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# HANS ENERGY COMPANY LIMITED
# 漢思能源有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 00554)**

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The Board of Directors (the "Directors") of Hans Energy Company Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 as follows:

### CONSOLIDATED INCOME STATEMENT
### FOR THE YEAR ENDED 31 DECEMBER 2016

*(Expressed in Hong Kong dollars)*

| | *Note* | **2016** | 2015 |
|---|---|---|---|
| | | ***$'000*** | *$'000* |
| **Revenue** | *2* | **222,347** | 223,203 |
| Direct costs and operating expenses | | **(180,482)** | (193,210) |
| | | **41,865** | 29,993 |
| Other income | *3* | **2,114** | 6,393 |
| Administrative expenses | | **(60,097)** | (63,261) |
| **Loss from operations** | | **(16,118)** | (26,875) |
| Finance costs | *4(a)* | **(55,491)** | (70,656) |
| **Loss before taxation** | *4* | **(71,609)** | (97,531) |
| Income tax | *5(a)* | **(7,699)** | (2,742) |
| **Loss for the year** | | **(79,308)** | (100,273) |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **(75,611)** | (94,469) |
| Non-controlling interests | | **(3,697)** | (5,804) |
| **Loss for the year** | | **(79,308)** | (100,273) |
| **Loss per share** | *6* | | |
| − basic | | **(2.03 cents)** | (2.53 cents) |
| − diluted | | **(2.03 cents)** | (2.53 cents) |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 DECEMBER 2016**
*(Expressed in Hong Kong dollars)*

| | **2016** | 2015 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **Loss for the year** | **(79,308)** | (100,273) |
| **Other comprehensive income for the year** | | |
| Item that may be reclassified subsequently to consolidated income statement: | | |
| − Exchange differences on translation of financial statements of subsidiaries | **(12,501)** | (17,196) |
| **Total comprehensive income for the year** | **(91,809)** | (117,469) |
| **Attributable to:** | | |
| Equity shareholders of the Company | **(86,974)** | (110,289) |
| Non-controlling interests | **(4,835)** | (7,180) |
| **Total comprehensive income for the year** | **(91,809)** | (117,469) |

**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2016**
*(Expressed in Hong Kong dollars)*

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ***$'000*** | *$'000* |
| **Non-current assets** | | | |
| Property, plant and equipment | *7* | **938,981** | 1,088,906 |
| Interests in land held for own use under operating leases | *7* | **221,861** | 243,603 |
| Prepayments for construction costs | | **9,679** | 10,667 |
| Intangible assets | | **1,900** | 1,988 |
| Deferred tax assets | | **6,023** | 14,839 |
| | | **1,178,444** | 1,360,003 |
| **Current assets** | | | |
| Interest in land held for own use under operating leases | *7* | **6,301** | 6,727 |
| Consumable parts | | **13,497** | 14,145 |
| Trade and other receivables | *8* | **66,806** | 61,600 |
| Current tax recoverable | | **-** | 545 |
| Cash and cash equivalents | | **22,235** | 52,703 |
| | | **108,839** | 135,720 |
| **Current liabilities** | | | |
| Other payables and accruals | | **50,308** | 50,314 |
| Bank loans and other borrowings | *9* | **55,897** | 109,211 |
| | | **106,205** | 159,525 |
| **Net current assets/(liabilities)** | | **2,634** | (23,805) |
| **Total assets less current liabilities** | | **1,181,078** | 1,336,198 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **3,952** | 4,776 |
| Bank loans and other borrowings | *9* | **924,536** | 1,016,947 |
| Amounts due to related parties | *10* | **259,089** | 228,696 |
| | | **1,187,577** | 1,250,419 |
| **Net (liabilities)/assets** | | **(6,499)** | 85,779 |
| **Capital and reserves** | | | |
| Share capital | | **373,264** | 373,264 |
| Reserves | | **(395,492)** | (308,049) |
| **Total (deficit)/equity attributable to equity shareholders of the Company** | | **(22,228)** | 65,215 |
| **Non-controlling interests** | | **15,729** | 20,564 |
| **Total (deficit)/equity** | | **(6,499)** | 85,779 |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2016**
*(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 2015:** | | | | | | | | | | |
| Loss for the year | - | - | - | - | - | - | (94,469) | (94,469) | (5,804) | (100,273) |
| Other comprehensive income | - | - | - | (15,820) | - | - | - | (15,820) | (1,376) | (17,196) |
| Total comprehensive income | - | - | - | (15,820) | - | - | (94,469) | (110,289) | (7,180) | (117,469) |
| Issurance 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 2016:** | | | | | | | | | | |
| Loss for the year | - | - | - | - | - | - | **(75,611)** | **(75,611)** | **(3,697)** | **(79,308)** |
| Other comprehensive income | - | - | - | **(11,363)** | - | - | - | **(11,363)** | **(1,138)** | **(12,501)** |
| Total comprehensive income | - | - | - | **(11,363)** | - | - | **(75,611)** | **(86,974)** | **(4,835)** | **(91,809)** |
| Redemption of convertible bonds | - | - | - | - | - | **(469)** | - | **(469)** | - | **(469)** |
| **Balance at 31 December 2016** | **373,264** | **710,477** | **(251,428)** | **88,819** | **31,947** | - | **(975,307)** | **(22,228)** | **15,729** | **(6,499)** |

## 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 statutory financial statements for the year ended 31 December 2016 but is extracted from those financial statements.

These consolidated 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 consolidated 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 "Listing Rules").

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

## 1. Basis of preparation (continued)

As at 31 December 2016, the Group had net liabilities of $6,499,000 and incurred net loss of $79,308,000 during the year ended 31 December 2016. The Group is committed to incur non-operating cash outflows of $104,697,000 within one year, being (i) repayment of bank loans of $27,949,000 in June 2017 and $30,184,000 in December 2017; and (ii) payment of interest of $46,564,000. The Group will be unable to repay these bank loans and interest 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 31 December 2016, the Group only had cash and cash equivalents of $22,235,000.

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 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 circumstances 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 financial statements for the year ended 31 December 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 these financial statements.

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.

## 1. Basis of preparation (continued)

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. 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.

## 2. Revenue and segment reporting

(a) Revenue

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

Revenue represents port income and storage, warehousing and transshipment income. The amount of each significant category recognised in revenue during the year is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Storage, warehousing and transshipment income | **216,480** | 218,166 |
| Port income | **5,867** | 5,037 |
| | **222,347** | 223,203 |

In 2016, the Group has no customer (2015: Nil) with whom transactions have exceeded 10% of the Group's revenues.

(b) 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, storage, warehousing and transshipment 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, storage and transshipment activities carried out in Dongguan, the PRC.

## 2. Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(i) 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.

In addition to receiving segment information concerning profit/(loss) before taxation, management is provided with segment information concerning revenue, interest income and finance 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 years ended 31 December 2016 and 2015 is set out below.

| | *XHIT* | | *DZIT* | | *Total* | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | ***$'000*** | *$'000* | ***$'000*** | *$'000* | ***$'000*** | *$'000* |
| Reportable segment revenue | **124,231** | 110,318 | **98,116** | 112,885 | **222,347** | 223,203 |
| Reportable segment profit/(loss) before taxation | **35,210** | 11,518 | **(74,487)** | (79,743) | **(39,277)** | (68,225) |
| Interest income | **258** | 306 | **41** | 77 | **299** | 383 |
| Finance costs | **6,421** | 11,057 | **46,900** | 59,599 | **53,321** | 70,656 |
| Reportable segment assets | **1,236,858** | 1,340,190 | **944,885** | 1,083,813 | **2,181,743** | 2,424,003 |
| Reportable segment liabilities | **1,098,422** | 1,209,914 | **924,265** | 983,785 | **2,022,687** | 2,193,699 |

## 2. Revenue and segment reporting (continued)

(b) Segment reporting (continued)

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

| | 2016 $’000 | 2015 $’000 |
|---|---|---|
| **Revenue** | | |
| Reportable segment revenue | **222,347** | 223,203 |
| Consolidated revenue (note 2(a)) | **222,347** | 223,203 |
| **Loss** | | |
| Reportable segment loss before taxation | **(39,277)** | (68,225) |
| Unallocated other expenses | **(621)** | (193) |
| Unallocated head office and corporate expenses | **(31,711)** | (29,113) |
| Consolidated loss before taxation | **(71,609)** | (97,531) |
| **Assets** | | |
| Reportable segment assets | **2,181,743** | 2,424,003 |
| Elimination of inter-segment receivables | **(907,429)** | (966,691) |
| | **1,274,314** | 1,457,312 |
| Unallocated head office and corporate assets | **12,969** | 38,411 |
| Consolidated total assets | **1,287,283** | 1,495,723 |
| **Liabilities** | | |
| Reportable segment liabilities | **2,022,687** | 2,193,699 |
| Elimination of inter-segment payables | **(907,429)** | (966,691) |
| | **1,115,258** | 1,227,008 |
| Unallocated head office and corporate liabilities | **178,524** | 182,936 |
| Consolidated total liabilities | **1,293,782** | 1,409,944 |

## 2. Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(iii) 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 property, plant and equipment, interests in land held for own use under operating leases, 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* | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | ***$'000*** | *$'000* | ***$'000*** | *$'000* |
| Hong Kong | **-** | - | **2,729** | 3,141 |
| PRC (excluding Hong Kong) | **222,347** | 223,203 | **1,169,692** | 1,342,023 |
| | **222,347** | 223,203 | **1,172,421** | 1,345,164 |

## 3. Other income

| | **2016** | 2015 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Interest income | **313** | 393 |
| Government grants | **200** | 253 |
| Loss on disposal of property, plant and equipment | **(1,058)** | (31) |
| Net foreign exchange gain | **606** | 3,123 |
| Others | **2,053** | 2,655 |
| | **2,114** | 6,393 |

## 4. Loss before taxation

Loss before taxation is arrived at after charging:

| | **2016** | 2015 |
|---|---|---|
| | ***$'000*** | *$'000* |
| (a) Finance costs: | | |
| Interest on bank loans | **55,491** | 70,656 |
| (b) Staff costs* | | |
| Contributions to defined contribution retirement plans | **2,931** | 3,013 |
| Salaries, wages and other benefits | **59,199** | 59,012 |
| Total staff costs | **62,130** | 62,025 |
| (c) Other items | | |
| Amortisation | | |
| – land lease premium | **6,597** | 7,022 |
| – intangible assets | **170** | 203 |
| Depreciation | **102,966** | 118,417 |
| Auditor's remuneration | | |
| – audit services | **1,358** | 1,358 |
| – review services | **380** | 380 |
| Operating lease charges on properties* | **4,602** | 4,201 |

* Staff costs include $1,800,000 (2015: $1,800,000) relating to operating lease charges on properties, which amount is also included in the respective total amount disclosed separately above.

## 5. Income tax in the consolidated income statement

(a) Income tax in the consolidated income statement represents:

| | **2016** | 2015 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **Current tax – PRC Enterprise Income Tax** | | |
| Under-provision in respect of prior years | **-** | 43 |
| Deferred tax – origination and reversal of temporary differences | **7,699** | 2,699 |
| | **7,699** | 2,742 |

Notes:

(i) No Hong Kong Profits Tax was provided for the year ended 31 December 2016 as the Group sustained a loss for Hong Kong Profits Tax purposes for the year (2015: Nil).

(ii) The applicable tax rate of the PRC subsidiaries for the year ended 31 December 2016 was 25% (2015: 25%).

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

| | **2016** | 2015 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Loss before taxation | **(71,609)** | (97,531) |
| Notional tax on loss before tax, calculated at the rates applicable in the tax jurisdictions concerned | **(15,246)** | (22,037) |
| Tax effect of non-deductible expenses | **3,473** | 2,443 |
| Tax effect of non-taxable income | **(2)** | (2) |
| Tax effect of unused tax losses not recognised | **21,142** | 22,262 |
| Tax effect of previously unrecognised tax losses recognised this year | **(1,700)** | - |
| Under-provision in prior years | **-** | 43 |
| Others | **32** | 33 |
| Actual tax expense | **7,699** | 2,742 |

## 6. Basic and diluted loss per share

The calculation of basic and diluted loss per share is based on the loss attributable to ordinary equity shareholders of the Company of $75,611,000 (2015: $94,469,000) and the weighted average of 3,732,638,000 ordinary shares (2015: 3,732,638,000 ordinary shares) in issue during the year.

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 year ended 31 December 2016 and 2015.

## 7. Property, plant and equipment

| | Buildings | Dock and storage facilities | Office equipment | Motor vehicles | Leasehold improvements | Sub-total | Interests in land held for own use under operating leases | Total |
|---|---|---|---|---|---|---|---|---|
| | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* |
| **Costs:** | | | | | | | | |
| At 1 January 2016 | 51,866 | 1,840,066 | 7,084 | 19,567 | 1,892 | 1,920,475 | 306,181 | 2,226,656 |
| Exchange adjustments | (3,288) | (117,366) | (426) | (1,140) | - | (122,220) | (19,408) | (141,628) |
| Additions | - | 18,311 | 607 | 505 | - | 19,423 | - | 19,423 |
| Disposals | - | (4,214) | (20) | (418) | - | (4,652) | - | (4,652) |
| At 31 December 2016 | 48,578 | 1,736,797 | 7,245 | 18,514 | 1,892 | 1,813,026 | 286,773 | 2,099,799 |
| **Accumulated depreciation and amortisation:** | | | | | | | | |
| At 1 January 2016 | 14,713 | 793,924 | 5,136 | 17,145 | 651 | 831,569 | 55,851 | 887,420 |
| Exchange adjustments | (1,007) | (54,608) | (314) | (999) | - | (56,928) | (3,837) | (60,765) |
| Charge for the year | 1,663 | 99,716 | 575 | 696 | 316 | 102,966 | 6,597 | 109,563 |
| Written back on disposals | - | (3,170) | (17) | (375) | - | (3,562) | - | (3,562) |
| At 31 December 2016 | 15,369 | 835,862 | 5,380 | 16,467 | 967 | 874,045 | 58,611 | 932,656 |
| **Net book value:** | | | | | | | | |
| **Balance at 31 December 2016** | **33,209** | **900,935** | **1,865** | **2,047** | **925** | **938,981** | **228,162** | **1,167,143** |

The Group was granted the rights to use the land by the PRC authorities with lease terms of 50 years. The net book value as at 31 December 2016 includes an amount of $6,301,000 (2015: $6,727,000) which is disclosed as interest in land held for own use under operating leases under current assets.

## 8. Trade and other receivables

| | 2016 | 2015 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Trade debtors | **61,164** | 63,537 |
| Less: Allowance for doubtful debts (note 8(b)) | **-** | (6,227) |
| | **61,164** | 57,310 |
| Prepayments and other receivables | **5,642** | 4,290 |
| | **66,806** | 61,600 |

The amount of the prepayments and other receivables expected to be recovered or recognised as expense after more than one year is $1,130,000 (2015: $Nil). Apart from these, the prepayments and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

As at 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:

| | 2016 | 2015 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Within 1 month | **18,811** | 21,536 |
| Over 1 month but within 2 months | **3,583** | 1,684 |
| Over 2 months but within 3 months | **180** | 1,206 |
| Over 3 months | **38,590** | 32,884 |
| | **61,164** | 57,310 |

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.

(b) 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.

## 8. Trade and other receivables (continued)

(b) Impairment of trade debtors (continued)

The movement in the allowance for doubtful debts during the year is as follows:

| | 2016 | 2015 |
|---|---|---|
| | *$'000* | *$'000* |
| At 1 January | **6,227** | 121,704 |
| Exchange adjustments | **(395)** | (2,352) |
| Uncollectible amounts written off | **(5,832)** | (113,125) |
| At 31 December | **-** | 6,227 |

At 31 December 2016, no trade debtor (2015: $6,227,000) was individually determined to be impaired.

(c) Trade debtors that are not impaired

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

| | 2016 | 2015 |
|---|---|---|
| | *$'000* | *$'000* |
| Neither past due nor impaired | **18,811** | 21,536 |
| Less than 1 month past due | **3,583** | 1,684 |
| 1 to 2 months past due | **180** | 1,206 |
| Over 2 months past due | **38,590** | 32,884 |
| | **42,353** | 35,774 |
| | **61,164** | 57,310 |

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

At 31 December 2016, receivables that were past due over 2 months mainly represents an amount of $38,277,000 due from a customer ("Customer A") that was in financial difficulty. To reclaim the trade debtor, the Group filed an application to the court in the PRC and the court granted the Group a lien on the Customer A's goods stored at the storage facilities of the Group. Subsequently, the goods were sold by the court through an auction during the current year. Since certain legal cases relating to the Customer A were still ongoing as at 31 December 2016, the proceeds from the auction were still under the custody of the court. In connection with this case, the Group has obtained a PRC legal opinion and was advised that the Group has the first priority to receive the proceeds over other creditors of Customer A. Based on the foregoing, the directors have reviewed the recoverability of the amount due from Customer A as at 31 December 2016 and no impairment loss was recognised in this regard.

## 8. Trade and other receivables (continued)

(c) Trade debtors that are not impaired (continued)

In addition, there was a dispute with a customer ("Customer B") on the storage revenue recognised in 2013 of $10 million. The case was put in trials in the PRC court and the results were in favour of the Group. Subsequent to the balance sheet date, Customer B lodged an application to retrial the case. In connection with this case, the Group has obtained a PRC legal opinion and was advised that the court will likely to uphold the previous judgement. Based on the foregoing, the directors have reviewed the case and no provision for liability is required in this regard.

Apart from the above, receivables that were past due but not impaired relate to a number of independent customers that have good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and these balances are considered fully recoverable. The Group does not hold any collateral over these balances.

## 9. Bank loans and other borrowings

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

| | **2016** | 2015 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **Current liabilities** | | |
| Bank loans | **55,897** | 59,680 |
| Convertible bonds | **-** | 49,531 |
| | **55,897** | 109,211 |
| **Non-current liabilities** | | |
| Bank loans | **924,536** | 1,016,947 |
| | **980,433** | 1,126,158 |

(b) At 31 December 2016, the bank loans and other borrowings were repayable as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **Bank loans (secured)** | | |
| Within 1 year or on demand | **58,133** | 59,680 |
| After 1 year but within 2 years | **60,369** | 62,067 |
| After 2 years but within 5 years | **432,643** | 312,723 |
| After 5 years | **429,288** | 642,157 |
| | **922,300** | 1,016,947 |
| | **980,433** | 1,076,627 |
| **Convertible bonds (unsecured)** | | |
| Within 1 year or on demand | **-** | 49,531 |

## 9. Bank loans and other borrowings (Continued)

(c) At 31 December 2016, the Group had banking facilities totalling $980,433,000 (2015: $1,076,627,000) which were secured by certain of the Group's property, plant and equipment with net book value of $723,281,000 (2015: $849,572,000) and interests in land held for own use under operating leases with net book value of $215,650,000 (2015: $236,008,000). The banking facilities were utilised to the extent of $980,433,000 as at 31 December 2016 (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 anti-dilutive 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 Convertible Bonds with a maturity date of 16 December 2016 ("Series A Maturity Date"). The Group may early redeem the 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 Maturity Date.

During the year ended 31 December 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 31 December 2016.

*Series B Convertible Bonds*

No Series B of the Convertible Bonds was issued during the year and the facility was expired as at 31 December 2016.

## 10. Amounts due to 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 balances are shown as non-current.

**EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT FROM THE DRAFT FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2016**

*"Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

*Material uncertainty related to going concern*

Without qualifying our opinion, we draw attention to note 1 to the consolidated financial statements which describes that the Group is committed to repay bank loans and interest totalling HK$104,697,000 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 consolidated financial statements have 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 consolidated financial statements do not include any adjustments that would result should the Group be unable to continue to operate as a going concern."

## 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 gases 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”).

### Liquid Product Terminals

XHIT is situated in Xiao Hu Island, Nansha, Panyu district, Guangzhou City, Guangdong Province. The Terminal was built with five jetties of birthing capacity ranging from 500 to 30,000 dwt. The tank farm has a site area of 212,000 square metres and is installed with 86 tanks of a total storage capacity of 330,000 cubic metres, out of which 240,000 cubic metres are specialized for gasoline, diesel and similar petroleum products commonly available in trading and consumption markets. The rest 90,000 cubic metres tanks are built for petrochemical products.

DZIT is situated in Lisha Island, Humen Harbour district, Shatian country, Dongguan City, Guangdong Province. The Terminal was built with twelve jetties of birthing capacity ranging from 500 to 100,000 dwt. The tank farm has a site area of 516,000 square metres and is installed with 96 tanks of a total storage capacity of 260,000 cubic metres, out of which 180,000 cubic metres are specialized for gasoline, diesel and similar petroleum products commonly available in trading and consumption markets. Storage tanks with capacity of 80,000 cubic metres were built for petrochemical products.

### Business Model

The two liquid product terminals provide customers with storage and terminal services. However, customers use them for different functions with regards to oil products and petrochemical products: the terminals are distribution hubs for refined oil products while customers use them mainly for storage of petrochemicals.

The oil customers of the Group are distributors and traders of refined oils in Guangdong province. To cope with their product distribution requirements, they prefer to employ an owner jetty terminal with integrated facilities instead of queuing up in public ports, with prime location to cover highly dense sales outlets, i.e. petrol stations. With their volume and frequency of flows of goods, users pick those terminals which can handle large scale and high speed refined oil operations. Furthermore, the terminals must be fully licensed to cater multi products such as gasoline and diesel.

### Strategic Locations

The two liquid product terminals of the Group are located in the centre of the Pearl River Delta. As Guangdong is the pioneer in economic development of China, it takes up about 10% of energy consumption of the country. The refining capacity in the province accounts for 20% of the national capacity. The two terminals situate in the centre of the economic circle of the province. Within a radius of 150 kilometers from Panyu and Dongguan, the circle covers over 80% GDP of the Guangdong, more than 80% of the provincial population, around 80% energy consumption and over 80% petrol stations in the province. The location edge attracts customers to engage with the two terminals for their distribution of refined oils.

Apart from oil products customers, there are customers who have manufacturing plants in the Pearl River Delta. In their business cycle, there are requirements to temporarily store their dangerous, poisonous and hazardous goods in designated controlled facilities with proper licences in accordance with governmental regulations for safety and environment reasons. The customers may store their hazardous raw materials, work-in-progress and finished goods in our storage facilities. Our two terminals employ experienced, professional and skillful management teams with well-equipped features storage hardware. The Group persistently maintain high standards in safety and environment protection. Both terminals in Panyu and Dongguan are fully and properly licensed to handle wide range of dangerous and hazardous goods. They provide convenience to customers to move their cargoes in and out of the terminals during their production cycle.

### Revenues

The terminals earn storage income by leasing their tanks to customers based on the storage tank size engaged. Apart from this, they collect handling charges when providing services in moving cargoes in and out from the terminals for customers, either by water in the jetties or by road from the loading stations. Furthermore, the terminals provide ancillary services such as tank cleaning, waste treatment and blending to customers and earn respective fees for the services rendered.

### Key Performance Indicators

With regards to the business model, the lease-out rates and cargo throughput are the major key performance indicators of the terminals. Higher lease-out rate should return with higher leasing income. More cargoes flows mean more works the terminals have done thus more handling service income.

The lease-out rates and cargo throughput of the last two years are as follows:

| | XHIT | | | DZIT | | |
|---|---|---|---|---|---|---|
| **Operational statistics** | **2016** | 2015 | Change % | **2016** | 2015 | Change % |
| **Liquid product terminal and transshipment services** | | | | | | |
| Number of vessels visited | | | | | | |
| - foreign | **252** | 215 | +17.2 | **127** | 127 | +0.0 |
| - domestic | **762** | 408 | +86.8 | **389** | 352 | +10.5 |
| Number of trucks served to pick up cargoes | **37,224** | 26,730 | +39.3 | **38,722** | 45,425 | -14.8 |
| Number of drums filled | **51,944** | 44,945 | +15.6 | **1,574** | 725 | +117.1 |
| Transshipment volume (metric ton) | | | | | | |
| - oils | - | - | - | - | 3,282 | -100.0 |
| - petrochemicals | **248,678** | 194,931 | +27.6 | **20,769** | 4,407 | +371.3 |
| Terminal throughput (metric ton) | **2,789,000** | 1,728,000 | +61.4 | **2,581,000** | 2,617,000 | -1.4 |
| - port jetty throughput | **2,068,000** | 1,219,000 | +69.6 | **1,599,000** | 1,521,000 | +5.1 |
| - loading station throughput | **721,000** | 509,000 | +41.7 | **982,000** | 1,096,000 | -10.4 |
| **Storage services** | | | | | | |
| Leaseout rate – oil and chemicals products | **62.7%** | 44.9% | +17.8 % points | **81.0%** | 85.5% | -4.5 % points |

| Operational statistics | XHIT 2016 | 2015 | Change % |
|---|---|---|---|
| **Solid chemical warehousing services** | | | |
| Cargoes received (metric ton) | **57,090** | 74,144 | -23.0 |
| Cargoes issued (metric ton) | **58,925** | 73,628 | -20.0 |
| Floor area leased out ($m^2$) | **21,800** | 27,000 | -19.3 |
| Leaseout rate | **66.2%** | 83.6% | -17.4 % points |

## Liquid Product Terminal Business

### *XHIT*

The major operational indices achieved significant growth at XHIT during 2016. Port jetty throughput and loading station throughput increased by 69.6% and 41.7% respectively. In line with the growth of throughput volume, the numbers of trucks serviced to pick up cargoes and drums filled increased accordingly by 39.3% and 15.6%. Besides, the transshipment volume for petrochemicals increased by 27.6% on a year on year basis. During the financial year, the Company has revamped all fuel oil tanks into light oil tanks to adapt to the market transformation. 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. We noticed some 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 49% in 2016 compared with 26% in 2015. While the average utilization rate of chemical tanks kept as high as 96% in 2016 compared with 97% in 2015, the total average leaseout rate for both categories was 62.7%, 17.8 percentage points higher than that in the prior year.

### *DZIT*

The oil and petrochemical market in 2016 remained challenging in DZIT. During the year, the yearly average leaseout rate of tank farm was approximately 81% in 2016 compared with 86% in 2015, although the port jetty throughput and number of domestic vessels visited during the year increased by 5.1% and 10.5% respectively on a year on year basis. The uncertain of oil blending market situation in 2016 that resulted the decrease in demand of facilities for customers who engaged in trading business with blending services required. The Group continuously tried its best to tap into market potentials and to expand its oil and chemical storage volume.

## Solid Chemical Warehousing Business

With the downturn of solid chemical markets, the cargoes received and issued decreased by 23% and 20% respectively as compared to 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 19.3% on a year on year basis. The leaseout rate was approximately 66.2% in 2016, 17.4 percentage points lower than that in 2015.

## OPERATION REVIEW

### Operating Financials

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

| | XHIT | | | | DZIT | | | |
|---|---|---|---|---|---|---|---|---|
| | **2016** | | 2015 | | **2016** | | 2015 | |
| | ***HK$'000*** | **%** | *HK$'000* | % | ***HK$'000*** | **%** | *HK$'000* | % |
| Storage and transshipment income | **95,798** | **77.1** | 80,830 | 73.3 | **95,933** | **97.8** | 110,713 | 98.1 |
| Port income | **3,684** | **3.0** | 2,865 | 2.6 | **2,183** | **2.2** | 2,172 | 1.9 |
| Solid chemical warehousing income | **24,749** | **19.9** | 26,623 | 24.1 | **N/A** | **N/A** | N/A | N/A |

### *XHIT*

The revenue from the provision of terminal, storage and transshipment services for liquid products in XHIT was about HK$99.5 million during the year, representing an increase of 18.9% compared with the last year. During the year, storage income increased to HK$70.4 million from HK$59.1 million in 2015, representing an increase of 19.1% on a year on year basis, attributable to the 17.8 percentage points of improvement in leaseout rate, 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 due to keen competitions.

The revenue generated from Solid Warehousing Centre was about HK$24.7 million during the year, representing a slight decrease of 7.0% compared with the last year. During the year, the average floor area leased out decreased to 66.2% compared to 83.6% of the last year. Fortunately, the average unit rate increased by 25.6% due to product mix effect that narrowed down the reduction of revenue generated from Solid Warehousing Centre during the year.

### *DZIT*

The revenue from the provision of terminal, storage and transshipment facilities for the liquid products in DZIT decreased to HK$98.1 million during the year, representing a decrease of 13.1% compared with the last year. The storage income decreased to HK$77.2 million from HK$90.4 million in 2015, representing a decrease of 14.6% as compared with last year, which was mainly attributable to the lower utilization of storage tanks and the depreciation of RMB during the year.

## OUTLOOK

According to the predictions of reputable organizations, the Chinese economy in 2017 will be comparable to that in 2016. As such, the petrochemical industry in China will maintain a stable and moderate growth. With regard to the trend of international crude oil prices in 2016, prices of oil and bulk petrochemical products were stable in general with modest fluctuations. Such position set up a favorable trading environment for bulk petrochemical products. As the largest consumption market of oil products in China, the Pearl River Delta is an active region in oil product trading and provides increasing growth opportunities for our storage and transportation business.

### *Business Prospects*

The Group intends to develop diversified business in 2017, including but not limited to refined oil retail business in Mainland China and LNG/refined oil/crude oil trading business in the international market, to enhance the overall efficiency of the Group. At the same time, to complement future business development of the Group and for general working capital purpose, the Group will actively consider various financing methods, including but not limited to rights issue, issuance of new shares, issuance of bonds and borrowings. Our priority is to strengthen the Group's capital and improve our financial position without increasing finance costs, thereby providing strong support to future development. The Group will also continue to identify suitable prospects and potential business opportunities so as to expand the income stream of the Group and strive for long-term return for the shareholders. We are confident that the Group will capitalize on the chances and overcome future challenges.

### *Liquid Product Terminal Business*

As at the end of 2016, two petrochemical terminals of the Group had reached a historic high in their occupancy rate and are expected to maintain a relatively high rate throughout 2017. In particular, XHIT completed a renovation to revamp its fuel oil tanks into light oil tanks. As a result, capacity of light oil tanks available for lease in 2017 will exceed the average last year by approximately 50,000 tons to generate additional benefits for the Group. In 2017, DZIT will continue to strengthen and negotiate for land reserve for the project proposal of LNG/LPG tank construction. The Group has introduced new partners with a view to boosting project progress. Once implemented, the project will not only increase the storage income of DZIT significantly, but also enhance the utilization efficiency and income of existing terminals by a large margin.

### *Solid Chemical Warehousing Business*

After a few years of operation, this business has settled down and will continue to offer quality service to attract multi-national corporate customers in 2017, with an aim of raising reputation, expanding market share and increasing income.

## FINANCIAL REVIEW

| | **2016** *HK$'000* | 2015 *HK$'000* | Changes % |
|---|---|---|---|
| Revenue | **222,347** | 223,203 | -0.4 |
| Revenue less direct costs and operating expenses | **41,865** | 29,993 | +39.6 |
| Loss before interest and tax ("LBIT") | **(16,118)** | (26,875) | -40.0 |
| Loss attributable to equity shareholders of the Company | **(75,611)** | (94,469) | -20.0 |
| Earnings before interest, tax, depreciation and amortisation ("EBITDA") | **93,615** | 98,767 | -5.2 |
| Gross margin | **18.8%** | 13.4% | +5.4 % points |
| Net loss margin | **(35.7%)** | (44.9%) | -9.2 % points |
| Basis loss per share (HK cents) | **(2.03)** | (2.53) | -19.8 |
| Diluted loss per share (HK cents) | **(2.03)** | (2.53) | -19.8 |

During the year, the Group's revenue decreased to HK$222.3 million from HK$223.2 million in 2015 that was attributable to the exchange effect on translation of its revenue in relation to the depreciation of Renminbi in 2016. Excluding the exchange effect, the actual Group's revenue increased by HK$12.7 million, representing an increase of 6.1% on a year on year basis, indicated that the Group's financial performances improved during the year. LBIT continuously improved during the year. The improvements were mainly driven by continuous improvements in leaseout rate and the port jetty throughput. In this connection, the gross margin increased by 5.4 percentage points and net loss margin decreased by 9.2 percentage points. The loss attributable to equity shareholders of the Company reduced from HK$94.5 million in last year to HK$75.6 million during the year. During the year, EBITDA decreased to HK$93.6 million from HK$98.8 million in 2015. It was attributable to the increase of direct costs and operating costs and loss of disposal. The basic and diluted loss per share for the year reduced to 2.03 Hong Kong cents from 2.53 Hong Kong cents in 2015.

### Capital Structure, Liquidity and Gearing

As at 31 December 2016, the Group's total cash and cash equivalents amounted to approximately HK$22.2 million (2015: HK$52.7 million). Most of the funds were held in Hong Kong dollar, Renminbi yuan ("RMB") and US dollar.

With the Convertible Bonds redeemed during the year, the Group's current ratio was improved to 1.02 as at 31 December 2016 (2015: 0.85). However, the Group's gearing ratio (defined as total liabilities to total assets) as at 31 December 2016 was 100.5% (2015: 94.3%). The higher ratio indicated the higher degree of leverage of the Group. The Group will actively consider various financing methods to improve our existing financial position and reduce the degree of leverage of the Group.

### 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$980 million as at 31 December 2016 (2015: HK$1,077 million). During the year ended 31 December 2016, the finance cost charged to profit or loss was approximately HK$55.5 million (2015: HK$70.7 million).

## Convertible Bonds

During the year, the Company has fully redeemed principal amounts of HK$50,000,000 of Series A Convertible Bonds. There were no outstanding convertible bonds as at 31 December 2016.

## Taxation

The Group sustained a loss for Hong Kong Profits Tax purposes for the year. The applicable tax rate of the Group's PRC subsidiaries for the year ended 31 December 2016 was 25% (2015: 25%).

## Exposure to Fluctuation in Exchanges Rate 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 year, the Group incurred an exchange loss of HK$12.5 million (2015: HK$17.20 million) 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 31 December 2016, 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 HK$17 million (2015: HK$18 million).

At 31 December 2016, 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 HK$131 million (2015: HK$140 million).

## Contingent Liabilities

As at 31 December 2016, the Group has no material contingent liabilities.

## Final Dividend

The directors do not recommend any final dividend for the year ended 31 December 2016 (2015: Nil).

## CORPORATE GOVERNANCE

The Company is committed to a high standard of corporate governance. The Company's corporate governance practices are based on the principles and the code provisions ("Code Provision") as 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 Board is of the view that throughout the year, the Company has complied with the CG Code except for the deviations from Code Provisions A.2.1 (from 1 January 2016 to 12 July 2016), A.4.1 and E.1.2 which deviations are explained below.

– Code Provision A.2.1 stipulates that the roles of the Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. With effect from 13 July 2016, Mr. Yang Dong has been appointed as an Executive Director and the Chief Executive Officer of the Company. 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. 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.

– Under Code Provision A.4.1, the non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive directors (save for Miss Cheung Siu Yuen, Rose) of the Company do not have a specific term of appointment. However, all directors of the Company are subject to retirement by rotation at least once every three years pursuant to article 116 of the Company's articles of association.

– The Company has the deviations from Code Provision E.1.2 as the Chairman and some of the directors were unable to attend the last annual general meeting held on 24 May 2016 due to business engagements. They will use their best endeavours to attend all future shareholders' meetings of the Company.

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 all of them have confirmed that they have complied with the Model Code throughout the year ended 31 December 2016.

## 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 2016, the Group had a workforce of approximately 470 employees (2015: 475), 460 (2015: 460) 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 2016 has been reviewed by the Audit Committee of the Company.

*Scope of work of KPMG*

The financial figures in respect of the Group’s consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2016 as set out in this preliminary announcement have been compared by the Company’s auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group’s draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

## PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement of the annual results for the year ended 31 December 2016 is published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.hansenergy.com). The 2016 annual report of the Company will be dispatched to shareholders of the Company and published on the aforesaid websites in due course.

On behalf of the Board
**David An**
*Chairman*

Hong Kong, 28 March 2017

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