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 2018

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 2018 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

(Expressed in Hong Kong dollars)

	Note	**2018**	2017
			(Restated)
		$'000	*$'000*
Continuing operations:			
Revenue	*2*	**141,556**	110,712
Direct costs and operating expenses		**(107,964)**	(100,402)
		33,592	10,310
Other income	*3*	**7,602**	4,328
Administrative expenses		**(52,724)**	(41,527)
Impairment losses	*4*	**(38,353)**	-
Loss from operations		**(49,883)**	(26,889)
Finance costs	*4(a)*	**(39,633)**	(41,409)
Loss before taxation	*4*	**(89,516)**	(68,298)
Income tax	*5(a)*	**(9,099)**	-
Loss for the year from continuing operations		**(98,615)**	(68,298)
Discontinued operations:			
Profit for the year from discontinued operations	*12*	**35,164**	70,892
(Loss)/profit for the year		**(63,451)**	2,594

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)
(Expressed in Hong Kong dollars)

	Note	**2018**	2017
			(Note)
			(Restated)
		$'000	*$'000*
Attributable to:			
Equity shareholders of the Company			
− continuing operations		**(94,757)**	(64,866)
− discontinued operations		**32,351**	65,221
		(62,406)	355
Non-controlling interests			
− continuing operations		**(3,858)**	(3,432)
− discontinued operations		**2,813**	5,671
		(1,045)	2,239
(Loss)/profit for the year		**(63,451)**	2,594
Basic and diluted (losses)/earnings per share	*6*		
− continuing operations		**(2.54 cents)**	(1.74 cents)
− discontinued operations		**0.87 cents**	1.75 cents
		(1.67 cents)	0.01 cents

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Hong Kong dollars)

	2018	2017
		(Note)
		(Restated)
	$'000	*$'000*
(Loss)/profit for the year	**(63,451)**	2,594
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		
− continuing operations	**(25,467)**	(27,243)
− discontinued operations	**14,196**	39,546
Total comprehensive income for the year	**(74,722)**	14,897
Attributable to:		
Equity shareholders of the Company		
− continuing operations	**(118,247)**	(90,131)
− discontinued operations	**45,411**	101,603
	(72,836)	11,472
Non-controlling interests		
− continuing operations	**(5,835)**	(5,410)
− discontinued operations	**3,949**	8,835
	(1,886)	3,425
Total comprehensive income for the year	**(74,722)**	14,897

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2018
(Expressed in Hong Kong dollars)

	Note	**2018**	2017 *(Note)*
		$'000	*$'000*
Non-current assets			
Property, plant and equipment		**606,718**	925,065
Interests in land held for own use under operating leases		**177,803**	230,673
Prepayments		**704**	9,941
Intangible assets		**1,565**	1,743
Deferred tax assets		**-**	2,916
		786,790	1,170,338
Current assets			
Interest in land held for own use under operating leases		**4,741**	6,743
Consumable parts		**8,284**	11,083
Trade and other receivables	*7*	**24,907**	85,908
Cash and cash equivalents		**881,071**	41,161
		919,003	144,895
Assets classified as held for sale	*12*	**248,967**	-
		1,167,970	144,895
Current liabilities			
Other payables and accruals	*8*		
- Consideration received from disposal of a subsidiary		**890,206**	-
- Other creditors and accruals		**51,100**	54,777
Bank loans and other borrowings	*9*	**90,162**	64,601
Current taxation		**9,096**	-
Amounts due to related parties	*10*	**205,835**	-
		1,246,399	119,378
Net current (liabilities)/assets		**(78,429)**	25,517
Total assets less current liabilities		**708,361**	1,195,855
Non-current liabilities			
Bank loans and other borrowings	*9*	**789,772**	922,363
Amounts due to related parties	*10*	**-**	265,094
Deferred tax liabilities		**2,971**	-
		792,743	1,187,457
Net (liabilities)/assets		**(84,382)**	8,398

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2018
(Expressed in Hong Kong dollars)

	Note	**2018**	2017 *(Note)*
		$'000	*$'000*
Capital and reserves			
Share capital		**373,264**	373,264
Reserves		**(450,056)**	(384,020)
Total deficit attributable to equity shareholders of the Company		**(76,792)**	(10,756)
Non-controlling interests		**(7,590)**	19,154
Total (deficit)/equity		**(84,382)**	8,398

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company									
	Share capital	**Share premium**	**Special reserve**	**Translation reserve**	**Statutory reserve**	**Share-based compensation reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000* (Note 11)	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 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 and 1 January 2018	**373,264**	**710,477**	**(251,428)**	**99,936**	**31,947**	**-**	**(974,952)**	**(10,756)**	**19,154**	**8,398**
Changes in equity for 2018:										
Loss for the year	-	-	-	-	-	-	**(62,406)**	**(62,406)**	**(1,045)**	**(63,451)**
Other comprehensive income	-	-	-	**(10,430)**	-	-	-	**(10,430)**	**(841)**	**(11,271)**
Total comprehensive income	-	-	-	**(10,430)**	-	-	**(62,406)**	**(72,836)**	**(1,886)**	**(74,722)**
Dividend paid to non-controlling interests in respect of prior years	-	-	-	-	-	-	-	-	**(24,858)**	**(24,858)**
Equity settled share-based transaction	-	-	-	-	-	**6,800**	-	**6,800**	-	**6,800**
Balance at 31 December 2018	**373,264**	**710,477**	**(251,428)**	**89,506**	**31,947**	**6,800**	**(1,037,358)**	**(76,792)**	**(7,590)**	**(84,382)**

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

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 2018 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"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

1. Significant accounting policies (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries.

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

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(d)).

The Group incurred a loss attributable to the owners of the Company of approximately $63.5 million during the year ended 31 December 2018, and as of that date, the Group's current liabilities exceeded its current assets by approximately $78.4 million and the Group's total liabilities exceeded its total assets by approximately $84.4 million.

As part of its going concern assessment, the Group has carried out a review of its cash flow forecast. The Group has been financed by a high level of borrowings and amounts due to related parties. As at 31 December 2018, the Group's total bank loans and other borrowings and amounts due to related parties totaling $1,085,769,000, of which $295,997,000 are due within one year and the Group is committed to incur finance cost of $41,411,000 for these borrowings within one year.

To improve the Group's liquidity, as disclosed in note 12, on 22 August 2018, the Company and a third party signed a conditional sale and purchase agreement ("the Sale and Purchase Agreement") in which 100% equity interest of Guangdong (Panyu) Petrochemical Storage & Transportation Ltd. ("GD (Panyu)"), with 92% held by the Group, 7% held by Good Ocean Enterprises Limited and 1% held by Guangdong Lian Ying Petro Chemicals Company Limited, together "the Sellers", was conditionally agreed to be sold to a third party ("the Purchaser") namely Guangzhou Gas Group Company Limited ("the Transaction") at a total consideration of RMB 1.56 billion (equivalent to $1.78 billion). Pursuant to the Sale and Purchase Agreement, the total consideration is to be settled by installments.

The completion of the Transaction is subject to satisfaction of the conditions precedent and closing conditions within the time limit as stated in the Sale and Purchase Agreement. As at 31 December 2018, only some of the conditions have been fulfilled and the Group has received part of the consideration of RMB0.78 billion (see note 8). If all of these conditions are fully fulfilled and upon satisfaction (or waiver) of the closing conditions within the time limit as specified in the Sale and Purchase Agreement, the Group will receive the remaining consideration of RMB0.78 billion (equivalent to $0.89 billion).

After the completion of the Transaction, the Group intends to use the proceeds to repay certain outstanding bank borrowings and expand the operations of the business remaining in the Group.

While the Purchaser and the Sellers continue to work together to fulfil the conditions, there is no guarantee that all the conditions precedent and the closing conditions will be satisfied as scheduled. In particular, some conditions require approval of relevant authorities and cooperation of other parties. In addition, the Purchaser has the right to terminate the Transaction under certain circumstances as specified in the Sale and Purchase Agreement. The cash flow consequences of the Transaction being terminated would be as follows:

1. Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

(i) If the Transaction is terminated by the Purchaser, the Group would be entitled to default payment of $356,082,000. However, the Group may have to first return the consideration received of $890,206,000 in full to the Purchaser and therefore, the timing of receiving the compensation in the event of default is uncertain.

(ii) If the Transaction is terminated because of reasons other than termination by the Purchaser, the Group will need to return the consideration received of $890,206,000 and may be liable to an additional default payment of $356,082,000.

In addition, the Group expects to incur non-operating cash outflows of $337,408,000 within one year, being (i) repayment of the amounts due to related parties of $205,835,000; (ii) repayment of bank loans of $30,815,000 in June 2019 and $59,347,000 in December 2019; and (iii) payment of interest of $41,411,000.

The Group will be unable to return the consideration received and repay these amounts in full when they fall due unless it is able to generate sufficient net cash inflows from its operations and/or other sources, since the Group only had cash and cash equivalents of $881,071,000 as at 31 December 2018.

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 and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Assuming the completion of the Transaction and 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 2018 on a going concern basis. If the Transaction is terminated and the Group is not 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 (continued)

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

(i) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements.

There is no impact of transition to HKFRS 9 on the Group's accumulated losses and reserves at 1 January 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The measurement categories for all financial assets and financial liabilities remain the same in accordance with HKFRS 9.

The carrying amounts for all financial assets and financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

1. Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables) and lease receivables.

The Group has concluded that there would be no material impact for the initial application of the new impairment requirements.

c. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

1. Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018 (if any).

There is no impact of transition to HKFRS 15 on accumulated losses at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. Timing of revenue recognition

Previously, revenue arising from rental income was recognised over the accounting periods covered by the lease term and port income is recognised upon performance of the services.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from rental income and port income and this change in accounting policy has no material impact on opening balances as at 1 January 2018.

1. Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

b. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers.

The adoption of HKFRS 15 does not have a significant impact when the Group recognises financing component from rental income and port income and this change in accounting policy had no material impact on opening balances as at 1 January 2018.

c. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

These changes in presentation have no impact on the Group's assets and liabilities as at 1 January 2018 and 31 December 2018 as a result of the adoption of HKFRS 15.

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK (IFRIC) 22 does not have any material impact on the financial position and financial results of the Group.

1. Significant accounting policies (continued)

(d) Non-current asset held for sale and discontinued operations

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal of the assets, or disposal group(s) constituting the discontinued operation.

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.

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	2018	2017
		(Restated)
	$'000	*$'000*
Revenue from contracts with customers not within the scope of HKFRS 15		
Continuing operations		
Storage and warehousing income	**108,909**	85,563
Discontinued operations		
Storage and warehousing income	**118,658**	124,394
	227,567	209,957
Revenue from contracts with customers within the scope of HKFRS 15		
Continuing operations		
Port and transshipment income	**32,647**	25,149
Discontinued operations		
Port and transshipment income	**33,789**	39,047
	66,436	64,196
	294,003	274,153

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 (see note1(c)(ii)). There is no impact of transition to HKFRS 15 on accumulated losses at 1 January 2018.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 2(b)(i) and 2(b)(iii) respectively.

In 2018, the Group has no customer (2017: Nil) with whom transactions have exceeded 10% of the Group's revenues.

2. Revenue and segment reporting (continued)

(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 Guangzhou, PRC.

- Dongzhou International Terminal ("DZIT"): this segment represents the Group's provision of terminal, storage and transshipment activities carried out in Dongguan, the PRC.

Discontinued operation – XHIT

As mentioned in notes 1 and 12, the entire equity interest in GD (Panyu), which owns XHIT, was conditionally agreed to be sold during the year ended 31 December 2018. Management of the Group considered that the disposal of the entire equity interest in GD (Panyu) would be expected to qualify for recognition as a completed sale within one year from the date of classification. Hence, the assets of GD (Panyu) were classified as held for sale and a single amount in the consolidated income statement was presented in respect of GD (Panyu)'s net profit for the year (with comparative figures re-presented) following the requirement as set out in note 1(d).

(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.

2. Revenue and segment reporting (continued)

(b) Segment reporting (continued)

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 2018 and 2017 is set out below.

	Continuing operations		*Discontinued operations*			
	DZIT		*XHIT*		*Total*	
	2018	2017	**2018**	2017	**2018**	2017
		(Restated)		*(Restated)*		*(Restated)*
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Reportable segment revenue	**141,556**	110,712	**152,447**	163,441	**294,003**	274,153
Reportable segment (loss)/profit before taxation	**(53,409)**	(39,655)	**41,140**	70,217	**(12,269)**	30,562
Interest income	**656**	31	**490**	213	**1,146**	244
Finance costs	**39,633**	41,409	**6,202**	6,032	**45,835**	47,441
Reportable segment assets	**891,547**	953,092	**1,495,866**	1,304,578	**2,387,413**	2,257,670
Reportable segment liabilities	**768,632**	972,065	**892,062**	1,089,754	**1,660,694**	2,061,819

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

	Continuing operations		*Discontinued operations*		*Total*	
	2018	2017	**2018**	2017	**2018**	2017
		(Restated)		*(Restated)*		*(Restated)*
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue						
Reportable segment revenue	**141,556**	110,712	**152,447**	163,441	294,003	274,153
Consolidated revenue	**141,556**	110,712	**152,447**	163,441	**294,003**	274,153
Profit/(loss)						
Reportable segment (loss)/profit before taxation	**(53,409)**	(39,655)	**41,140**	70,217	**(12,269)**	30,562
Unallocated other income	**2,600**	252	**-**	-	**2,600**	252
Unallocated head office and corporate expenses	**(38,707)**	(28,895)	**-**	-	**(38,707)**	(28,895)
Consolidated (loss)/profit before taxation	**(89,516)**	(68,298)	**41,140**	70,217	**(48,376)**	1,919

2. Revenue and segment reporting (continued)

(b) Segment reporting (continued)

	2018	2017
	$'000	*$'000*
Assets		
Reportable segment assets	**2,387,413**	2,257,670
Elimination of inter-segment receivables	**(752,110)**	(953,558)
	1,635,303	1,304,112
Unallocated head office and corporate assets	**303,550**	11,121
Others	**15,907**	-
Consolidated total assets	**1,954,760**	1,315,233
Liabilities		
Reportable segment liabilities	**1,660,694**	2,061,819
Elimination of inter-segment payables	**(752,110)**	(953,558)
	908,584	1,108,261
Unallocated head office and corporate liabilities	**1,130,558**	198,574
Consolidated total liabilities	**2,039,142**	1,306,835

(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	
	2018	2017
		(Restated)
	$'000	*$'000*
PRC (excluding Hong Kong)		
- continuing operations	**141,556**	110,712
- discontinued operations	**152,447**	163,441
	294,003	274,153

	Specified non-current assets	
	2018	2017
	$'000	*$'000*
Hong Kong	**1,734**	2,229
PRC (excluding Hong Kong)	**785,056**	1,165,193
	786,790	1,167,422

3. Other income

	2018	2017
		(Restated)
	$'000	*$'000*
Continuing operations :		
Interest income	**963**	36
Net foreign exchange gain	**2,316**	246
Reversal of other payables recognised in prior years	**-**	2,100
Gain on disposal of property, plant and equipment	**3,165**	-
Others	**1,158**	1,946
	7,602	4,328
Discontinued operations :		
Interest income	**490**	213
Government grants	**305**	740
Loss on disposal of property, plant and equipment	**(1,676)**	(11)
Net foreign exchange gain/(loss)	**667**	(474)
Reversal of other payables recognised in prior years	**1,100**	-
Others	**1,556**	1,758
	2,442	2,226
	10,044	6,554

4. (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging:

	2018	2017
		(Restated)
	$'000	*$'000*
(a) Finance costs		
Continuing operations:		
Interest on bank loans	**39,633**	41,409
Discontinued operations:		
Interest on bank loans	**6,202**	6,032
	45,835	47,441
*(b) Staff costs**		
Continuing operations:		
Contributions to defined contribution retirement plans	**1,578**	1,247
Salaries, wages and other benefits	**33,952**	32,340
Equity-settled share-based payment expenses (note 11)	**6,800**	-
	42,330	33,587
Discontinued operations:		
Contributions to defined contribution retirement plans	**2,110**	1,968
Salaries, wages and other benefits	**31,830**	28,804
	33,940	30,772
	76,270	64,359

4. (Loss)/profit before taxation (continued)

(c) *Other items*

	2018	2017 *(Note)* *(Restated)*
	$'000	*$'000*
Continuing operations:		
Amortisation		
– land lease premium	**4,926**	4,791
– intangible assets	**170**	170
Depreciation	**60,915**	59,978
Impairment losses		
– consumable parts	**2,134**	2,364
– trade receivables (note 7)	**38,353**	-
Auditor's remuneration		
– audit services	**1,478**	1,358
– review services	**380**	380
Operating lease charges on properties*	**5,717**	5,232
Discontinued operations:		
Amortisation		
– land lease premium	**1,318**	1,709
Depreciation	**18,705**	23,682
Impairment losses		
– prepayments	**6,872**	2,311
Write down of consumable parts	**-**	382
Auditor's remuneration		
– other services	**980**	-

* Staff costs include $2,277,233 (2017: $1,800,000) relating to operating lease charges on properties, which amount is also included in the respective total amount disclosed separately above.

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see note 1(c)).

5. Income tax in the consolidated income statement

(a) Continuing operations

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

	2018	2017
		(Restated)
	$'000	*$'000*
Current tax – PRC Corporate Income Tax (note (ii))	**89**	-
Current tax – PRC dividend income withholding tax (note (iii))	**9,010**	-
	9,099	-

Notes:

(i) No Hong Kong Profits Tax was provided for the year ended 31 December 2018 as the Group sustained a loss for Hong Kong Profits Tax purposes for the year (2017: $Nil).

(ii) The applicable PRC Corporate Income Tax rate of the PRC subsidiaries for the year ended 31 December 2018 was 25% (2017: 25%).

(iii) During the year ended 31 December 2018, undistributed profits from GD (Panyu) of RMB250,482,000 (equivalent to $282,456,000) and of which RMB159,801,000 (equivalent to $180,199,000) related to undistributed profits for the years ended 31 December 2008 to 2017, have been declared to its holding company, Guangdong Petro-Chemicals Company Limited, before the completion of the transaction. Under the grandfathering treatments, undistributed profits of a foreign-invested enterprise as at 31 December 2007 are exempted from withholding tax. The amount RMB250,482,000 (equivalent to $282,456,000) was fully paid in February 2019 together with withholding tax liability of $9,010,000.

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

	2018	2017
		(Restated)
	$'000	*$'000*
Loss before taxation	**(89,516)**	(68,298)
Notional tax on loss before tax, calculated at the rates applicable in the tax jurisdictions concerned	**(19,293)**	(14,643)
Tax effect of non-deductible expenses	**13,403**	2,413
Tax effect of non-taxable income	**(412)**	(132)
Tax effect of unused tax losses not recognised	**6,421**	12,330
Utilization of tax loss not previously recognised	**(47)**	-
Withholding tax on profits distributions	**9,010**	-
Others	**17**	32
Actual tax expense	**9,099**	-

5. Income tax in the consolidated income statement (continued)

(b) Discontinued operations

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

	2018	2017
		(Restated)
	$'000	*$'000*
Deferred tax – origination and reversal of temporary differences	**5,976**	(675)

Notes:

(i) No Hong Kong Profits Tax was provided for the year ended 31 December 2018 as the Group sustained a loss for Hong Kong Profits Tax purposes for the year (2017: $Nil).

(ii) The applicable tax rate of the PRC subsidiaries for the year ended 31 December 2018 was 25% (2017: 25%).

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

	2018	2017
		(Restated)
	$'000	*$'000*
Profit before taxation (note 12)	**41,140**	70,217
Notional tax on profit before tax, calculated at the rates applicable in the tax jurisdictions concerned	**10,479**	17,484
Tax effect of non-deductible expenses	**852**	160
Tax effect of non-taxable income	**(9,793)**	(632)
Tax effect of previously unrecognised tax losses utilised/recognised this year	**-**	(17,687)
Tax effect of reversal of previously recognised tax losses	**4,438**	-
Actual tax expense/(credit)	**5,976**	(675)

6. (Losses)/earnings per share

Basic and diluted (losses)/earnings per share

The calculation of basic and diluted (losses)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of $62,406,000 (2017: profit attributable to ordinary equity shareholders of the Company of $355,000) and the weighted average of 3,732,638,000 ordinary shares (2017: 3,732,638,000 ordinary shares) in issue during the year.

The relevant calculation is as follows:

	2018	2017
	$'000	*$'000*
(Loss)/profit attributable to ordinary equity shareholders		
– continuing operations	**(94,757)**	(64,866)
– discontinued operations	**32,351**	65,221
	(62,406)	355

	2018	2017
Basic and diluted (losses)/earnings per share		
– continuing operations	**(2.54 cents)**	(1.74 cents)
– discontinued operations	**0.87 cents**	1.75 cents
	(1.67 cents)	0.01 cents

The diluted (losses)/earnings per share is the same as the basic (losses)/earnings per share as there were no dilutive potential ordinary shares in existence during the years ended 31 December 2018 and 2017.

7. Trade and other receivables

	2018	2017
	$'000	*$'000*
Trade debtors, net of loss allowance (note)	**18,257**	79,368
Financial assets measured at amortised cost	**18,257**	79,368
Prepayments and other receivables	**6,650**	6,540
	24,907	85,908

Note: The Group has concluded that there would be no material impact for the initial application of the new impairment requirements (see note 1(c)(i)).

The amounts of the prepayments and other receivables expected to be recovered or recognised as expense after more than one year are $598,000 (2017: $810,000). Apart from these, the prepayments and other receivables are expected to be recovered or recognised as expense within one year.

7. Trade and other receivables (continued)

(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, is as follows:

	2018	2017
	$'000	*$'000*
Within 1 month	**17,491**	37,031
Over 1 month but within 2 months	**470**	1,182
Over 2 months but within 3 months	**8**	69
Over 3 months but within 6 months	**288**	41,086
	18,257	79,368

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) Trade debtors that are not impaired

The ageing analysis of trade debtors that were not considered to be impaired are as follows:

	2018	2017
	$'000	*$'000*
Neither past due nor impaired	**17,491**	37,031
Less than 1 month past due	**470**	1,182
1 to 2 months past due	**8**	69
Over 2 months past due	**288**	41,086
	18,257	79,368

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

7. Trade and other receivables (continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018	2017
	$'000	*$'000*
Balance at 31 December 2017 under HKAS 39	**-**	-
Impact on initial application of HKFRS9 (note 1(c)(i))	**-**	-
Balance at 1 January	**-**	-
Amounts written off during the year	**-**	-
Impairment losses recognised during the year	**38,353**	-
Exchange differences	**574**	-
Balance at 31 December	**38,927**	-

At 31 December 2018, receivables that were past due mainly represented an amount of $38,927,000 (2017: $40,961,000) due from a customer ("Customer A") that was in financial difficulty. To reclaim the trade debts, 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 during the year ended 31 December 2015. Subsequently, the goods were sold by the court through an auction in 2016 and the related sale proceeds of the goods ("the auction proceeds") are being held under the custody of the court since then.

In June 2018, the Group has filed a written request to the court for releasing the auction proceeds to the Group. However, no formal reply has been received from the court regarding (i) the exact amount of sales proceeds to be received and (ii) the relevant receipt timeline up to the date of this report.

In December 2018, forced execution processes in respect of the auction proceeds and distribution of Customer A's assets were initiated and applied by the first mortgagor of Customer A, a third party. The court has accepted this application. However, there is no further progress in this aspect up to the date of this report.

Based on the foregoing and considering the complexity of the forced execution processes and the number of related creditors involved therein, the directors have reassessed the recovery of receivables due from Customer A during the year ended 31 December 2018. The directors are of the opinion that the expected credit losses of the amount due from Customer A as at 31 December 2018 amounting to $38,927,000 was necessary to be recognised during the year ended 31 December 2018.

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 believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

During the year ended 31 December 2018, the Group kept assessing the expected credit loss of all the receivables and established a provision for doubtful debts, if any. The provision for doubtful debts is recorded using a provision account unless the Group is satisfied that the recovery is remote, in which case the expected credit loss is written off against the receivables and the provision for doubtful debts directly. The Group does not hold any collateral over these balances.

8. Other payables and accruals

	2018 $'000	2017 $'000
Consideration received from disposal of a subsidiary (Note)	**890,206**	-
Other creditors and accruals	**51,100**	54,777
	941,306	54,777

Note: During the year ended 31 December 2018, the Group had consideration received in advance from Guangzhou Gas Group Company Limited relating to disposal of GD (Panyu) of $890,206,000 according to the Sale and Purchase Agreement and this amount was secured by certain of the Group's dock and storage facilities with net book value of $4,549,000 as at 31 December 2018 and 92% of GD (Panyu)'s equity interest with the corresponding issued and paid up capital of RMB202,400,000 as an indemnity arrangement for Guangzhou Gas Group Company Limited as the Transaction was not completed as at 31 December 2018.

At 31 December 2018 and 2017, all of the other payables and accruals are expected to be settled or recognised as income within one year.

9. Bank loans and other borrowings

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

	2018 $'000	2017 $'000
Current liabilities		
Bank loans	**90,162**	64,601
Non-current liabilities		
Bank loans	**789,772**	922,363
	879,934	986,964

(b) At 31 December 2018, the bank loans and other borrowings were repayable as follows:

	2018 $'000	2017 $'000
Bank loans (secured)		
Within 1 year or on demand	**90,162**	64,601
After 1 year but within 2 years	**118,694**	94,509
After 2 years but within 5 years	**534,124**	672,332
After 5 years	**136,954**	155,522
	789,772	922,363
	879,934	986,964

9. Bank loans and other borrowings (continued)

(c) At 31 December 2018, the Group had banking facilities totalling $879,934,000 (2017: $986,964,000) which were secured by certain of the Group's property, plant and equipment with net book value of $645,589,000 (2017: $739,398,000) and interests in land held for own use under operating leases with net book value of $210,671,000 (2017: $224,993,000). The banking facilities were utilised to the extent of $879,934,000 as at 31 December 2018 (2017: $986,964,000).

10. Amounts due to related parties

The amounts due to related parties are unsecured, interest-free and repayable within one year.

11. Equity settled share-based transactions

Pursuant to ordinary resolutions passed on 28 December 2012, the Company adopted a share option scheme ("the scheme") for the purpose of enabling the Company to recruit and retain high-calibre employees and attract resources that are available to the Group and to provide the Company with a means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to such persons who contribute or may bring benefit to the Group. The scheme remains in force for a period of 10 years from adoption and expires on 27 December 2022.

Under the scheme, the board of directors of the Company may at their discretion grant options to any eligible participant including any employee, director, consultant, agent, business affiliate, business partner, joint venture partner, strategic partner of the Company or any subsidiaries of the Company, or any supplier or provider of goods or services to the Company or any subsidiaries of the Company, to take up options at nil consideration to subscribe shares of the Company, as may be determined by the directors from time to time to subscribe for the shares of the Company. The options vest on 31 May 2019 and are then exercisable from 30 August 2019 to 29 August 2028. Each option gives the holder the right to subscribe for one ordinary share in the Company.

On 30 August 2018, 65,000,000 options and 62,500,000 options were granted to directors and employees of the Group by the Company under the scheme respectively. The directors estimated the weighted average fair value of each option at the grant date to be $0.12.

Equity-settled share-based payment expenses of $6,800,000 (2017: $Nil) were recognised in the consolidated income statement (note 4(b)) for the year ended 31 December 2018.

No share option was granted to or exercised by any of the Directors and employees during the year ended 31 December 2017 and no share option was outstanding under the scheme as at 31 December 2017.

11. Equity settled share-based transactions (continued)

(i) The terms and conditions of the grants that existed during the year are as follows:

	Number of instruments	*Vesting conditions*	*Contractual life of options*
Options granted to directors - on 30 August 2018	65,000,000	100% vested on 31 May 2019	10 years
Options granted to employees - on 30 August 2018	62,500,000	100% vested on 31 May 2019	10 years
Total	**127,500,000**		

(ii) The number and weighted average exercise prices of the share options are as follow:

	Weighted average exercise price	*Number of options*
	2018	
Outstanding at the beginning of the year	-	-
Granted during the year	$0.236	127,500,000
Outstanding at the end of the year	$0.236	127,500,000

No shares options were exercised during the year (2017: Not applicable).

The options outstanding at 31 December 2018 had an exercise price of $0.236 (2017: Not applicable) and a weighted average remaining contractual life of 9.7 years (2017: Not applicable).

11. Equity settled share-based transactions (continued)

(iii) Fair value of the options and assumptions

The fair value of services received in return for options granted is measured by reference to fair value of the options granted. The estimate of fair value of options granted is measured based on a binomial model. The contractual life of the share option is used as an input into this model.

Fair value at measurement date	$0.120
Vesting period	9 months
Share price	$0.236
Exercise price	$0.236
Expected volatility	54%
Option life	10 years
Expected dividends	Nil%
Risk-free interest rate	2.17%

The expected volatility is based on statistical analysis of weekly share prices of the Company over the past years immediately preceding the grant date. The calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares of Company. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

12. Assets held for sale and discontinued operation

As disclosed in note 1(b), the Sellers entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Sellers have conditionally agreed to sell, and the Purchaser have conditionally agreed to purchase, the entire equity interest in GD (Panyu) for a purchase price of RMB1.56 billion (equivalent to approximately $1.78 billion). GD (Panyu) is principally engaged in the operation of jetty and storage facilities in XHIT for handling and storing oil, petroleum and liquid petrochemical products. On 8 October 2018, the ordinary resolution to approve the Transaction was duly passed by the shareholders of the Company. It is expected that, the Group will record a gain from the Transaction of over $1 billion. The exact amount of the gain on the Transaction will be subject to price adjustment pursuant to the Sale and Purchase Agreement, and, therefore may vary from the figure provided above.

Pursuant to the Sale and Purchase Agreement, GD (Panyu) owns certain assets of the Group and will dispose all assets, rights and liabilities other than the assets as specified in the Sale and Purchase Agreement prior to completion of the Transaction ("the Reorganisation"). The assets of GD (Panyu), after taking into account the impact of the Reorganisation, comprise the disposal group held for sale. The Transaction is expected to be completed in 2019.

The management assessed that the criteria for the classification of the disposal group held for sale were fulfilled prior to 31 December 2018 based on the fact and circumstances specific to the Transaction. The assets related to GD (Panyu) have been presented as assets of a disposal group classified as held for sale in aggregate in the consolidated balance sheet as at 31 December 2018 and a single amount in the consolidated income statement was presented in respect of GD (Panyu)'s net profits for the year. The presentation of comparative information in respect of the year ended 31 December 2017 has been restated to show the discontinued operations separately from continuing operations following the requirements as set out in note 1(d).

12. Assets held for sale and discontinued operation (continued)

Assets classified as held for sale as at 31 December 2018:

	$'000
Property, plant and equipment	211,027
Interest in land held for own use under operating leases	37,940
	248,967

Analysis of the results of discontinued operations in relation to GD (Panyu) is as follows:

	Note	**2018** *$'000*	2017 *$'000*
Revenue	*2*	**152,447**	163,441
Direct costs and operating expenses		**(77,583)**	(72,767)
Gross profit		**74,864**	90,674
Other income	*3*	**2,442**	2,226
Administrative expenses		**(29,964)**	(16,651)
Profit from operations		**47,342**	76,249
Finance costs	*4(a)*	**(6,202)**	(6,032)
Profit before taxation	*4*	**41,140**	70,217
Income tax	*5(a)*	**(5,976)**	675
Profit for the year		**35,164**	70,892

Note a: As at 31 December 2018, there was a cumulative foreign currency translation gain of $93 million recognised in other comprehensive income related to GD (Panyu).

Note b: As at 31 December 2018, the equity interest attributable to non-controlling interests relating to GD (Panyu) is $48 million.

12. Assets held for sale and discontinued operation (continued)

Note c: Reconciliation to XHIT reportable segment assets and liabilities

	2018
	$'000
Assets classified as held for sale as at 31 December 2018	248,967
Add: Inter-segment receivables	752,110
Assets of GD (Panyu) not classified as held for sale	494,789
XHIT reportable segment assets as at 31 December 2018	1,495,866

	2018
	$'000
Liabilities classified as held for sale as at 31 December 2018	-
Add: Inter-segment payables	752,110
Liabilities of GD (Panyu) not classified as held for sale	139,952
XHIT reportable segment liabilities as at 31 December 2018	892,062

13. Non-adjusting events after the balance sheet date

(a) After the balance sheet date, the Group has announced and commenced the implementation of an employees termination plan under GD (Panyu) in relation to the Transaction in February 2019. Employee termination benefits of RMB55 million (equivalent to $63 million) were recognised after 31 December 2018. No termination benefits payable has been recognised in these financial statements in this regard.

(b) Subsequent to the balance sheet date and up to the date of approval of the financial statements, new interest bearing borrowings of approximately RMB659 million (equivalent to $752 million), of which RMB27 million (equivalent to $30.8 million) is repayable within one year from the balance sheet date, have been granted by a bank to repay the existing Group's bank loans of $752 million for Reorganisation purpose under the Transaction.

14. Comparative figures

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 1(c).

Additionally, the presentation of comparative information in respect of the year ended 31 December 2017 has been restated to show the discontinued operations separately from continuing operations following the requirements as set out in note 1(d).

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT FROM THE DRAFT FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2018

"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 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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 indicates that the Group has been financed by a high level of borrowings and amounts due to related parties. As at 31 December 2018, the Group's total bank loans and other borrowings and amounts due to related parties totalled $1,085,769,000, of which $295,997,000 are due within one year and the Group is committed to incur finance cost of $41,411,000 for these borrowings within one year. The Group is in the process of disposing of one of its subsidiaries to a third party in order to improve the Group's liquidity and reduce its financing costs. However, there is no guarantee that all conditions prior to the closing of the transaction can be satisfactorily fulfilled within the time limit. As stated in note 1(b), these events or conditions, along with other matters as set forth in note 1(b), 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

Company Profile

Hans Energy Company Limited (the "Company") and its subsidiaries (the "Group") is a leading operator 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 in south China.

The Group owns and operates two main liquid product terminals, namely Xiao Hu Island Terminal ("XHIT") in the provision of terminal, storage, warehousing and transshipment activities carried out in Guangzhou city and Dongzhou International Terminal ("DZIT") in the provision of terminal, storage and transshipment activities carried out in Dongguan city.

Liquid Product Terminals

XHIT is situated in Xiao Hu Island, Nansha district, Guangzhou city, Guangdong province. The terminal was built with five berths ranging from 500 to 30,000 dwt. The tank farm has a site area of approximately 212,000 square metres and is installed with 86 oil and chemical tanks of a total storage capacity of approximately 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 of 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 berths ranging from 500 to 100,000 dwt. The tank farm has a site area of approximately 516,000 square metres and is installed with 94 oil and chemical tanks of a total storage capacity of approximately 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.

Strategic Locations

The 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 our terminals situate in the centre of the economic circle of the province, such location edge attracts customers to engage with our 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 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. Our terminals 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.

Very Substantial Disposal Relating to Disposal of the Entire Equity Interest in Guangdong (Panyu) Petrochemical Storage & Transportation Ltd. (the "GD (Panyu)")

On 22 August 2018, Guangdong Petro-Chemicals Company Limited ("GD Petro-Chemicals") (indirect wholly-owned subsidiary of the Company), Good Ocean Enterprises Limited and Guangdong Lian Ying Petro Chemicals Company Limited (both are the joint venture partners of GD Petro-Chemicals in GD (Panyu)) (collectively named as the "Sellers") and a third party of Guangzhou Gas Group Company Limited (the "Purchaser") have entered into a conditional sale and purchase agreement ("the Sale and Purchase Agreement") in relation to the disposal of the entire equity interest in GD (Panyu) (the "Disposal") for a purchase price of RMB1.56 billion (equivalent to HK$1.78 billion). Pursuant to the Sale and Purchase Agreement, the purchase price will be paid to the Sellers in cash in two installments. During the year ended 31 December 2018, the first installment of RMB0.78 billion (equivalent to HK$0.89 billion), representing 50% of the purchase price, has been received by the Sellers following the satisfaction of the conditions below: (i) the Purchaser has completed due diligence on the GD (Panyu); (ii) the Sellers are not in breach of any representations and warranties provided in the Sale and Purchase Agreement; and (iii) the pledge of certain GD (Panyu)'s dock and storage facilities and 92% of its equity interest for the Purchaser has been registered in accordance with the relevant governmental requirement or regulations. The remaining price of RMB0.78 billion (equivalent to HK$0.89 billion), representing 50% of the purchase price is expected to be paid by the Purchaser in 2019. As a result of the Disposal, the Company expects to realise a gain of over HK$1 billion.

Upon the completion of Disposal, the Sellers will cease to have any interest in GD (Panyu) in which operates XHIT and its financial results will no longer be consolidated into the Company's consolidated financial statements and thus were classified as discontinued operation in this year. The Group will primarily consist the operation of jetty and storage facilities in DZIT for handling and storing petroleum oil and liquid chemical products.

For details of the very substantial disposal, please refer to the Company's announcements dated 29 August 2018 and 30 November 2018 and circular dated 18 September 2018.

Key Performance Indicators

The leaseout rates and cargo throughput are the major key performance indicators of the terminals. Higher leaseout rate should return with higher storage 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	Continuing operation DZIT 2018	2017	Change %	Discontinued operation XHIT 2018	2017	Change %
Liquid product terminal and transshipment services						
Number of vessels visited						
- foreign	**79**	106	-25.5	**202**	197	+2.5
- domestic	**652**	538	+21.2	**714**	1,008	-29.2
Number of trucks served to pick up cargoes	**61,122**	43,288	+41.2	**42,320**	47,622	-11.1
Number of drums filled	**3,389**	3,845	-11.9	**29,690**	36,691	-19.1
Transshipment volume (metric ton)						
- petrochemicals	**5,134**	4,214	+21.8	**142,880**	180,228	-20.7
Terminal throughput (metric ton)	**3,214,000**	2,779,000	+15.7	**3,234,000**	3,659,000	-11.6
- port jetty throughput	**1,788,000**	1,747,000	+2.3	**2,198,000**	2,768,000	-20.6
- loading station throughput	**1,426,000**	1,032,000	+38.2	**1,036,000**	891,000	+16.3
Storage services						
Leaseout rate – oil and chemicals products	**89.0%**	78.7%	+10.3 % points	**87.3%**	93.8%	-6.5 % points
Solid chemical warehousing services						
Cargoes received (metric ton)				**42,254**	50,509	-16.3
Cargoes issued (metric ton)				**44,299**	50,297	-11.9
Floor area leased out (m^2)				**28,863**	30,377	-5.0
Leaseout rate				**89.3%**	94.0%	-4.7 % points

Continuing Operation

With the introduction of new customers to utilize our oil and chemical storage tanks, together with the advantages of our terminals, the major operational indices showed a stable growth at DZIT during 2018. During the year ended 31 December 2018, the number of domestic vessels visited and number of trucks served to pick up cargoes increased by 21.2% and 41.2% respectively on a year-on-year basis. Such increase drove the terminal throughput increased by 15.7% and the average leaseout rate of the storage tanks increased by 10.3 percentage points over the last year. Following the Disposal, some customers in XHIT have moved to DZIT for continuous leasing of the storage tanks. The Group continuously tries its best to tap into market potentials and to expand its oil and chemical storage volume.

Discontinued Operation

During the year ended 31 December 2018, the major operational statistics of XHIT indicated an obvious decline. Upon the announcement of the Disposal, the customers were notified in advance to terminate the storage contracts in accordance with the terms of their contracts. The numbers of customers have gradually reduced that resulted the decrease of the terminals throughput and the leaseout rate of the storage tanks since September 2018.

SEGMENT REVENUE

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.

During the year ended 31 December 2018, the Group had two reportable segments: one continuing reportable segment of DZIT and one discontinued reportable segments of XHIT. The breakdown of reportable segment revenues are as follows:

	Continuing Operation DZIT				**Discontinued Operation XHIT**			
	2018		2017		**2018**		2017	
	HK$'000	***%***	*HK$'000*	*%*	***HK$'000***	***%***	*HK$'000*	*%*
Storage and transshipment income	**139,790**	**98.8**	108,411	97.9	**122,669**	**80.5**	134,021	82.0
Port income	**1,766**	**1.2**	2,301	2.1	**3,423**	**2.2**	3,657	2.2
Solid chemical warehousing income	**-**	**-**	-	-	**26,355**	**17.3**	25,763	15.8
	141,556	**100.0**	110,712	100.0	**152,447**	**100.0**	163,441	100.0

Continuing Operation

With regards to the continuous introduction of new customers and increase of leaseout rate of storage tanks, the revenue from the provision of terminal, storage and transshipment services for the liquid products in DZIT increased from HK$110.7 million to HK$141.6 million, representing an increase of 27.9% over the last year. During the year ended 31 December 2018, the storage income for oil and liquid chemicals products increased from HK$85.6 million to HK$108.9 million, representing an increase of 27.2% as compared with last year. Higher leaseout rate returned higher storage income. In addition, the active cargoes flows drove the increase of handling fee income from HK$20.6 million to HK$24.7 million, increased by 19.9% on yearly basis.

Discontinued Operation

During the year ended 31 December 2018, the revenue from discontinued operation was about HK$152.4 million, representing a decrease of 6.7% as compared to HK$163.4 million over the last year. Following the Disposal, the customers were notified in advance to terminate the storage contracts in accordance with the terms of the contracts. As such, number of customers have dropped since September 2018 that resulted the decrease of storage income.

OUTLOOK

In 2018, revenue from XHIT decreased slightly by 6.7% as compared with that in 2017 due to termination of the storage service contract before disposal. However, DZIT has increased by more than 20% in terms of the leaseout rate of storage tanks, cargo throughput and operating income that has reached the highest level in the past five years. In the current petrochemical market that generally remains slow, the Company's continued good performance reflects its leading position in the petrochemical terminal and storage industry. In 2018, the Company disposed the entire equity interest in GD (Panyu) to Guangzhou Gas Group Company Limited. The Group expects that the transaction to be completed in the first half of 2019 and recognise a gain of over HK$1 billion. Ample cash will lay a solid foundation for the rapid development of the Group in the future.

Continuous Expansion and Enhancement of Storage Business of Petrochemical Terminal

Disposal of GD (Panyu) has brought new development opportunities to DZIT: 1) certain premium customers, such as ExxonMobil, Chevron Phillips and other multinational companies, transferred all or most of their long-term storage service business in GD (Panyu) to DZIT, further consolidating a stable source of premium customers for DZIT; 2) some experienced managers and operators from GD (Panyu) will also be employed by DZIT, allowing DZIT to gain more advantages over human resources; 3) given that the Group's improving capital strength, DZIT Phase II will also commence the actual construction stage according to the construction plan. In terms of storage capacity, revenue and profitability, DZIT Phase II under the construction plan will comprehensively outpace the disposal XHIT, thus enabling the Company to maintain and enhance its leading position in the terminal business.

Commencement of Gasoline and Diesel Retail Business

In early 2019, the Company and a local state-owned enterprise in Guangzhou commenced the main construction of a filling station, which is currently progressing smoothly and expected to be operated in mid-2019. The completion and operation of the filling station in Zengcheng marks the official entry of the Company into the gasoline and diesel retail business. The Company is planning to build (including acquisition or lease) more filling stations to expand the scale of gasoline and diesel trade in a rapid manner. The Company plans to develop the gasoline and diesel retail and wholesale business into a new business segment of the Group within two to three years, which is expected to surpass the traditional terminal business in terms of operating income and profitability and become one of the major sources of the Company's performance growth.

In 2019, the Company will strive for milestones for its business development by effectively capturing and utilizing the favorable opportunities arising from the development of Guangdong-Hong Kong-Macao Greater Bay Area. Besides consolidating its traditional business, the Company will vigorously explore new business areas to achieve the leap-forward development of the Company.

FINANCIAL REVIEW

During the year ended 31 December 2018, the Group's financial performance from continuing operations are set out as bellows:

	2018	2017 *(Restated)*	Changes
	HK$'000	*HK$'000*	%
Continuing operations			
Revenue	**141,556**	110,712	+27.9
Gross profit	**33,592**	10,310	+225.8
Loss before interest and tax ("LBIT")	**(49,883)**	(26,889)	+85.5
Depreciation	**66,011**	64,939	+1.7
Finance costs	**39,633**	41,409	-4.3
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**16,128**	38,050	-57.6
Gross profit margin	**23.7%**	9.3%	+14.4 % points
Net loss margin	**-69.7%**	-61.7%	+8.0 % points
Loss attributable to equity shareholders of the Company	**(94,757)**	(64,866)	+46.1
Basic and diluted loss per share (HK cents)	**(2.54)**	(1.74)	+46.0

Revenue and Gross Profit Margin

During the year, the Group's revenue from continuing operations was approximately HK$141.6 million (2017: HK$110.7 million), representing an increase of 27.9% on a year-on-year basis. The increase was mainly attributable to the increase of the storage and handling fee income which was driven by the increase of leaseout rate of storage tanks at about 10 percentage points and the introduction of new customers in DZIT during the year. Gross profit and gross profit margin from continuing operations was approximately HK$33.6 million (2017: HK$10.3 million) and 23.7% (2017: 9.3%), increased by 225.8% and 14.4 percentage points as compared with last year. The improvement was mainly attributable to the increase of storage and handling income during the year.

Loss for the Year

Loss attributable to equity shareholders of the Company from continuing operations was approximately HK$94.8 million (2017: HK$64.9 million), representing an increase of 46.1% over the prior year. Increase of loss was mainly attributable to the provision for doubtful debts of approximately HK$38.4 million in respect of long outstanding balances past due from a customer (please refer to note 7 to the financial statements for details) and equity settled share-based payment expenses of approximately HK$6.8 million charged to income statements during the year. As a result of the increase of loss, EBITDA from continuing operations reduced to HK$16.1 million (2017: HK$38.1 million) during the year.

Finance costs

During the year, finance costs from continuing operations amounted to HK$39.6 million (2017: HK$41.4 million) which were mainly incurred on the outstanding bank loans of HK$752 million (2017: HK$987 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 2018 was 25% (2017: 25%).

Basic and diluted loss per share

Basic and diluted loss per share of continuing operations for the year ended 31 December 2018 were 2.54 Hong Kong cents (2017: 1.74 Hong Kong cents).

LIQUIDITY, GEARING AND CAPITAL STRUCTURE

As at 31 December 2018, the Group's total cash and cash equivalents amounted to approximately HK$881 million (2017: HK$41 million). Most of the funds were held in HK$, RMB and US$.

As at 31 December 2018, the Group had total assets of approximately HK$1,955 million (2017: HK$1,315 million) and net current liabilities of approximately HK$78 million (2017: net current assets of HK$26 million). The current ratio as at 31 December 2018 of the Group was 0.94 (2017: 1.21). The decrease of current ratio was mainly attributable that the consideration received from a disposal of a subsidiary of HK$890 million (being 50% of the purchase price) was recognised as other payable at 31 December 2018, upon the completion of the Disposal, such consideration will be recognised as income. The current ratio will be improved significantly.

As at 31 December 2018, the Group had outstanding bank borrowings of HK$880 million (2017: HK$987 million). The total owners' deficit of the Group as at 31 December 2018 amounted to approximately HK$84.4 million (2017: total owners' equity of HK$8.4 million). The gearing ratio (defined as total liabilities to total assets) as at 31 December 2018 was 104.3% (2017: 99.4%). Upon receipt of total consideration of the transaction, the Group will be able to repay the outstanding bank borrowings. The Board expected that the liquidity and capital structure of the Group will be substantially improved.

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. During the year ended 31 December 2018, the Group entered into the Sale and Purchase Agreement with the Purchaser for a purchase price of RMB1.56 billion. The Board expected that the proceeds from disposal of GD (Panyu) will improve the Group's operating cash flows and reduce the Group's debts.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the year, the Group entered a very substantial disposal relating to disposal of the entire equity interest in GD (Panyu), details of which are set out in note 12 to the financial statements.

Save for the very substantial disposal as mentioned above, there was no other significant investments, nor there was no any other material acquisitions or disposals during the year. The Group did not have any future plans for materials investments nor addition of capital assets during the year ended 31 December 2018.

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 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 2017, the Group incurred an exchange loss of HK$11.3 million (2017: exchange gain of HK$12.3 million) on translation of financial statements of its PRC subsidiaries.

CHARGE ON GROUP'S ASSETS

The Group has provided the lender with certain of the Group's property, plant and equipment as collaterals for the banking facilities granted. For details, please refer to note 9(c) to the financial statements. During the year ended 31 December 2018, the Group had consideration received in advance of HK$0.89 billion from the Purchaser relating to disposal of GD (Panyu) according to the Sale and Purchase Agreement and such amount was secured by certain of the GD (Panyu)'s dock and storage facilities and 92% of its equity interest as an indemnity arrangement for the Purchaser as the transaction was not completed as at 31 December 2018. For details, please refer to note 8 to the financial statements.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2018, the Group had a workforce of approximately 462 employees (2017: 476), 448 (2017: 462) of which worked for the terminals. The Group remunerates its employees based on industry practices and individual performance and experience. On top of the basic remuneration, discretionary award or bonus (in cash or other forms in kind) as may be determined by the Board may be granted to selected employees by reference to the Group's as well as individual's performances. 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.

CAPITAL COMMITMENT

At 31 December 2018, the Group had capital expenditure contracted for but not provided in the financial statements in respect of (i) construction of a filling station and (ii) terminal development and acquisition of port and storage facilities amounted to $22 million (2017: $19 million).

At 31 December 2018, the Group had no 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 (2017: HK$140 million).

CONTINGENT LIABILITIES

As at 31 December 2018, the Group has no material contingent liabilities.

FINAL DIVIDEND

The directors do not recommend any final dividend for the year ended 31 December 2018 (2017: Nil).

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

Share Option Scheme

Pursuant to an ordinary resolution passed on 28 December 2012, the Company adopted a share option scheme for a period of 10 years from adoption of such scheme and expires on 27 December 2022. On 30 August 2018, the Board granted the share options to the Company's directors and senior management to subscribe for a total of 127,500,000 ordinary shares of the Company. The exercise price of each option is HK$0.236 per share. The options are exercisable from 30 August 2019 to 29 August 2028. Further details of share option granted were set out in note 11 to the financial statements.

The movements of the share options during the year ended 31 December 2018 are set as below:

Eligible person	Date of grant	Period during which share options are exercisable	Exercise price per share	Number of share options granted during the year and outstanding at 31/12/2018
	D/M/YYYY	*D/M/YYYY*	*HK$*	
Executive directors				
Mr. Yang Dong	30/8/2018	30/8/2019 - 29/8/2028	0.236	20,000,000
Ms. Liu Zhijun	30/8/2018	30/8/2019 - 29/8/2028	0.236	18,000,000
Mr. Zhang Lei	30/8/2018	30/8/2019 - 29/8/2028	0.236	18,000,000
Independent non-executive directors				
Mr. Li Wai Keung	30/8/2018	30/8/2019 - 29/8/2028	0.236	3,000,000
Mr. Chan Chun Wai, Tony	30/8/2018	30/8/2019 - 29/8/2028	0.236	3,000,000
Ms. Hai Hiu Chu	30/8/2018	30/8/2019 - 29/8/2028	0.236	3,000,000
				65,000,000
Employees	30/8/2018	30/8/2019 - 29/8/2028	0.236	62,500,000
				127,500,000

During the year, no share option was exercised, cancelled or lapsed by any of the directors and senior management (2017: Nil) and the number of share options outstanding at 31 December 2018 was 127,500,000 (2017: 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"). 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 did not have a specific term of appointment before 22 January 2019. 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 memorandum and articles of association. On 22 January 2019, each of the independent non-executive directors and the Company entered into an appointment letter for a term of three years from their date of appointment. Each of the independent non-executive directors is subject to the provisions for retirement by rotation and re-election at the AGM in accordance with the Company's memorandum and articles of association. The Company has complied with the Code Provision A.4.1 since 22 January 2019.

- The Company has deviated 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 2018 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 2018.

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.

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2018 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 2018 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 2018 is published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.hansenergy.com). The 2018 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, 26 March 2019

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