, LBIT decreased from HK$21.0 million to HK$11.7 million and EBITDA increased from HK$43.5 million to HK$46.7 million over the same period of last year. The loss attributable to equity shareholders of the Company reduced from HK$54.1 million to HK$43.9 million over the same period of 2015 that was due to the increase of gross operating profits and expenses of HK$6.3 million incurred in 2015 in relation to the settlement of the legal dispute. The basic and diluted loss per share for the period decreased from 1.45 Hong Kong cent to 1.18 Hong Kong cent on a half-year on half-year basis.

Capital structure, liquidity and gearing

As at 30 June 2016, the Group's total cash and cash equivalents amounted to approximately HK$41.3 million (31 December 2015: HK$52.7 million). The funds were held in Hong Kong dollar, RMB and US dollar.

With the Convertibe Bond being redeemed during the period, the Group's current ratio was 1.17 as at 30 June 2016 (31 December 2015: 0.85). The Group's gearing ratio (defined as total liabilities to total equity) was 40.08 (31 December 2015: 16.44). 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 loans and other borrowings of HK$1,055 million as at 30 June 2016 (31 December 2015: HK$1,126 million). During the six months ended 30 June 2016, the finance cost charged to profit or loss was approximately HK$30.4 million (2015: HK$37.0 million).

Convertible bonds

In 2015, the Company issued a total of HK$50 million unsecured convertible bonds, bearing interest rate at 8% per annum, due in year 2016. On 30 June 2016, the Company has fully redeemed the principle of the convertible bonds. Details of convertible bonds are set out in note 10(d) to the financial statements.

Taxation

The Group sustained a loss for Hong Kong Profits Tax purposes for the period. The applicable tax rate of the Group's PRC subsidiaries for the period ended 30 June 2016 was 25% (2015: 25%).

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.

As the exchange rate of RMB depreciated during the period, the Group incurred an exchange loss of HK$4.6 million (2015: exchange gain of HK$1,000) on translation of financial statements of its PRC subsidiaries.

Charge on group assets

The Group has provided the Lender with certain of the Group's fixed assets as collaterals for the banking facilities granted.

Capital commitment

At 30 June 2016, 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$18 million (31 December 2015: HK$18 million).

At 30 June 2016, 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$137 million (31 December 2015: HK$140 million).

Contingent liabilities

At 30 June 2016, the Group has no material contingent liabilities.

Employees and remuneration policy

The Group had a workforce of approximately 466 people (31 December 2015: 475). 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 2016 (2015: Nil).

OTHER INFORMATION

REVIEW OF THE INTERIM FINANCIAL REPORT

The Group's interim financial report for the six months ended 30 June 2016 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 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.4.1 and E.1.2 as disclosed in 2015 annual report and Code Provision A.2.1 for the period from 1 January 2016 to 12 July 2016 as the following.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive of a listed issuer should be separate and should not be performed by the same individual.

On 13 July 2016, the Company announced that Mr. Yang Dong has been appointed as an Executive Director and the Chief Executive Officer of the Company with effect from 13 July 2016. Mr. David An has ceased to be the Chief Executive Officer with effect from 13 July 2016 and will remain as an Executive Director and the Chairman of the Company. The Board considers that the change of the Chief Executive Officer is principally necessitated by an increase in the scale of the Group's operations, and the resultant separation of duties of the Chairman and the Chief Executive Officer will enable a more timely management of the Group's affairs and further reinforce the Group's development.

Effective from the said change, the Company complies with the Code Provision A.2.1, Mr. David An will focus on the overall strategic planning and business development of the Group, whereas Mr. Yang Dong will be responsible for the overall management, administrative functions and day-to-day business operations of the Group.

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 2016.

On behalf of the Board
David An
Chairman

Hong Kong, 25 August 2016

As at the date of this announcement, the board of directors of the Company comprises five executive directors, namely Mr. David An (Chairman), Mr. Yang Dong, 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