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 2017

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 2017 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Hong Kong dollars)

	Note	**2017**	2016
		$'000	*$'000*
Revenue	*2*	**274,153**	222,347
Direct costs and operating expenses		**(173,169)**	(180,482)
		100,984	41,865
Other income	*3*	**6,554**	2,114
Administrative expenses		**(58,178)**	(60,097)
Profit/(loss) from operations		**49,360**	(16,118)
Finance costs	*4(a)*	**(47,441)**	(55,491)
Profit/(loss) before taxation	*4*	**1,919**	(71,609)
Income tax	*5(a)*	**675**	(7,699)
Profit/(loss) for the year		**2,594**	(79,308)
Attributable to:			
Equity shareholders of the Company		**355**	(75,611)
Non-controlling interests		**2,239**	(3,697)
Profit/(loss) for the year		**2,594**	(79,308)
Earnings/(loss) per share	*6*		
− basic		**0.01 cents**	(2.03 cents)
− diluted		**0.01 cents**	(2.03 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Hong Kong dollars)

	2017	2016
	$'000	*$'000*
Profit/(loss) for the year	**2,594**	(79,308)
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	**12,303**	(12,501)
Total comprehensive income for the year	**14,897**	(91,809)
Attributable to:		
Equity shareholders of the Company	**11,472**	(86,974)
Non-controlling interests	**3,425**	(4,835)
Total comprehensive income for the year	**14,897**	(91,809)

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2017
(Expressed in Hong Kong dollars)

	Note	**2017**	2016
		$'000	*$'000*
Non-current assets			
Property, plant and equipment		**925,065**	938,981
Interests in land held for own use under operating leases		**230,673**	221,861
Prepayments		**9,941**	9,679
Intangible assets		**1,743**	1,900
Deferred tax assets		**2,916**	2,071
		1,170,338	1,174,492
Current assets			
Interest in land held for own use under operating leases		**6,743**	6,301
Consumable parts		**11,083**	13,497
Trade and other receivables	*7*	**85,908**	66,806
Cash and cash equivalents		**41,161**	22,235
		144,895	108,839
Current liabilities			
Other payables and accruals		**54,777**	50,308
Bank loans and other borrowings	*8*	**64,601**	55,897
		119,378	106,205
Net current assets		**25,517**	2,634
Total assets less current liabilities		**1,195,855**	1,177,126
Non-current liabilities			
Bank loans and other borrowings	*8*	**922,363**	924,536
Amounts due to related parties	*9*	**265,094**	259,089
		1,187,457	1,183,625
Net assets/(liabilities)		**8,398**	(6,499)
Capital and reserves			
Share capital		**373,264**	373,264
Reserves		**(384,020)**	(395,492)
Total deficit attributable to equity shareholders of the Company		**(10,756)**	(22,228)
Non-controlling interests		**19,154**	15,729
Total equity/(deficit)		**8,398**	(6,499)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

(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 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 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 2017:										
Profit for the year	-	-	-	-	-	-	**355**	**355**	**2,239**	**2,594**
Other comprehensive income	-	-	-	**11,117**	-	-	-	**11,117**	**1,186**	**12,303**
Total comprehensive income	-	-	-	**11,117**	-	-	**355**	**11,472**	**3,425**	**14,897**
Balance at 31 December 2017	**373,264**	**710,477**	**(251,428)**	**99,936**	**31,947**	-	**(974,952)**	**(10,756)**	**19,154**	**8,398**

NOTES

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies

The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2017 but is extracted from those financial statements.

(a) Statement of compliance

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

1. Significant accounting policies (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries.

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

The Group is committed to incur non-operating cash outflows of $111,264,000 within one year, being (i) repayment of bank loans of $32,300,000 in June 2018 and $32,301,000 in December 2018; and (ii) payment of interest of $46,663,000. 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 2017, the Group only had cash and cash equivalents of $41,161,000.

The directors have been taking various initiatives to improve the Group's liquidity, 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 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 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. Significant accounting policies (continued)

(c) 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 impact on the accounting policies of the Group.

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:

	2017	2016
	$'000	*$'000*
Storage, warehousing and transshipment income	**268,195**	216,480
Port income	**5,958**	5,867
	274,153	222,347

In 2017, the Group has no customer (2016: 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 2017 and 2016 is set out below.

	XHIT		*DZIT*		*Total*	
	2017	2016	**2017**	2016	**2017**	2016
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Reportable segment revenue	**163,441**	124,231	**110,712**	98,116	**274,153**	222,347
Reportable segment profit/(loss) before taxation	**70,217**	35,210	**(39,655)**	(74,487)	**30,562**	(39,277)
Interest income	**213**	258	**31**	41	**244**	299
Finance costs	**6,032**	6,421	**41,409**	46,900	**47,441**	53,321
Reportable segment assets	**1,304,578**	1,232,906	**953,092**	944,885	**2,257,670**	2,177,791
Reportable segment liabilities	**1,089,754**	1,094,470	**972,065**	924,265	**2,061,819**	2,018,735

2. Revenue and segment reporting (continued)

(b) Segment reporting (continued)

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

	2017	2016
	$'000	*$'000*
Revenue		
Reportable segment revenue	**274,153**	222,347
Consolidated revenue	**274,153**	222,347
Profit/(loss)		
Reportable segment profit/(loss) before taxation	**30,562**	(39,277)
Unallocated other income/(expenses)	**252**	(621)
Unallocated head office and corporate expenses	**(28,895)**	(31,711)
Consolidated profit/(loss) before taxation	**1,919**	(71,609)
Assets		
Reportable segment assets	**2,257,670**	2,177,791
Elimination of inter-segment receivables	**(953,558)**	(907,429)
	1,304,112	1,270,362
Unallocated head office and corporate assets	**11,121**	12,969
Consolidated total assets	**1,315,233**	1,283,331
Liabilities		
Reportable segment liabilities	**2,061,819**	2,018,735
Elimination of inter-segment payables	**(953,558)**	(907,429)
	1,108,261	1,111,306
Unallocated head office and corporate liabilities	**198,574**	178,524
Consolidated total liabilities	**1,306,835**	1,289,830

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 and 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*	
	2017	2016	**2017**	2016
	$'000	*$'000*	***$'000***	*$'000*
Hong Kong	**-**	-	**2,229**	2,729
PRC (excluding Hong Kong)	**274,153**	222,347	**1,165,193**	1,169,692
	274,153	222,347	**1,167,422**	1,172,421

3. Other income

	2017	2016
	$'000	*$'000*
Interest income	**249**	313
Government grants	**740**	200
Loss on disposal of property, plant and equipment	**(11)**	(1,058)
Net foreign exchange (loss)/gain	**(228)**	606
Reversal of other payables and accruals recognised in prior years	**2,100**	-
Others	**3,704**	2,053
	6,554	2,114

4. Profit/(loss) before taxation

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

	2017	2016
	$'000	*$'000*
(a) Finance costs		
Interest on bank loans	**47,441**	55,491
(b) Staff costs*		
Contributions to defined contribution retirement plans	**3,215**	2,931
Salaries, wages and other benefits	**61,144**	59,199
Total staff costs	**64,359**	62,130
(c) Other items		
Amortisation		
– land lease premium	**6,500**	6,597
– intangible assets	**170**	170
Depreciation	**83,660**	102,966
Impairment losses		
– prepayments	**2,311**	-
– consumable parts	**2,364**	-
Write down of consumable parts	**382**	-
Auditor's remuneration		
– audit services	**1,358**	1,358
– review services	**380**	380
Operating lease charges on properties*	**5,232**	4,602

* Staff costs include $1,800,000 (2016: $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:

	2017	2016
	$'000	*$'000*
Current tax – PRC Enterprise Income Tax		
Deferred tax – origination and reversal of temporary differences	**(675)**	7,699

Notes:

(i) No Hong Kong Profits Tax was provided for the year ended 31 December 2017 as the Group sustained a loss for Hong Kong Profits Tax purposes for the year (2016: $Nil).

(ii) The applicable tax rate of the PRC subsidiaries for the year ended 31 December 2017 was 25% (2016: 25%).

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

	2017	2016
	$'000	*$'000*
Profit/(loss) before taxation	**1,919**	(71,609)
Notional tax on profit/(loss) before tax, calculated at the rates applicable in the tax jurisdictions concerned	**2,841**	(15,246)
Tax effect of non-deductible expenses	**1,941**	3,473
Tax effect of non-taxable income	**(132)**	(2)
Tax effect of unused tax losses not recognised	**12,330**	21,142
Tax effect of previously unrecognised tax losses recognised/utilized this year	**(17,687)**	(1,700)
Others	**32**	32
Actual tax (credit)/expense	**(675)**	7,699

6. Basic and diluted earnings/(loss) per share

The calculation of basic and diluted earnings/(loss)per share is based on the profit attributable to ordinary equity shareholders of the Company of $355,000 (2016: loss attributable to ordinary equity shareholders of the Company of $75,611,000) and the weighted average of 3,732,638,000 ordinary shares (2016: 3,732,638,000 ordinary shares) in issue during the year.

The diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share as there were no dilutive potential ordinary shares in existence during the years ended 31 December 2017 and 2016.

7. Trade and other receivables

	2017	2016
	$'000	*$'000*
Trade debtors	**79,368**	61,164
Less: Allowance for doubtful debts (note 7(b))	**-**	-
	79,368	61,164
Prepayments and other receivables	**6,540**	5,642
	85,908	66,806

The amount of the prepayments and other receivables expected to be recovered or recognised as expense after more than one year is $810,000 (2016: $1,130,000). 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:

	2017	2016
	$'000	*$'000*
Within 1 month	**37,031**	18,811
Over 1 month but within 2 months	**1,182**	3,583
Over 2 months but within 3 months	**69**	180
Over 3 months	**41,086**	38,590
	79,368	61,164

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.

7. Trade and other receivables (continued)

(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.

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

	2017	2016
	$'000	*$'000*
At 1 January	**-**	6,227
Exchange adjustments	**-**	(395)
Uncollectible amounts written off	**-**	(5,832)
At 31 December	**-**	-

At 31 December 2017, no trade debtor (2016: $Nil) 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:

	2017	2016
	$'000	*$'000*
Neither past due nor impaired	**37,031**	18,811
Less than 1 month past due	**1,182**	3,583
1 to 2 months past due	**69**	180
Over 2 months past due	**41,086**	38,590
	42,337	42,353
	79,368	61,164

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 2017, receivables that were past due over 2 months mainly represents an amount of $40,961,000 (2016: $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 Customer A'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 Customer A have just been closed in December 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 Customer A. Based on the foregoing, the directors have reviewed the recoverability of the amount due from Customer A as at 31 December 2017 and no impairment loss was recognised in this regard.

7. Trade and other receivables (continued)

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

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.

8. Bank loans and other borrowings

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

	2017	2016
	$'000	*$'000*
Current liabilities		
Bank loans	**64,601**	55,897
	64,601	55,897
Non-current liabilities		
Bank loans	**922,363**	924,536
	986,964	980,433

(b) At 31 December 2017, the bank loans and other borrowings were repayable as follows:

	2017	2016
	$'000	*$'000*
Bank loans (secured)		
Within 1 year or on demand	**64,601**	55,897
After 1 year but within 2 years	**94,509**	62,605
After 2 years but within 5 years	**672,332**	432,643
After 5 years	**155,522**	429,288
	922,363	924,536
	986,964	980,433

8. Bank loans and other borrowings (Continued)

(c) At 31 December 2017, the Group had banking facilities totalling $986,964,000 (2016: $980,433,000) which were secured by certain of the Group's property, plant and equipment with net book value of $739,398,000 (2016: $723,281,000) and interests in land held for own use under operating leases with net book value of $224,993,000 (2016: $215,650,000). The banking facilities were utilised to the extent of $986,964,000 as at 31 December 2017 (2016: $980,433,000).

9. 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.

10. Comparative figures

Certain comparative figures, including classification of deferred tax assets and deferred tax liabilities, have been reclassified to conform to current year's presentation.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT FROM THE DRAFT FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2017

"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 2017 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(b) to the consolidated financial statements which describes that the Group is committed to repay bank loans and interest totalling HK$111,264,000 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(b). 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 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 province is the pioneer in economic development of China and the two terminals situate in the centre of the economic circle of the province, such 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 storage 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 fee income.

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

Operational statistics	XHIT			DZIT		
	2017	2016	Change %	**2017**	2016	Change %
Liquid product terminal and transshipment services						
Number of vessels visited						
- foreign	**197**	252	-21.8	**106**	127	-16.5
- domestic	**1,008**	762	+32.3	**538**	389	+38.3
Number of trucks served to pick up cargoes	**47,622**	37,224	+27.9	**43,288**	38,722	+11.8
Number of drums filled	**36,691**	51,944	-29.4	**3,845**	1,574	+144.3
Transshipment volume (metric ton)						
- petrochemicals	**180,228**	248,678	-27.5	**4,214**	20,769	-79.7
Terminal throughput (metric ton)	**3,659,000**	2,789,000	+31.2	**2,779,000**	2,581,000	+7.7
- port jetty throughput	**2,768,000**	2,068,000	+33.8	**1,747,000**	1,599,000	+9.3
- loading station throughput	**891,000**	721,000	+23.6	**1,032,000**	982,000	+5.1
Storage services						
Leaseout rate – oil and chemicals products	**93.8%**	62.7%	+31.1 % points	**78.7%**	81.0%	-2.3 % points

Operational statistics	XHIT 2017	2016	Change %
Solid chemical warehousing services			
Cargoes received (metric ton)	**50,509**	57,090	-11.5
Cargoes issued (metric ton)	**50,297**	58,925	-14.6
Floor area leased out (m^2)	**30,377**	21,800	+39.3
Leaseout rate	**94.0%**	66.2%	+27.8 % points

Liquid Product Terminal Business

XHIT

The major operational statistics indicated steady growth at XHIT during 2017. Despite the fact that the international crude oil prices slightly recovered at the beginning of 2017 and then fluctuated downward in May and June 2017, the crude oil prices were getting rebounded in the second half of 2017. In addition, the China's government maintained steady growth and drove the demand of oil products and petrochemical products. During the year ended 31 December 2017, port jetty throughput and loading station throughput increased by 33.8% and 23.6% respectively. In line with the growth of throughput volume, the numbers of trucks serviced to pick up cargoes and number of domestic vessels visited increased accordingly by 27.9% and 32.3%. By end of 2016, the Company has revamped all fuel oil tanks into gasoline and diesel tanks to adapt to the market transformation. In this connection, there were new clients introduced to utilize our gasoline and diesel storage tanks, while the existing clients continued to keep their storage volume growth. Resulting from the Company's efforts as well as market environment, the average utilization of the oil tanks was 90.6% in 2017 compared with 49.1% in 2016, representing an increase of 41.5 percentage points over the prior year. While the average utilization rate of chemical tanks kept as high as 98% during the year of 2017, the total average leaseout rate for both categories was 93.8%, 31.1 percentage points higher than that in the prior year.

DZIT

With the introduction of new customers to utilize our oil and chemical storage tanks as well as good market environment, together with the advantages of our terminals, the major operational indices showed a gradual improvement at DZIT during 2017. During the year ended 31 December 2017, the port jetty and loading station throughput increased by 9.3% and 5.1% respectively and number of domestic vessels visited and trucks served to pick up cargoes increased by 38.3% and 11.8% respectively on a year on year basis, despite the fact that the yearly average leaseout rate of tank farm was approximately 78.7% in 2017 compared with 81.0% in 2016, a slight decrease of 2.3 percentage points. The Group continuously tried its best to tap into market potentials and to expand its oil and chemical storage volume.

Solid Chemical Warehousing Business

During the year ended 31 December 2017, the average floor areas leased out increased by 39.3% on year on year basis. The lease out rate was approximately 94.0% in 2017 as compared to 66.2% of last year, representing an increase of 27.8 percentage points over the prior year. This was attributable to the leasing of part of the warehouse used for storing goods of less dangerous categories to a customer for its operation since December 2016. In this connection, as this part of the warehouse has been leased to and operated by this customer, the overall cargoes received and cargoes issued of Solid Warehousing Centre during the year reduced by 11.5% and 14.6% respectively as compared to 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			
	2017		2016		**2017**		2016	
	HK$'000	***%***	*HK$'000*	*%*	***HK$'000***	***%***	*HK$'000*	*%*
Storage and transshipment income	**134,021**	**82.0**	95,798	77.1	**108,411**	**97.9**	95,933	97.8
Port income	**3,657**	**2.2**	3,684	3.0	**2,301**	**2.1**	2,183	2.2
Solid chemical warehousing income	**25,763**	**15.8**	24,749	19.9	**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$137.7 million during the year, representing an increase of 38.4% compared to HK$99.5 million of the last year. During the year, the storage income for oil and liquid chemicals products increased significantly from HK$70.4 million to HK$103.3 million, representing an increase of 46.7% over the prior year. It was mainly attributable to all the fuel oil tanks at XHIT have been revamped into gasoline and diesel tanks that suit for the market demand by end of 2016. During the second half of 2017, these tanks almost reached their full capacity. The higher leaseout rate and throughput have both driven a significant increase income.

The revenue generated from Solid Warehousing Centre was about HK$25.8 million during the year, representing a slight increase of 4.1% compared to HK$24.7 million of the last year. During the year, the average floor area leased out increased by 39.3%, but the average unit rate for warehouse storing goods of less dangerous categories declined, offsetting the rental income generated from the increase in the leased average floor area that slightly narrowed down the overall revenue from the Solid Warehousing Centre during the year.

DZIT

During the year, the revenue from the provision of terminal, storage and transshipment services for the liquid products in DZIT increased from HK$98.1 million to HK$110.7 million, representing an increase of 12.8% over the last year. The storage income for oil and liquid chemicals products increased from HK$77.2 million to HK$85.6 million during the year, representing an increase of 10.9% as compared with last year. Despite the fact that the utilization of storage tanks dropped slightly by 2.3% over the prior year, the average unit storage rate increased by 23.8% over the last year driving the rise of overall storage income.

OUTLOOK

In 2017, the Group achieved a turnaround from loss to profit. The major reason was that the Group took nearly one and a half years to revamp all the fuel oil tanks with more than 160,000 cubic metres at XHIT into gasoline and diesel tanks from the second half of 2015 to the end of 2016, in order to suit for the market demand. Since these storage tanks were put into full operation in 2017, the leaseout rate of these storage tanks reached close to 100% by end of 2017 that brought considerable revenue for the Group during the year. Looking forward to 2018, as the international oil price has been increasing towards a reasonable level, it is expected to drive the constructive developments of the petrochemicals products industry, which is favorable for the expansion of the Group's operation. However, in 2018, since the economies of the mainland China as well as Guangdong, Hong Kong and Macau are still in the doldrums, the pressure for the Group to continue its stable operation remains huge. In 2018, the Group must actively expand its business scopes and carry out the constructions of the new storage facilities.

Petrochemicals Product Terminal Storage Business

In 2017, XHIT achieved the highest operating incomes and profits since 2011, whilst DZIT has also recorded its highest turnover ever. Looking forward to 2018, the potential of the existing storage facilities of the Group is no longer great, therefore, the Group has to keep strengthening its result performance. Apart from keeping the operation scale of 2017, the Group must consider to set up new storage facilities in order to maintain the long-term sustainable growth of the Group. In 2018, the Group will start to proceed the approval procedures for the second phase of the construction of DZIT, so as to build liquefied petroleum gas/liquefied natural gas tanks with an annual throughput of 200,000 tones on the reserved land at DZIT and reconstruct the terminal ancillaries. If the approval could be obtained and the construction commences, this will significantly enhance the profitability of DZIT, and the Group will stay in a beneficial market position in the industry chain of new energy from now on.

Gasoline and Diesel Retail Business

The petrol station that jointly developed by the Group and a local state-owned enterprise in Guangzhou is expected to be completed and put into operation in 2018. The retail business of refined oil will become the newly developed business of the Group henceforth. The petrol station operation will bring better gross profit to the Group and will also form a business chain with the existing terminal storage business to achieve a synergy development. It is expected that the Group will continue to operate more petrol stations by means of constructions/acquisitions/joint venture operations. The newly formed business segment will bring greater benefits to the Group.

FINANCIAL REVIEW

	2017 *HK$'000*	2016 *HK$'000*	Changes %
Revenue	**274,153**	222,347	+23.3
Revenue less direct costs and operating expenses	**100,984**	41,865	+141.2
Profit/(loss) before interest and tax ("EBIT/(LBIT)")	**49,360**	(16,118)	-406.2
Profit/(loss) attributable to equity shareholders of the Company	**355**	(75,611)	-100.5
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**139,690**	93,615	+49.2
Gross margin	**36.8%**	18.8%	+18.0 % points
Net profit/(loss) margin	**0.9%**	(35.7%)	+36.6 % points
Basis earnings/(loss) per share (HK cents)	**0.01**	(2.03)	-100.5
Diluted earnings/(loss) per share (HK cents)	**0.01**	(2.03)	-100.5

The Group's financial performances achieved a significant improvement in 2017. During the year, the Group's revenue increased from HK$222.3 million to HK$274.2 million, representing an increase of 23.3% over the last year. It was primarily attributable that all the fuel oil tanks at XHIT have been revamped into gasoline and diesel tanks by end of 2016. These tanks have been completely inspected and operated in 2017. During the second half of 2017, these tanks almost reached their full capacity. The higher leaseout rate and throughput have both driven a significant increase in the income of XHIT. In addition, the income of DZIT has also been increased that driven by the higher average unit storage rate and the increased throughput. During the year, the gross operating profits significantly increased by 141.2% from HK$41.9 million in prior year to HK$101.0 million. The rise was mainly attributable to the increase of Group's revenue and reduction of depreciation charges for the year due to the certain property, plant and equipment have fully depreciated during 2016. In this connection, the gross margin increased by 18.0 percentage points to 36.8% as compared to the prior year. Apart from these, the Company also recorded the net profit margin during the year. During the year ended 31 December 2017, EBIT was recorded as HK$49.4 million, significantly improved from LBIT of HK$16.1 million in prior year and EBITDA substantially increased from HK$93.6 million to HK$139.7 million, representing an increase of 49.2% over the prior year. During the year, the basic and diluted earnings per share was improved from a loss of 2.03 Hong Kong cents to a profit of 0.01 Hong Kong cent.

Capital Structure, Liquidity and Gearing

As at 31 December 2017, the Group's total cash and cash equivalents amounted to approximately HK$41.2 million (2016: HK$22.2 million). Most of the funds were held in Hong Kong dollar, RMB and US dollar.

The Group's current ratio was 1.21 as at 31 December 2017 (2016: 1.02). The Group's gearing ratio (defined as total liabilities to total assets) as at 31 December 2017 was 99.4% (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 year, 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 borrowings of HK$987 million as at 31 December 2017 (2016: HK$980 million). During the year ended 31 December 2017, the finance cost charged to profit or loss was approximately HK$47.4 million (2016: HK$55.5 million).

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 2017 was 25% (2016: 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 subsidiaries 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$12.3 million (2016: exchange loss of HK$12.5 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 2017, 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$19 million (2016: HK$17 million).

At 31 December 2017, 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$140 million (2016: HK$131 million).

Contingent Liabilities

As at 31 December 2017, the Group has no material contingent liabilities.

Final Dividend

The directors do not recommend any final dividend for the year ended 31 December 2017 (2016: 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.4.1 and E.1.2 which are explained below.

– 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 Ms. Hai Hiu Chu) 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 25 May 2017 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 2017.

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 2017, the Group had a workforce of approximately 476 employees (2016: 470), 462 (2016: 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 2017 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 2017 as set out in this preliminary announcement have been compared by the Group'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 2017 is published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.hansenergy.com). The 2017 annual report of the Company will be dispatched to shareholders of the Company and published on the aforesaid websites in due course.

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

Hong Kong, 22 March 2018

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. Hai Hiu Chu.

website : www.hansenergy.com