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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 2017 as follows:

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2017 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	**2017**	2016
		$'000	*$'000*
Revenue	*3*	**115,167**	110,332
Direct costs and operating expenses		**(81,410)**	(92,336)
		33,757	17,996
Other income	*4*	**2,507**	1,303
Administrative expenses		**(28,547)**	(30,964)
Profit/(loss) from operations		**7,717**	(11,665)
Finance costs	*5(a)*	**(23,505)**	(30,403)
Loss before taxation	*5*	**(15,788)**	(42,068)
Income tax	*6*	**2,116**	(4,313)
Loss for the period		**(13,672)**	(46,381)
Attributable to:			
Equity shareholders of the Company		**(13,615)**	(43,949)
Non-controlling interests		**(57)**	(2,432)
Loss for the period		**(13,672)**	(46,381)
Loss per share	*7*		
Basic		**(0.36 cent)**	(1.18 cent)
Diluted		**(0.36 cent)**	(1.18 cent)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2017 - unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2017	2016
	$'000	*$'000*
Loss for the period	**(13,672)**	(46,381)
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	**5,341**	(4,569)
Total comprehensive income for the period	**(8,331)**	(50,950)
Attributable to:		
Equity shareholders of the Company	**(8,756)**	(48,153)
Non-controlling interests	**425**	(2,797)
Total comprehensive income for the period	**(8,331)**	(50,950)

CONSOLIDATED BALANCE SHEET
at 30 June 2017 - unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 June 2017 $'000	At 31 December 2016 $'000
Non-current assets			
Property, plant and equipment		**928,211**	938,981
Interests in land held for own use under operating leases		**225,415**	221,861
Prepayments		**8,688**	9,679
Intangible assets		**1,821**	1,900
Deferred tax asset		**8,095**	6,023
		1,172,230	1,178,444
Current assets			
Interests in land held for own use under operating leases		**6,494**	6,301
Consumable parts		**14,016**	13,497
Trade and other receivables	*8*	**67,558**	66,806
Cash and cash equivalents		**26,656**	22,235
		114,724	108,839
Current liabilities			
Other payables and accruals		**54,374**	50,308
Bank loans	*9*	**62,219**	55,897
		116,593	106,205
Net current (liabilities)/assets		**(1,869)**	2,634
Total assets less current liabilities		**1,170,361**	1,181,078
Non-current liabilities			
Deferred tax liabilities		**3,805**	3,952
Bank loans	*9*	**919,464**	924,536
Amounts due to related parties	*10*	**261,922**	259,089
		1,185,191	1,187,577
Net liabilities		**(14,830)**	(6,499)
Capital and reserves			
Share capital		**373,264**	373,264
Reserves		**(404,248)**	(395,492)
Total deficit attributable to equity shareholders of the company		**(30,984)**	(22,228)
Non-controlling interests		**16,154**	15,729
Total deficit		**(14,830)**	(6,499)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2017 – 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 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 and 1 July 2016	373,264	710,477	(251,428)	95,978	31,947	-	(943,645)	16,593	17,767	34,360
Changes in equity for the six months ended 31 December 2016:										
Loss for the period	-	-	-	-	-	-	(31,662)	(31,662)	(1,265)	(32,927)
Other comprehensive income	-	-	-	(7,159)	-	-	-	(7,159)	(773)	(7,932)
Total comprehensive income	-	-	-	(7,159)	-	-	(31,662)	(38,821)	(2,038)	(40,859)
Balance at 31 December 2016 and 1 January 2017	**373,264**	**710,477**	**(251,428)**	**88,819**	**31,947**	**-**	**(975,307)**	**(22,228)**	**15,729**	**(6,499)**
Changes in equity for the six months ended 30 June 2017:										
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(13,615)**	**(13,615)**	**(57)**	**(13,672)**
Other comprehensive income	**-**	**-**	**-**	**4,859**	**-**	**-**	**-**	**4,859**	**482**	**5,341**
Total comprehensive income	**-**	**-**	**-**	**4,859**	**-**	**-**	**(13,615)**	**(8,756)**	**425**	**(8,331)**
Balance at 30 June 2017	**373,264**	**710,477**	**(251,428)**	**93,678**	**31,947**	**-**	**(988,922)**	**(30,984)**	**16,154**	**(14,830)**

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 2017 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 29 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA. Extract of KPMG's independent review report to the Board of Directors is included on page 13.

The financial information relating to the financial year ended 31 December 2016 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. In the auditors' report dated 28 March 2017, the auditors expressed an unqualified opinion on those financial statements but included a section which drew attention to material uncertainties relating to the Group's ability to continue as a going concern.

Material uncertainties related to going concern

As at 30 June 2017, the Group had net current liabilities of $1,869,000, net liabilities of $14,830,000 and incurred net loss of $13,672,000 during the six months ended 30 June 2017. The Group is committed to incur non-operating cash outflows of $108,890,000 within one year, being (i) repayment of bank loans of $31,109,000 in December 2017 and $31,110,000 in June 2018; and (ii) payment of interest of $46,671,000. 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 30 June 2017, the Group only had cash and cash equivalents of $26,656,000.

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 2017 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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 2017 and 2016 is set out below:

For the six months ended 30 June	XHIT		DZIT		Total	
	2017	2016	**2017**	2016	**2017**	2016
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Reportable segment revenue	**67,813**	60,260	**47,354**	50,072	**115,167**	110,332
Reportable segment profit/(loss) before taxation	**22,089**	17,406	**(24,514)**	(42,932)	**(2,425)**	(25,526)

	XHIT		DZIT		Total	
	At 30 June 2017	At 31 December 2016	**At 30 June 2017**	At 31 December 2016	**At 30 June 2017**	At 31 December 2016
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Reportable segment assets	**1,261,625**	1,236,858	**940,802**	944,885	**2,202,427**	2,181,743
Reportable segment liabilities	**1,096,741**	1,098,422	**944,483**	924,265	**2,041,224**	2,022,687

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

	Six months ended 30 June	
	2017	2016
	$'000	*$'000*
Revenue		
Reportable segment revenue	**115,167**	110.332
Consolidated revenue	**115,167**	110,332
Loss		
Reportable segment loss before taxation	**(2,425)**	(25,526)
Unallocated other income/(expenses)	**653**	(213)
Unallocated head office and corporate expenses	**(14,016)**	(16,329)
Consolidated loss before taxation	**(15,788)**	(42,068)

4. Other income

	Six months ended 30 June	
	2017	2016
	$'000	*$'000*
Interest income	**103**	130
Loss on disposal of property, plant and equipment	**(4)**	(719)
Net foreign exchange (loss)/gain	**(478)**	672
Others	**2,886**	1,220
	2,507	1,303

5. Loss before taxation

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2017	2016
	$'000	*$'000*
(a) Finance costs		
Interest on bank loans	**23,505**	28,233
Interest on convertible bonds	**-**	2,170
	23,505	30,403
(b) Staff costs*		
Contributions to defined contribution retirement plan	**1,681**	1,377
Salaries, wages and other benefits	**29,178**	25,668
Total staff costs	**30,859**	27,045
(c) Other items		
Depreciation and amortisation	**44,273**	58,316
Operating lease charges on properties*	**2,531**	2,111

* Staff costs include $900,000 (six months ended 30 June 2016: $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	
	2017	2016
	$'000	*$'000*
Deferred taxation – origination and reversal of temporary differences	**2,116**	(4,313)

Notes:

(i) No Hong Kong Profits Tax was provided for the six months ended 30 June 2017 as the Group sustained a loss for Hong Kong Profits Tax purposes for the period (six months ended 30 June 2016: Nil).

(ii) The applicable tax rate of the PRC subsidiaries for the six months ended 30 June 2017 and 2016 was 25%.

At 30 June 2017, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to $187,482,000 (31 December 2016: $170,922,000). Deferred tax liabilities of $9,374,000 (31 December 2016: $8,546,000) 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 calculation of basic and diluted loss per share is based on the loss attributable to ordinary equity shareholders of the Company of $13,615,000 (six months ended 30 June 2016: $43,949,000) and the weighted average of 3,732,638,000 ordinary shares (six months ended 30 June 2016: 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 2017 and 2016.

8. Trade and other receivables

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

	At 30 June 2017	At 31 December 2016
	$'000	*$'000*
Within 1 month	**19,775**	18,811
Over 1 month but within 2 months	**901**	3,583
Over 2 months but within 3 months	**211**	180
Over 3 months	**39,683**	38,590
Trade debtors, net of allowance for doubtful debts	**60,570**	61,164
Prepayment and other receivables	**6,988**	5,642
	67,558	66,806

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.

At 30 June 2017, receivables that were past due over 3 months mainly represents an amount of $39,451,000 (31 December 2016: $38,277,000) due from a customer 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's goods stored at the storage facilities of the Group. Subsequently, the goods were sold by the court through an auction. Since certain legal cases relating to the customer were still ongoing as at 30 June 2017, 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 the customer. Based on the foregoing, the directors have reviewed the recoverability of the amount due from the customer as at 30 June 2017 and no impairment loss was recognised 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

(a) As at 30 June 2017, the bank loans were repayable as follows:

	At 30 June 2017	At 31 December 2016
	$'000	*$'000*
Bank loans (secured)		
Within 1 year or on demand	**62,219**	55,897
After 1 year but within 2 years	**62,219**	62,605
After 2 years but within 5 years	**474,711**	432,643
After 5 years	**382,534**	429,288
	919,464	924,536
	981,683	980,433

(b) At 30 June 2017, the Group had banking facilities totalling $981,683,000 (31 December 2016: $980,433,000), which were secured by certain of the Group's property, plant and equipment with net book value of $714,394,000 as at 30 June 2017 (31 December 2016: $723,281,000) and interests in land held for own use under operating leases with net book value of $219,479,000 (31 December 2016: $215,650,000). The banking facilities were utilised to the extent of $981,683,000 as at 30 June 2017 (31 December 2016: $980,433,000).

10. 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 2017

"*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 2017 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

Material uncertainty related to going concern

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$108,890,000 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."

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			**DZIT**		
	Six months ended 30 June			Six months ended 30 June		
Operational statistics	**2017**	2016	Change %	**2017**	2016	Change %
Liquid product terminal and transshipment services						
Number of vessels visited						
- domestic	**544**	342	+59.1	**196**	223	-12.1
- foreign	**100**	107	-6.5	**49**	64	-23.4
Number of trucks served to pick up cargoes	**21,797**	17,651	+23.5	**20,485**	18,095	+13.2
Number of drums filled	**17,355**	24,459	-29.0	**2,822**	31	+9003.2
Transshipment volume (metric ton)						
- petrochemicals	**88,846**	153,839	-42.2	**2,559**	496	+415.9
Terminal throughput (metric ton)	**1,873,000**	1,300,000	+44.1	**1,235,000**	1,321,000	-6.5
- port jetty throughput	**1,497,000**	974,000	+53.7	**738,000**	860,000	-14.2
- loading station throughput	**376,000**	326,000	+15.3	**497,000**	461,000	+7.8
Storage services						
Leaseout rate – oil and chemicals products	**79.5%**	54.6%	+24.9 % points	**71.4%**	84.7%	-13.3 % points

Operational statistics	XHIT Six months ended 30 June **2017**	 2016	 Change %
Solid chemical warehousing services			
Cargoes received (metric ton)	**24,050**	29,232	-17.7
Cargoes issued (metric ton)	**23,625**	30,609	-22.8
Floor area leased out (m^2)	**30,964**	24,618	+25.8
Leaseout rate	**95.6%**	76.1%	+19.5 % points

LIQUID PRODUCT TERMINAL BUSINESS

XHIT

The major operational indices achieved significant growth at XHIT during the six months ended 30 June 2017. Port jetty throughput and loading station throughput increased by 53.7% and 15.3% respectively. In line with the growth of throughput volume, the number of domestic vessels visited and the number of trucks served to pick up cargoes increased accordingly by 59.1% and 23.5% respectively. The oil trading market for first half of 2017 continuously active thus drove the increase in demand for storage facilities and logistic services. By the end of last year, the Company revamped its fuel oil tanks into light oil tanks to adapt to market transformation. In this connection, there were new clients introduced to utilize our light oil storage tanks, while existing clients continued to keep their storage volume growth that resulted in average utilization rate of the oil tanks of 72.6% in the first half of 2017 compared with 42.4% in 2016. While the average utilization rate of chemical tanks remained high at 97-98% during the period, the total average leaseout rate for both categories was 79.5% in the first half of 2017, representing 24.9 percentage points higher than that in the first half of prior year.

DZIT

The oil and petrochemical market in the first half of 2017 remained challenging in DZIT. Despite an increase in the number of trucks served to pick up cargoes and loading station throughput of 13.2% and 7.8% respectively during the period, port jetty throughput and total number of vessels visited (both domestic and foreign) dropped by 14.2%, 12.1% and 23.4%, respectively, as compared to the same period last year. In view of the sharp fall of international crude oil prices from May to June 2017, oil blending customers in general adopted a wait-and-see approach, which discouraged oil and petrochemical trading and resulted in average utilization rate of storage tanks during the period decreased from 84.7% to 71.4% on a half-year on half-year basis, representing a decrease of 13.3 percentage points. The Group will continue to try its best to tap into market potentials and to expand its oil and chemical storage volume.

SOLID CHEMICAL WAREHOUSING BUSINESS

During the six months ended 30 June 2017, the average floor areas leased out increased by 25.8% on a half-year on half-year basis. The lease out rate was approximately 95.6% in the first half of 2017, representing an increase of 19.5 percentage points over the same period of 2016, which was mainly attributable to the leasing of a warehouse used for storing goods of less dangerous categories with a floor area of approximately 12,000 square metres to a client for its operation during the period, accounting for approximately 37.5% of the overall leased out floor area. In this connection, as the Solid Warehousing Centre has been leased to and operated by this client, the cargoes received and cargoes issued during the period reduced by 17.7% and 22.8% respectively from the same period of last year.

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	**2017**		2016		**2017**		2016	
	HK$'000	***%***	*HK$'000*	*%*	***HK$'000***	***%***	*HK$'000*	*%*
Storage and transshipment income	**53,655**	**79.1**	44,883	74.5	**46,348**	**97.9**	48,817	97.5
Port income	**1,758**	**2.6**	1,819	3.0	**1,006**	**2.1**	1,255	2.5
Solid chemical warehousing income	**12,400**	**18.3**	13,558	22.5	**N/A**	**N/A**	N/A	N/A

XHIT

The revenue from the provision of terminal, storage and transshipment facilities for liquid products in XHIT was about HK$55.4 million during the period, representing an increase of 18.6% compared to $46.7 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, despite the fact that unit storage rate decreased slightly due to tough competitions.

The revenue from Solid Warehousing Centre for the period was approximately HK$12.4 million, representing a decrease of 8.5% from HK$13.6 million over the same period last year. Despite a significant increase in leased average floor area during the period, the average unit rate for warehouse storing goods of less dangerous categories declined, offsetting the rental income generated from the increase in leased average floor area. In addition, there was a drop in the handling fee income for the period, causing a slight decrease in the overall revenue of the Solid Warehousing Centre.

DZIT

During the six months ended 30 June 2017, revenue from the provision of terminal, storage and transshipment facilities for liquid products in DZIT decreased from HK$50.1 million to HK$47.3 million, representing a decrease of 5.4% over the same period of last year. The decrease was mainly attributable to the exchange effect on translation of its revenue in relation to the depreciation of Renminbi ("RMB") during the period.

OUTLOOK

In the first half of 2017, with sluggish economic growth persisted in China, and international oil price continuing at a low level, the performance of global and domestic markets of petroleum and chemicals was mediocre. Under such circumstances, we have to adopt more aggressive and flexible business strategy by stepping up our effort in expanding new customers on one hand, while optimising the potential exploring and efficiency enhancing work internally on the other hand, in order to safeguard our business from poor economic conditions and a weak market for a sustainable and stable development.

- **Liquid Product Terminal Business**

In the first half of 2017, the operation condition of XHIT showed notable improvement as compared to the prior year. In addition to the volume of two segments, namely, transshipment and drum filling less than the same period of last year, other segments in loading volume of vessels and trucks as well as cargo throughput have a significant increase over the same period of previous year. Overall leaseout rate of the tanks also climbed to almost 80%, with an improvement in operating income. In view of the current situation, it appears that the decent operation momentum may continue in the second half year. DZIT recorded a slight decrease in the leaseout rate in the first half of 2017 affected by the economic conditions. However, total revenue basically remained at the same level with last year due to the increase in average unit price. It is expected that the operation of DZIT will rebound in the second half year and the annual operating income will exceed the level of last year. Besides, the Company is in active discussion with potential customers in relation to the use of the reserved land and surplus capacity of the port in DZIT, thereby establishing cooperation in respect of construction of new liquefied petroleum gas ("LPG") / liquefied natural gas ("LNG") tanks and port facility transformation. The project, if materialised, would vastly enhance the overall effectiveness of DZIT.

- **Solid Chemical Warehousing Business**

In the second half of 2017, the solid chemical warehousing business will continue to be stable and maintain its current income level.

- **Oils/LNG Retail Business**

The filling station (gasoline/diesel/LNG) jointly developed by our Company and a domestic state-owned corporation in Guangzhou is expected to commence construction in the second half of 2017. Upon completion, this project will bring a considerable profit to the Company. The refined oils retail business will be a new direction for our future business development. In coming years, the Company is anticipated to form new business segment through additional filling station operation by means of new construction/acquisition/joint venture and cooperation with a view to maximise the benefit for the Company.

FINANCIAL REVIEW

	Six months ended 30 June 2017	Six months ended 30 June 2016	Changes
	HK$'000	*HK$'000*	*%*
Revenue	**115,167**	110,332	+4.4
Revenue less direct costs and operating expenses	**33,757**	17,996	+87.6
Profit/(loss) before interest and tax ("EBIT/LBIT")	**7,717**	(11,665)	-166.2
Loss attributable to equity shareholders of the company	**(13,615)**	(43,949)	-69.0
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**51,990**	46,651	+11.4
Gross margin	**29.3%**	16.3%	+79.8
Net loss margin	**(11.8%)**	(42.0%)	-71.9
Basic loss per share (HK cent)	**(0.36)**	(1.18)	-69.5
Diluted loss per share (HK cent)	**(0.36)**	(1.18)	-69.5

The Group's financial performances continuously improved during the period. For the six months ended 30 June 2017, the Group's revenue increased by 4.4% from HK$110.3 million to HK$115.2 million over the same period of last year. The major reason was the revenue from oil storage in XHIT increased by 61.0% from HK$12.9 million to HK$20.8 million that was driven by continuous improvements in leaseout rates and the growth of port jetty throughput in XHIT during the period. For the six months ended 30 June 2017, total costs were HK$81.4 million, decreased by 11.8% from HK$92.3 million over the same period of prior year. The decrease was mainly attributable to the lower depreciation charges for the period due to the certain property, plant and equipment have fully depreciated since the fourth quarter of 2016. In this connection, the gross operating profits for the period significantly increased by 87.6% from HK$18.0 million to HK$33.8 million and gross margin improved from 16.3% in 2016 to 29.3% in 2017 on a half-year on half-year basis. For the six months ended 30 June 2017, EBIT was HK$7.7 million, significantly improved from LBIT of HK$11.7 million and EBITDA increased from HK$46.7 million to HK$52.0 million over the same period of last year. The basic and diluted loss per share for the period decreased from 1.18 Hong Kong cent to 0.36 Hong Kong cent on a half-year on half-year basis. This is a positive indicator that reflects our improving business.

Capital structure, liquidity and gearing

As at 30 June 2017, the Group's total cash and cash equivalents amounted to approximately HK$26.7 million (31 December 2016: HK$22.2 million). The funds were held in Hong Kong dollar, RMB and US dollar.

The Group's current ratio was 0.98 as at 30 June 2017 (31 December 2016: 1.02). The Group's gearing ratio (defined as total liabilities to total assets) as at 30 June 2017 was 101.2% (31 December 2016: 100.5%). 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

During the six months ended 30 June 2017, the Group met its working capital requirement principally from its business operation. The Group has been taking various initiatives to improve the Group's operating cash flows to cope with future daily operation and future repayment of bank loans. 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$982 million as at 30 June 2017 (31 December 2016: HK$980 million). During the six months ended 30 June 2017, the finance cost charged to profit or loss was approximately HK$23.5 million (2016: HK$30.4 million).

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 2017 was 25% (2016: 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 appreciated as compared to the year ended 31 December 2016, the Group incurred an exchange gain of HK$5.3 million (2016: exchange loss of HK$4.6 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 30 June 2017, 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$17 million (31 December 2016: HK$17 million).

At 30 June 2017, 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$135 million (31 December 2016: HK$131 million).

Contingent liabilities

At 30 June 2017, the Group has no material contingent liabilities.

Employees and remuneration policy

The Group had a workforce of approximately 460 people (31 December 2016: 470). 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 2017 (2016: Nil).

OTHER INFORMATION

REVIEW OF THE INTERIM FINANCIAL REPORT

The Group's interim financial report for the six months ended 30 June 2017 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 2016 annual report.

The Company regularly reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

(b) Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the directors and all of them have confirmed that they have complied with the Model Code for the six months ended 30 June 2017.

By order of the Board
Hans Energy Company Limited
Yang Dong
Chief Executive Officer and Executive Director

Hong Kong, 29 August 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 Ms. Cheung Siu Yuen, Rose.

website : www.hansenergy.com