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 2019

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 2019 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in Hong Kong dollars)

	Note	**2019** **$'000**	2018 $'000 (Note)
Continuing operations:			
Revenue	*2*	**314,845**	141,556
Direct costs and operating expenses		**(272,987)**	(107,964)
Gross profit		**41,858**	33,592
Other income	*3*	**22,508**	7,602
Administrative expenses		**(177,712)**	(52,724)
Reversal of/(provision for) impairment losses	*4(c)*	**35,455**	(38,353)
Loss from operations		**(77,891)**	(49,883)
Finance costs	*4(a)*	**(49,933)**	(39,633)
Loss before taxation	*4*	**(127,824)**	(89,516)
Income tax	*5(a)*	**(3,552)**	(9,099)
Loss for the year from continuing operations		**(131,376)**	(98,615)
Discontinued operations:			
Profit for the year from discontinued operations	*15*	**1,234,689**	35,164
Profit/(loss) for the year		**1,103,313**	(63,451)

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)
(Expressed in Hong Kong dollars)

	Note	**2019**	2018
		$'000	*$'000*
			(Note)
Attributable to:			
Equity shareholders of the Company			
− continuing operations		**(131,915)**	(94,757)
− discontinued operations		**1,240,535**	32,351
		1,108,620	(62,406)
Non-controlling interests			
− continuing operations		**539**	(3,858)
− discontinued operations		**(5,846)**	2,813
		(5,307)	(1,045)
Profit/(loss) for the year		**1,103,313**	(63,451)
Basic and diluted earnings/(losses) per share	*6*		
− continuing operations		**(3.53) cents**	(2.54) cents
− discontinued operations		**33.23 cents**	0.87 cents
		29.70 cents	(1.67) cents

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019
(Expressed in Hong Kong dollars)

	Note	**2019** **\$'000**	2018 \$'000 (Note)
Profit/(loss) for the year		**1,103,313**	(63,451)
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		**(265)**	(25,467)
− discontinued operations		**632**	14,196
Release of translation reserve upon disposal of a subsidiary	*15*	**(85,880)**	-
Other comprehensive income for the year		**(85,513)**	(11,271)
Total comprehensive income for the year		**1,017,800**	(74,722)
Attributable to:			
Equity shareholders of the Company			
− continuing operations		**(131,500)**	(118,247)
− discontinued operations		**1,155,238**	45,411
		1,023,738	(72,836)
Non-controlling interests			
− continuing operations		**(141)**	(5,835)
− discontinued operations		**(5,797)**	3,949
		(5,938)	(1,886)
Total comprehensive income for the year		**1,017,800**	(74,722)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2019
(Expressed in Hong Kong dollars)

	Note	**2019**	2018
		$'000	*$'000*
			(Note)
Non-current assets			
Property, plant and equipment		**574,017**	606,718
Interests in leasehold land held for own use		**173,912**	177,803
Prepayments		**22,711**	704
Intangible assets		**1,394**	1,565
Goodwill	*7*	**4,729**	-
		776,763	786,790
Current assets			
Interest in leasehold land held for own use		**-**	4,741
Inventories	*8*	**149,154**	8,284
Trade and other receivables	*9*	**174,063**	24,907
Cash and cash equivalents		**974,510**	881,071
		1,297,727	919,003
Assets classified as held for sale	*15*	**-**	248,967
		1,297,727	1,167,970
Current liabilities			
Trade and other payables and contract liabilities	*10*	**128,252**	941,306
Bank loans and other borrowings	*11*	**50,021**	90,162
Lease liabilities		**5,246**	-
Current taxation		**1,481**	9,096
Amounts due to related parties	*12*	**112,958**	205,835
		297,958	1,246,399
Net current assets/(liabilities)		**999,769**	(78,429)
Total assets less current liabilities		**1,776,532**	708,361
Non-current liabilities			
Bank loans and other borrowings	*11*	**652,478**	789,772
Lease liabilities		**2,886**	-
Amounts due to related parties	*12*	**167,448**	-
Deferred tax liabilities		**-**	2,971
		822,812	792,743
Net assets/(liabilities)		**953,720**	(84,382)

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2019 (Continued)

(Expressed in Hong Kong dollars)

	2019	2018
	$'000	*$'000*
		(Note)
Capital and reserves		
Share capital	**373,264**	373,264
Reserves	**565,361**	(450,056)
Total equity/(deficit) attributable to equity shareholders of the Company	**938,625**	(76,792)
Non-controlling interests	**15,095**	(7,590)
Total equity/(deficit)	**953,720**	(84,382)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

(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 *$'000*	Treasury shares held under share award scheme *$'000* (Note 13(a))	Share-based compensation reserve *$'000* (Note 13(b))	(Accumulated losses)/retained profits *$'000* (Note)	Total *$'000*	Non-controlling interests *$'000*	Total equity *$'000*
Balance at 1 January 2018	373,264	710,477	(251,428)	99,936	31,947	-	-	(974,952)	(10,756)	19,154	8,398
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 declared 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 and 1 January 2019	**373,264**	**710,477**	**(251,428)**	**89,506**	**31,947**	**-**	**6,800**	**(1,037,358)**	**(76,792)**	**(7,590)**	**(84,382)**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,108,620**	**1,108,620**	**(5,307)**	**1,103,313**
Other comprehensive income	**-**	**-**	**-**	**(84,882)**	**-**	**-**	**-**	**-**	**(84,882)**	**(631)**	**(85,513)**
Total comprehensive income	**-**	**-**	**-**	**(84,882)**	**-**	**-**	**-**	**1,108,620**	**1,023,738**	**(5,938)**	**1,017,800**
Dividend declared to non-controlling interests in respect of prior years	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,021)**	**(5,021)**
Equity settled share-based transaction	**-**	**-**	**-**	**-**	**-**	**-**	**8,260**	**-**	**8,260**	**-**	**8,260**
Lapse of share options	**-**	**-**	**-**	**-**	**-**	**-**	**(360)**	**360**	**-**	**-**	**-**
Shares purchased under share award scheme	**-**	**-**	**-**	**-**	**-**	**(16,581)**	**-**	**-**	**(16,581)**	**-**	**(16,581)**
Acqusition of a subsidiary (Note 14)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**68**	**68**
Capital injection from non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**52,746**	**52,746**
Disposal of equity interests in a subsidiary (Note 15)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(19,170)**	**(19,170)**
Balance at 31 December 2019	**373,264**	**710,477**	**(251,428)**	**4,624**	**31,947**	**(16,581)**	**14,700**	**71,622**	**938,625**	**15,095**	**953,720**

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the 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 2019 but is extracted from those draft 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.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 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.

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 a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach. Comparative information has not been restated and continues to be reported under HKAS 17.

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

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

1. Significant accounting policies (continued)

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 2.4%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 $'000
Operating lease commitments at 31 December 2018	8,494
Less: commitments relating to leases exempt from capitalisation:	
- short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(2,430)
	6,064
Less: total future interest expenses	(157)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	5,907
Total lease liabilities recognised at 1 January 2019	5,907

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet at 31 December 2018.

1. Significant accounting policies (continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated balance sheet:

	Carrying amount at 31 December 2018 $'000	*Reclassification from lease prepayments (Note 2) and interests in leasehold land held for own use (Note 1)* $'000	*Capitalisation of operating lease contracts* $'000	*Carrying amount at 1 January 2019* $'000
Line items in the consolidated balance sheet impacted by the adoption of HKFRS 16:				
Property, plant and equipment	606,718	-	5,907	612,625
Prepayments	704	256	-	960
Interests in leasehold land held for own use	177,803	4,741	-	182,544
Total non-current assets	786,790	4,997	5,907	797,694
Interests in leasehold land held for own use	4,741	(4,741)	-	-
Trade and other receivables	24,907	(256)	-	24,651
Total current assets	1,167,970	(4,997)	-	1,162,973
Lease liabilities (current)	-	-	3,538	3,538
Total current liabilities	1,246,399	-	3,538	1,249,937
Net current liabilities	78,429	-	3,538	81,967
Total assets less current liabilities	708,361	-	2,369	710,730
Lease liabilities (non-current)	-	-	2,369	2,369
Total non-current liabilities	792,743	-	2,369	795,112
Net liabilities	84,382	-	-	84,382

Note 1: Prepayments represent prepayments of land use rights on leasehold land located in the People's Republic of China ("the PRC"). The Group is granted with land use rights for a period of 50 years. The net carrying amount of lease prepayments were reclassified as right-of-use assets at the date of initial application of HKFRS 16. Also, there were no ongoing payment obligations under the terms of the land lease, so no lease liabilities were recognised at the date of initial application of HKFRS 16.

Note 2: Prepayments represent prepayment of costal usage right located in the PRC. The Group is granted with coastal usage rights for a period of 8 years. The net carrying amount of lease prepayments were reclassified as right-of-use assets at the date of initial application of HKFRS 16. Also, there were no ongoing payment obligations under the terms of the land lease, so no lease liabilities were recognised at the date of initial application of HKFRS 16.

1. Significant accounting policies (continued)

c. Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated income statement, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

d. Lessor accounting

The Group leases out a number of items of dock and storage facilities as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

2. Revenue and segment reporting

(a) Revenue

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

(i) Disaggregation of revenue from contracts with customers by major service lines

	2019	2018
	$'000	*$'000*
Revenue from contracts with customers not within the scope of HKFRS 15		
Continuing operations		
Storage and warehousing income	**118,233**	108,909
Discontinued operations		
Storage and warehousing income	**8,990**	118,658
	127,223	227,567
Revenue from contracts with customers within the scope of HKFRS 15		
Continuing operations		
Port and transshipment income	**33,822**	32,647
Sales of oil and petrochemical products	**162,790**	-
	196,612	32,647
Discontinued operations		
Port and transshipment income	**4,487**	33,789
	201,099	66,436
	328,322	294,003

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

(ii) Revenue expected to be recognised in the future arising from contacts with customers in existence at the balance sheet date

The Group has applied the practical expedient in paragraph 121 or HKFRS 15 to its sales contracts such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the sales contracts that had an original expected duration of one year or less.

(iii) In 2019, the Group has three customers (2018: Nil) with whom transactions have exceeded 10% of the Group's revenues. Revenues from sales of oil and petroleum products to these customers arose in the PRC and amounted to approximately $45,124,000 (2018: Nil), $39,847,000 (2018: Nil) and $37,628,000 (2018: Nil) respectively.

2. Revenue and segment reporting (continued)

(b) Segment reporting

The Group manages its businesses by entities, which are organised by business lines and 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 three 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, the PRC. As disclosed in note 15, the segment XHIT is classified as discontinued operations.

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

- Shanghai Diyou ("SHDY"): this segment represents the Group's trading of oil and petrochemical products business carried out in the PRC.

The composition of reportable segments of the Group has changed in the year ended 31 December 2019 following the acquisition of SHDY (note 14). Reportable segments are aligned with financial information provided regularly to the Group's most senior executive management for the purpose of resources allocation and performance assessment.

(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 basis:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in subsidiaries and other corporate assets. Segment liabilities include trade and other payables and contract liabilities and lease liabilities attributable to the individual segments and bank loans and other 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)

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 2019 and 2018 is set out below.

	Continuing operations				*Discontinued operations*			
	SHDY		*DZIT*		*XHIT*		*Total*	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	$'000	*$'000* (Note)	***$'000***	*$'000* (Note)	***$'000***	*$'000* (Note)	***$'000***	*$'000* (Note)
Reportable segment revenue	**162,790**	-	**152,055**	141,556	**13,477**	152,447	**328,322**	294,003
Reportable segment profit/(loss) before taxation	**2,237**	-	**13,957**	(53,409)	**(73,215)**	41,140	**(57,021)**	(12,269)
Interest income	**22**	-	**12,340**	656	**1,507**	490	**13,869**	1,146
Finance costs	**12**	-	**48,410**	39,633	**2,374**	6,202	**50,796**	45,835
Depreciation and amortisation	**43**	-	**64,458**	65,517	**-**	20,023	**64,501**	85,540
Reversal of/(provision for) impairment losses								
- trade receivables	**-**	-	**35,455**	(38,353)	**-**	-	**35,455**	(38,353)
- prepayments	**-**	-	**-**	-	**-**	6,872	**-**	6,872
Reportable segment assets	**331,800**	-	**834,167**	891,547	**-**	1,495,866	**1,165,967**	2,387,413
Reportable segment liabilities	**90,898**	-	**736,332**	768,632	**-**	892,062	**827,230**	1,660,694

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

	Continuing operations		*Discontinued operations*		*Total*	
	2019	2018	**2019**	2018	**2019**	2018
	$'000	*$'000* (Note)	***$'000***	*$'000* (Note)	***$'000***	*$'000* (Note)
Revenue						
Reportable segment revenue and consolidated revenue	**314,845**	141,556	**13,477**	152,447	**328,322**	294,003
Profit/(loss)						
Reportable segment profit/(loss) before taxation	**16,194**	(53,409)	**(73,215)**	41,140	**(57,021)**	(12,269)
Gain on disposal of discontinued operations	**-**	-	**1,307,768**	-	**1,307,768**	-
Unallocated other income less other expenses	**4,205**	2,600	**-**	-	**4,205**	2,600
Unallocated head office and corporate expenses	**(148,223)**	(38,707)	**-**	-	**(148,223)**	(38,707)
Consolidated (loss)/profit before taxation	**(127,824)**	(89,516)	**1,234,553**	41,140	**1,106,729**	(48,376)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

2. **Revenue and segment reporting (continued)**

	2019	2018
	$'000	*$'000*
		(Note)
Assets		
Reportable segment assets	**1,165,967**	2,387,413
Elimination of inter-segment receivables	**-**	(752,110)
	1,165,967	1,635,303
Unallocated head office and corporate assets	**879,200**	303,550
Others	**29,323**	15,907
Consolidated total assets	**2,074,490**	1,954,760
Liabilities		
Reportable segment liabilities	**827,230**	1,660,694
Elimination of inter-segment payables	**-**	(752,110)
	827,230	908,584
Unallocated head office and corporate liabilities	**293,540**	1,130,558
Consolidated total liabilities	**1,120,770**	2,039,142

(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 leasehold land held for own use, intangible assets, non-current prepayments ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset.

	Revenues from external customers	
	2019	2018
	$'000	*$'000*
The PRC (excluding Hong Kong)		
- continuing operations	**314,845**	141,556
- discontinued operations	**13,477**	152,447
	328,322	294,003

	Specified non-current assets	
	2019	2018
	$'000	*$'000*
Hong Kong	**9,008**	1,734
The PRC (excluding Hong Kong)	**767,755**	785,056
	776,763	786,790

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

3. Other income

	2019	2018
	$'000	*$'000*
Continuing operations:		
Interest income	**19,701**	963
Net foreign exchange (loss)/gain	**(3,039)**	2,316
(Loss)/gain on disposal of property, plant and equipment	**(720)**	3,165
Others	**6,566**	1,158
	22,508	7,602
Discontinued operations:		
Interest income	**1,507**	490
Government grants	**-**	305
Loss on disposal of property, plant and equipment	**(1,256)**	(1,676)
Net foreign exchange (loss)/gain	**(75)**	667
Reversal of other payables recognised in prior years	**-**	1,100
Others	**261**	1,556
	437	2,442
	22,945	10,044

4. Loss before taxation

Loss before taxation is arrived at after charging:

	2019	2018
	$'000	*$'000*
		(Note)
(a) Finance costs		
Continuing operations:		
Interest on bank loans	**49,783**	39,633
Interest on lease liabilities	**150**	-
	49,933	39,633
Discontinued operations:		
Interest on bank loans	**2,374**	**6,202**
	52,307	45,835
*(b) Staff costs**		
Continuing operations:		
Contributions to defined contribution retirement plans	**2,015**	1,578
Salaries, wages and other benefits	**128,420**	33,952
Equity-settled share-based payment expenses (note 13(b))	**8,260**	6,800
	138,695	42,330
Discontinued operations:		
Contributions to defined contribution retirement plans	**348**	2,110
Salaries, wages and other benefits	**61,002**	31,830
	61,350	33,940
	200,045	76,270

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

4. Loss before taxation (continued)

(c) Other items

	2019	2018
	$'000	*$'000*
		(Note)
Continuing operations:		
Amortisation		
– land lease premium	**-**	4,926
– intangible assets	**170**	170
Depreciation		
– owned property, plant and equipment	**59,698**	60,915
– right-of-use assets*#	**8,965**	-
Write down of consumable parts (note 8)	**-**	2,134
(Reversal of)/provision for impairment losses of trade receivables (note 9)	**(35,455)**	38,353
Auditor's remuneration		
– audit services	**1,208**	1,478
– review services	**380**	380
Operating lease charges on properties under HKAS 17*	**-**	5,717
Cost of inventories	**160,412**	-
Discontinued operations:		
Amortisation		
– land lease premium	**-**	1,318
Depreciation	**-**	18,705
Provision for impairment losses of prepayments	**-**	6,872
Auditor's remuneration		
– other services	**-**	980

* Staff costs include $3,184,000 relating to depreciation of right-of-assets (2018: $2,277,000 relating to operating lease charges on properties), which amount is also included in the respective total amount disclosed separately above.

\# The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the 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:

	2019	2018
	$'000	*$'000*
Current tax – PRC Corporate Income Tax (note ii)	**575**	89
Current tax – PRC dividend income withholding tax (note iii)	**2,977**	9,010
	3,552	9,099

Notes:

(i) No Hong Kong Profits Tax was provided for the year ended 31 December 2019 as the Group sustained a loss for Hong Kong Profits Tax purposes for the year (2018: $Nil).

(ii) The applicable PRC Corporate Income Tax rate of the PRC subsidiaries for the year ended 31 December 2019 was 25% (2018: 25%).

(iii) During the year ended 31 December 2019, undistributed profits from Guangdong (Panyu) Petrochemical Storage & Transportation Ltd. ("GD (Panyu)") of RMB50,741,000 (equivalent to $59,535,000) (2018: RMB250,482,000 (equivalent to $282,456,000)) and of which RMB50,741,000 (equivalent to $59,535,000) (2018: RMB159,801,000 (equivalent to $180,199,000)) related to undistributed profits for the years ended 31 December 2018 and period ended 28 May 2019 (2018: 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 mentioned in note 15. Under the grandfathering treatments, undistributed profits of a foreign-invested enterprise as at 31 December 2007 are exempted from withholding tax. The amount of RMB50,741,000 (equivalent to $59,535,000) (2018: RMB250,482,000 (equivalent to $282,456,000)) was fully paid in March 2019 (2018: February 2019) together with withholding tax liability of $2,977,000 (2018: $9,010,000).

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

	2019	2018
	$'000	*$'000*
Loss before taxation	**(127,824)**	(89,516)
Notional tax on loss before taxation, calculated at the rates applicable in the tax jurisdictions concerned	**(16,627)**	(19,293)
Tax effect of non-deductible expenses	**5,190**	13,403
Tax effect of non-taxable income	**(9,990)**	(412)
Tax effect of unused tax losses not recognised	**21,939**	6,421
Utilisation of tax loss not previously recognised	**-**	(47)
Withholding tax on profits distributions	**2,977**	9,010
Others	**63**	17
Actual tax expense	**3,552**	9,099

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

(b) Discontinued operations

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

	2019	2018
	$'000	*$'000*
Deferred tax – origination and reversal of temporary differences	**(136)**	5,976

Notes:

(i) No Hong Kong Profits Tax was provided for the year ended 31 December 2019 as the Group sustained a loss for Hong Kong Profits Tax purposes for the year (2018: $Nil).

(ii) The applicable tax rate of the PRC subsidiaries for the year ended 31 December 2019 was 25% (2018: 25%).

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

	2019	2018
	$'000	*$'000*
(Loss)/profit before taxation (note 15)	**(73,215)**	41,140
Notional tax on (loss)/profit before taxation, calculated at the rates applicable in the tax jurisdictions concerned	**(18,304)**	10,479
Tax effect of non-deductible expenses	**150**	852
Tax effect of non-taxable income	**-**	(9,793)
Tax effect of unused tax losses not recognised	**18,018**	-
Tax effect of reversal of previously recognised tax losses	**-**	4,438
Actual tax (credit)/expense	**(136)**	5,976

6. Earnings/(losses) per share

Basic and diluted earnings/(losses) per share

The calculation of basic and diluted earnings/(losses) per share is based on the profit attributable to ordinary equity shareholders of the Company of $1,108,620,000 (2018: loss attributable to ordinary equity shareholders of the Company of $62,406,000) and the weighted average of 3,732,638,000 ordinary shares (2018: 3,732,638,000 ordinary shares) in issue during the year. The relevant calculation is as follows:

	2019	2018
	$'000	*$'000*
Profit/(loss) attributable to ordinary equity shareholders		
– continuing operations	**(131,915)**	(94,757)
– discontinued operations	**1,240,535**	32,351
	1,108,620	(62,406)

	2019	2018
Basic and diluted earnings/(losses) per share		
– continuing operations	**(3.53) cents**	(2.54) cents
– discontinued operations	**33.23 cents**	0.87 cents
	29.70 cents	(1.67) cents

The diluted earnings/(losses) per share is the same as the basic earnings/(losses) per share as there were no dilutive potential ordinary shares in existence during the years ended 31 December 2019 and 2018.

7. Goodwill

	$'000
At 1 January 2019	-
Acquisition of a subsidiary (note 14)	4,729
At 31 December 2019	4,729

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to country of operating and operating segment as follows:

	2019	2018
	$'000	*$'000*
SHDY – the PRC	**4,729**	-

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projection which are prepared on the basis of reasonable assumptions reflective of prevailing and future market conditions. The cash flow is discounted using a discount rate of 12%. The discount rate used is pre-tax and reflect specific risk relating to the relevant CGU.

8. Inventories

(a) Inventories in the consolidated balance sheet comprise:

	2019	2018
	$'000	*$'000*
Oil and petroleum products	**39,796**	-
Oil and petroleum products in transit	**105,118**	-
Consumable parts	**4,240**	8,284
	149,154	8,284

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Note	2019	2018
		$'000	*$'000*
Continuing operations:			
Carrying amount of inventories sold	4(c)	**160,412**	-
Write down of consumable parts	4(c)	**-**	2,134
		160,412	2,134

9. Trade and other receivables

	2019	2018
	$'000	*$'000*
Trade debtors, net of loss allowance	**95,513**	18,257
Financial assets measured at amortised cost	**95,513**	18,257
Prepayments and other receivables	**78,550**	6,650
	174,063	24,907

The amounts of the prepayments and other receivables expected to be recovered or recognised as expense after more than one year are $1,316,000 (2018: $598,000). Apart from these, all the other trade and other receivables are expected to be recovered or recognised as expense within one year.

9. 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:

	2019	2018
	$'000	*$'000*
Within 1 month	**91,459**	17,491
Over 1 month but within 2 months	**1,124**	470
Over 2 months but within 3 months	**34**	8
Over 3 months but within 6 months	**2,896**	288
	95,513	18,257

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

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

	2019	2018
	$'000	*$'000*
Balance at 1 January	**38,927**	-
Amounts written off during the year	**(3,358)**	-
(Reversal of)/provision for impairment losses during the year	**(35,455)**	38,353
Exchange differences	**(114)**	574
Balance at 31 December	**-**	38,927

9. Trade and other receivables (continued)

At 31 December 2018, receivables that were past due mainly represented an amount of $38,927,000 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 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. 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.

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. Based on the foregoing and considering the complexity of the forced execution processes and the number of related creditors involved therein, the directors reassessed the recovery of receivables due from Customer A during the year ended 31 December 2018. The directors were 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.

In November 2019, the court issued the final allocation plan for the auction proceeds and in December 2019, the court released first part of the auction proceeds. As a result of the new development in the court proceedings, additional storage and warehousing income of $8,871,000 (note 2) and interest income of $11,997,000 (note 3) were recognised. In addition, related impairment losses of $35,455,000 (note 4(c)) were reversed. The unrecoverable part of the previously impaired trade debtor of $3,358,000 was written off accordingly.

In March 2020, the court released the remaining part of the auction proceeds.

10. Trade and other payables and contract liabilities

	2019	2018
	$'000	*$'000*
Trade creditors	**49,862**	-
Contract liabilities	**31,333**	-
Other creditors and accruals	**47,057**	51,100
Consideration received from disposal of a subsidiary (Note)	**-**	890,206
	128,252	941,306

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 a sale and purchase agreement and this amount was secured by certain of the Group's interests in leasehold land held for own use 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. The transaction was completed on 28 May 2019. See note 15.

At 31 December 2019 and 2018, all the trade and other payables are expected to be settled or recognised as income within one year.

As at balance sheet date, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	2019	2018
	$'000	*$'000*
Within 1 month	**49,862**	-

Contract liabilities

The Group's receives part of the contact value as a deposit from customers when they sign the oil and petroleum products agreement. This deposit is recognised as a contract liability until the customer takes possession of and accepts the products. The rest of the consideration is typically paid according to the credit terms granted to the customer. The amount of the deposit was negotiated on a case by case basis with customers.

Movement in contract liabilities

	2019	2018
	$'000	*$'000*
At 1 January	**-**	-
Increase in contract liabilities as a result of receiving deposits from customers	**31,333**	-
At 31 December	**31,333**	-

11. Bank loans and other borrowings

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

	2019	2018
	$'000	*$'000*
Current liabilities		
Bank loans	**50,021**	90,162
Non-current liabilities		
Bank loans	**652,478**	789,772
	702,499	879,934

(b) At 31 December 2019, the bank loans and other borrowings were repayable as follows:

	2019	2018
	$'000	*$'000*
Bank loans (secured)		
Within 1 year or on demand	**50,021**	90,162
After 1 year but within 2 years	**63,358**	118,694
After 2 years but within 5 years	**277,887**	534,124
After 5 years	**311,233**	136,954
	652,478	789,772
	702,499	879,934

(c) At 31 December 2019, the Group had banking facilities totalling $702,499,000 (2018: $879,934,000) which were secured by certain of the Group's property, plant and equipment with net book value of $383,217,000 (2018: $645,589,000) and interests in leasehold land held for own use with net book value of $173,912,000 (2018: $210,671,000). The banking facilities were utilised to the extent of $702,499,000 as at 31 December 2019 (2018: $879,934,000).

12. Amounts due to related parties

Apart from the non-current amounts due to related parties of $167,448,000 (2018: $Nil) which are unsecured, interest-fee and repayable after one year, the amounts due to related parties are unsecured, interest-free and repayable within one year.

13. Equity settled share-based transactions

(a) Share award scheme

The Company has adopted a share award scheme on 15 April 2019 (the "Adoption Date") for the purpose of retaining participants and encouraging them to make contributions to the growth and development of the Group (the "Share Award Scheme").

Pursuant to the rules of the Share Award Scheme (the "Scheme Rules"), the Board of Directors (the "Board") may grant an award to anyone (other than any excluded participant) who is an employee, director, or consultant of any member of the Group for participation in the Share Award Scheme and determine the terms of the award. The Share Award Scheme is subject to the administration of the Board in accordance with the Scheme Rules. The Board may engage one or more trustees to administer the Share Award Scheme as the Board thinks fit. The Share Award Scheme will terminate on the tenth anniversary of the Adoption Date or such earlier date as the Board may determine. The Board shall not grant any further awards if such award would cause the aggregate number of shares underlying such award and all other outstanding awards (taken together with all unvested awarded shares granted under the Scheme Rules) to exceed 5% of the number of issued shares at the date of grant. The Board may, from time to time remit funds to the trustee for the purposes of the Share Award Scheme, and such money will form part of the trust fund. The Board may instruct the trustee to purchase the number of shares underlying the award from the open market (either on-market or off-market) and the trustee shall hold such shares on trust for the participants until they are vested in accordance with the Scheme Rules.

During the year ended 31 December 2019, the Company remitted in total of HK$20,000,000 to the trustee for the purchase of shares of the Company pursuant to the Share Award Scheme. On 15 April 2019, the trustee purchased a total number of 58,590,000 shares (the "Share Purchase") on the market at a total consideration of approximately HK$16,581,000 for the purpose of the Share Award Scheme. As at 31 December 2019, no grant of awards has been made under the Share Award Scheme.

(b) Share option scheme

Pursuant to ordinary resolutions passed on 28 December 2012, the Company adopted a share option scheme ("the Share Option 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 Share Option Scheme remains in force for a period of 10 years from adoption and expires on 27 December 2022.

Under the Share Option 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 a consideration of $1 per each option grantee 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.

13. Equity settled share-based transactions (continued)

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 Share Option 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 $8,260,000 (2018: $6,800,000) were recognised in the consolidated income statement (note 4(b)) for the year ended 31 December 2019.

No share option was granted to or exercised by any of the directors and employees during the year ended 31 December 2019 and 2018.

(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*	*Weighted average exercise price*	*Number of options*
	2019		2018	
Outstanding at the beginning of the year	$0.236	127,500,000	-	-
Granted during the year	-	-	$0.236	127,500,000
Forfeited during the year	$0.236	(2,000,000)	-	-
Lapsed during the year	$0.236	(3,000,000)	-	-
Outstanding at the end of the year	$0.236	122,500,000	$0.236	127,500,000

The options outstanding at 31 December 2019 had an exercise price of $0.236 (2018: $0.236) and a weighted average remaining contractual life of 8.7 years (2018: 9.7 years).

13. 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.

14. Acquisition of a subsidiary

Pursuant to the sale and purchase agreement dated 5 November 2019, the Group, acquired 99% equity interests in Shanghai Diyou Industry Co., Ltd. ("SHDY"), a company established in the PRC at a cash consideration of RMB10,265,335. The acquisition was completed on 10 December 2019.

The goodwill reflects synergistic effect with the Group's future filling station business and provision of terminal and storage facilities and services for liquid petrochemical products business as Group's strategy is to extend its principal business. None of the goodwill is expected to be deductible for tax purposes.

The acquisition had the following effect on the Group's assets and liabilities on 10 December 2019, the completion date of the acquisition:

	$'000
Property, plant and equipment	1,211
Inventories	74,910
Trade and other receivables	99,559
Cash and cash equivalents	92,941
Trade and other payables	(32,021)
Lease liabilities	(1,139)
Current tax	(932)
Amount due to the Group	(227,731)
Total identifiable net assets	6,798
Goodwill	4,729
Non-controlling interests arising from acquisition of the subsidiary	(68)
Total consideration	11,459

An analysis of net cash outflow in respect of acquisition is as follows:

Cash consideration paid	11,459
Amount due to the Group	227,731
Less: consideration payables	(3,363)
Less: cash and cash equivalents acquired	(92,941)
Net cash outflow in respect of the acquisition	142,886

Revenue and profit contribution

The revenue and profit after taxation of $162,790,000 and $1,680,000 respectively included in the consolidated income statement were contributed by SHDY from the date of the acquisition to 31 December 2019.

If the acquisition of SHDY had occurred on 1 January 2019, the Group's revenue and loss after tax of the continuing operation for the year would have been approximately $3,147,110,000 and $126,495,000 respectively. These amounts have been calculated by adopting the Group's accounting policies.

15. Assets held for sale and discontinued operation

Pursuant to an announcement dated 29 August 2018, the Company and a third party entered into a sale and purchase agreement (“the Sale and Purchase Agreement”) on 22 August 2018 in which 100% equity interest of 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 RMB1.56 billion (equivalent to $1.77 billion).

GD (Panyu) owned XHIT and major business activities were provision of terminal, transshipment, warehousing and storage activities carried out in Panyu, the People’s Republic of China (the “PRC”). The Transaction was approved by independent shareholders on 8 October 2018.

Pursuant to an announcement dated 28 May 2019, the Group has completed the sale of its equity interest in GD (Panyu) for a cash consideration of RMB1.44 billion (equivalent to approximately $1.63 billion).

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 ended 31 December 2019 and 2018.

The consolidated profit from the discontinued operations is set out below.

	2019	2018
	$’000	*$’000*
(Loss)/profit for the period from discontinued operations	**(73,079)**	35,164
Gain on disposal of discontinued operations	**1,307,768**	-
	1,234,689	35,164

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

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

	Note	**2019**	2018
		$'000	*$'000*
Revenue	*2*	**13,477**	152,447
Direct costs and operating expenses		**(69,999)**	(77,583)
Gross (loss)/profit		**(56,522)**	74,864
Other income	*3*	**437**	2,442
Administrative expenses		**(14,756)**	(29,964)
(Loss)/profit from operations		**(70,841)**	47,342
Finance costs	*4(a)*	**(2,374)**	(6,202)
(Loss)/profit before taxation	*4*	**(73,215)**	41,140
Income tax	*5(b)*	**136**	(5,976)
(Loss)/profit from discontinued operations for the period		**(73,079)**	35,164
Attributable to:			
Equity shareholders of the Company		**(67,233)**	32,351
Non-controlling interests		**(5,846)**	2,813

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

	2019	2018
	$'000	*$'000*
Net cash generated from operating activities	**3,398**	583,031
Net cash generated from/(used in) investing activities	**3,880**	(4,118)
Net cash used in financing activities	**(482,809)**	(121,059)
Net cash (used in)/generated from discontinued operations	**(475,531)**	457,854

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

(c) Analysis of assets and liabilities of GD (Panyu):

	At 28 May 2019 *$'000*
Property, plant and equipment	205,584
Interests in leasehold land held for own use	37,816
Trade and other receivables	1,728
Tax recoverable	515
Cash and cash equivalents	6,621
Other payables and accruals	(9,805)
Deferred tax liabilities	(2,829)
Net assets disposed of	239,630
Gain on disposal of discontinued operations:	
Considerations received in cash	1,631,464
Net assets disposed of	(239,630)
Non-controlling interests	19,170
Capital gain tax on gain on disposal	(140,139)
Release of reserve upon disposal	85,880
Other costs directly attributable to the disposal	(48,977)
Gain on disposal	1,307,768
Net cash inflow arising on the Transaction	
Consideration received in cash	1,631,464
Consideration received in 2018	(815,732)
Capital gain tax on gain on disposal	(140,139)
Cash and cash equivalent disposed of	(6,621)
Other costs directly attributable to the disposal	(48,977)
Net cash inflow	619,995

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

(d) 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
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

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

	$'000
Property, plant and equipment	211,027
Interests in leasehold land held for own use	37,940
	248,967

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 (the "terminal storage business") and trading of oil and petrochemical products (the "trading business").

Before 28 May 2019, the Group owned and operated two main liquid product terminals, namely Xiao Hu Island Terminal ("XHIT") carried out by Guangdong (Panyu) Petrochemical Storage & Transportation Ltd. ("GD (Panyu)") and Dongzhou International Terminal ("DZIT") carried out by Dongguan Dongzhou International Petrochemcial Storage Limited ("DZ International"). Following the completion of very substantial disposal of GD (Panyu) on 28 May 2019 (the "Disposal"), the Group ceased to have any interest in GD (Panyu) and recognised a gain of approximately HK$1.31 billion.

Adequate cash position provides an opportunity for the Group's business development. On 5 November 2019, the Group entered into the equity transfer agreement with an independent third party in respect of the acquisition of 99% equity interest in Shanghai Diyou Industry Co., Ltd. ("SHDY"), being a company which operates in the wholesale of refined oil products and holds a refined oil wholesale operating licence (the "Licence") issued by the Ministry of Commerce of the People's Republic of China (the "PRC") (the "Acquisition"). The Directors consider that the Acquisition will enable the Group to expedite the development of its refined oil wholesale and trading business.

The Group's strategy is to extend its principal business from the terminal storage business to the oil and petrochemical products wholesale and trading business and then further expand into retail business market. With the Group's first filling station in Zengcheng, Guangzhou was built and is expected to commence its operations in 2020 (the "retail business"), the Group's business chain will be extended from midstream to downstream. It is expected to expand the Group's business segments into three principal activities: oil and petrochemical products wholesale and trading, terminal storage as well as filling station retail business and strengthen the position of the Group in the oil and gas industry in the PRC.

Details of the Acquisition and the Disposal are stated under the paragraph headed "Significant Investments, Material Acquisitions and Disposals and Future Plans for Material Investments or Capital Assets" in this section.

Liquid Product Terminal

DZIT is situated in Lisha Island, Humen Harbour district, Shatian county, 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 terminal of the Group is located in the Greater Bay Area. As Guangdong province is the pioneer in economic development of China and our terminal situates 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 Greater Bay Area. 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 terminal employs experienced, professional and skillful management teams with well-equipped features storage hardware. The Group persistently maintains high standards in safety and environment protection. Our terminal is fully and properly licensed to handle wide range of dangerous and hazardous goods. They provide convenience to our customers to move their products in and out of the port and terminal during their production cycle.

Revenue

The terminal earns 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 terminal for customers, either by water in the jetties or by road from the loading stations. Furthermore, the terminal provides ancillary services such as tank cleaning, waste treatment and blending to customers and earn respective fees for the services rendered.

Key Performance Indicators

The leaseout rates and cargo throughput are the major key performance indicators of the terminal. Higher leaseout rate should return with higher storage income. More cargoes flows mean more works in the terminals thus more handling fee income.

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

Operational statistics	**2019**	2018	Change %
Liquid product terminal and transshipment services			
Number of vessels visited			
– foreign	**158**	79	+100.0
– domestic	**567**	652	–13.0
Number of trucks served to pick up cargoes	**59,113**	61,122	–3.3
Number of drums filled	**13,297**	3,389	+292.4
Transshipment volume (metric ton)			
– oil	**64,971**	-	N/A
– petrochemicals	**129,275**	5,134	+2,418.0
Terminal throughput (metric ton)	**3,591,000**	3,214,000	+11.7
– port jetty throughput	**2,084,000**	1,788,000	+16.6
– loading station throughput	**1,507,000**	1,426,000	+5.7
Storage services			
Leaseout rate – oil and chemical products (%)	**91.2**	89.0	+2.2 points

During the year ended 31 December 2019, DZIT achieved a growth in its major operating indicators. Following the disposal of GD (Panyu), certain premium customers in GD (Panyu) relocated all or most of their loading and storage services from XHIT to DZIT. Such relocation in return drove the transshipment volume and terminal throughput during the year. Number of foreign vessels visited and number of drums filled achieved a significant increase by 100.0% and 292.4% respectively as compared to last year. At the beginning of year 2019, DZIT renovated some of its storage tanks so that the customers from XHIT could lease the storage tanks at DZIT, and thus storage tanks were vacant for a short period but the average leaseout rate of storage tanks still remained as 91% throughout the year. The Group will continue to identify market potential and expand its oil and chemical storage volume by initiating construction of DZIT Phase II.

Trading Business

Operational statistics	**2019**	2018	Change %
Number of contracts entered	**6**	-	N/A
Sales volume of oil and petrochemical products (metric ton)	**26,400**	-	N/A

Upon the completion of the Acquisition of SHDY on 10 December 2019, based on the unified guidance and requirements of the Group, it continued to expand customer base and business scale based on the steady development of business. In December 2019, in addition to continuing to develop business with existing customers, SHDY also further developed relationship with high quality new customers. From the completion of the Acquisition to 31 December 2019, SHDY entered into a total of six sales contracts with total sale volumes of 26,400 metric ton.

Segment Revenue

During the year ended 31 December 2019, the Group has two reportable segment revenue from DZIT and SHDY. The breakdown is as follows:

	SHDY				**DZIT**				**Total**			
	2019		2018		**2019**		2018		**2019**		2018	
	HK$'000	**%**	*HK$'000*	*%*	***HK$'000***	**%**	*HK$'000*	*%*	***HK$'000***	**%**	*HK$'000*	*%*
Storage income	-	-	-	-	**118,233**	**77.8**	108,909	77.0	**118,233**	**37.5**	108,909	77.0
Transshipment and other handling fee income	-	-	-	-	**32,086**	**21.1**	30,881	21.8	**32,086**	**10.2**	30,881	21.8
Port income	-	-	-	-	**1,736**	**1.1**	1,766	1.2	**1,736**	**0.6**	1,766	1.2
Sales of oil and petrochemical products	**162,790**	**100.0**	-	-	-	-	-	-	**162,790**	**51.7**	-	-
	162,790	**100.0**	-	-	**152,055**	**100.0**	141,556	100.0	**314,845**	**100.0**	141,556	100.0

During the year ended 31 December 2019, revenue from the provision of terminal, storage and transshipment activities for liquid products in DZIT was approximately HK$152.1 million which increased by 7.4% over the last year. The increase was mainly attributable to the increase of the storage and transshipment income as a result of the relocation of certain GDPY's customers in all or most of their loading and storage services from XHIT to DZIT and recognition of the storage income of approximately HK$8.9 million after the legal case against customer A was concluded during the year (see note 9 to the financial information). Besides, the Group recorded revenue from the trading of oil and petrochemical products of approximately HK$162.8 million since the completion of the Acquisition of SHDY to 31 December 2019.

OUTLOOK

Currently, international oil prices have fluctuated sharply. Crude oil prices have fallen substantially by 30%. Coupled with the epidemic outbreak of the novel coronaviruses disease (COVID-19), the global economy has been affected to some extent. However, the Group is a leading operator in China's energy industry, the impact of the epidemic is relatively mild on the Group’s business. With the successive work resumption in the countries/regions affected by the outbreak, economic activities are expected to pick up quickly following the downturn. The Group will seize carefully the opportunity to continue its business expansion plan.

In 2020, the Group will continue to promote its diversified business strategy. On the one hand, we will seize the opportunity of developing polypropylene industry and light hydrocarbon comprehensive utilisation industry in the petrochemical industry area where DZIT is located, and through this cooperation, we can maximize the potential resources of DZIT, optimize and expand the traditional port jetty and oil terminals. On the other hand, we will comprehensively promote domestic and international trade in petrochemical industry, and vigorously develop the filling station retail business.

Terminal Storage Business

DZIT is situated in Lisha Island, Humen Harbour district, Shatian county, Dongguan City, Guangdong Province, where a project of 1.2 million tons of propane dehydrogenation is under development. In future, a fine chemical industry park will be built, which will mainly focus on propylene polymers, the comprehensive utilisation of light hydrocarbon and the development and utilisation of hydrogen energy. According to the plan, it is necessary to build LNG/LPG storage tanks of more than 1 million cubic meters capacity in Lisha Island, as well as supporting facilities such as loading and unloading, gasification and gas transmission pipes. This provides DZIT with a great opportunity to expand its business. Based on the two existing jetties of DZIT, with the birthing capacities of 80,000 dwt and 50,000 dwt respectively, and nearly the reserved land of 150,000 square meters near the terminals, the Group plans to take various forms, such as investment, joint venture cooperation and asset restructuring, to participate in the overall planning and construction of the chemical and industrial areas. On the one hand, the Group can convert its unutilised land into operating assets and increase the income and profit of the Group; on the other hand, by constructing and rebuilding existing terminals through LNG/LPG storage tanks and improving the loading and unloading functions of LNG, the Group builds a more sustainable and long-term future for its development.

Trading Business

At the end of 2019, the Group successfully acquired SHDY, which holds a refined oil wholesale operating licence issued by the Ministry of Commerce of the PRC and is a qualified supplier of various state-owned enterprises including Sinopec, PetroChina, CNOOC and SINOCHEM Group. According to the Group’s business plan, trade volume and amount are anticipated to have a significant increase in 2020 as compared to last year. In addition to domestic trading business, the Group will extensively explore international trade. In order to establish a trade team as soon as possible, in early 2020, the Group invested 70% in the formation of a newly set up subsidiary named Hans & Chuen Hing Energy Company Limited with Chuen Hing Petroleum & Chemicals (H.K.) Company Limited (“Chuen Hing Company”), which is an independent third party, for international trade of petrochemical business including crude oil. Chuen Hing Company has been engaged in international trade of petroleum and chemicals for years with extensive experience in international trade and an excellent business team. The establishment and operation of such subsidiary will propel the international trade business of the Group towards the right direction and accelerate its development.

Filling Station Retail Business

After years of preparation and construction, the Group's first filling station has been completed and will soon be put into operation. The filling station is in Guangzhou City, with its floor area, fuel island configuration, equipment level and construction standards all meet the standards of local flagship filling stations. The amount of petrol filled per annum is expected to reach 10 thousand tons. Currently, filling stations in China are premium assets with high returns. In the future, the Group will accelerate its efforts in retail business expansion, identifying high quality filling stations in mainland China, especially in the Pearl River Delta region, and establish a chain of filling stations under the brand of "Hans" through acquisition, leasing and franchising. Meanwhile, the Group is also seeking worldwide opportunities for investment and acquisition of superior filling station assets and businesses in economically developed countries and regions. The Group is expected to develop the filling station retail business as one of its pillar businesses in the future.

In conclusion, through asset swap, the Group has gradually transformed its monotonic business structure in the midstream and downstream chain of petrochemical industry, proactively participated in the three major business segments, including petroleum and petrochemical wholesale trade, storage transportation and retail sale (filling station), and opened up diversified development models. The management believes that at the end of 2020, each business segment of the Group will bring satisfactory results.

FINANCIAL REVIEW

During the year ended 31 December 2019, the Group's financial performance are set out as bellows:

	2019 ***HK$'000***	2018 *HK$'000*	Changes *%*
Continuing operations:			
Revenue	**314,845**	141,556	+122.4
Gross profit	**41,858**	33,592	+24.6
Loss before interest and tax	**(77,891)**	(49,883)	+56.1
Depreciation and amortisation	**68,833**	66,011	+4.3
Finance costs	**49,933**	39,633	+26.0
(Loss)/earnings before interest, tax, depreciation and amortisation ("LBITDA/EBITDA")	**(9,058)**	16,128	-156.2
Gross profit margin (%)	**13.3**	23.7	-10.4 points
Net loss margin (%)	**-41.7**	–69.7	-28.0 points
Group:			
Gain on disposal of discontinued operations	**1,307,768**	–	N/A
Profit/(loss) attributable to equity shareholders of the Company	**1,108,620**	(62,406)	-1,876.5
Basic and diluted earnings/(loss) per share (HK cents)	**29.70**	(1.67)	-1,878.4

Revenue and gross profit margin

During the year, the Group's revenue from continuing operations was approximately HK$314.8 million (2018: HK$141.6 million), representing an increase of 122.4% over the last year. The gross profit from continuing operations was approximately HK$41.9 million (2018: HK$33.6 million), increased by 24.6% over the last year. The increase was mainly attributable to the commencement of oil and petrochemical products trading business by the Group and recognition of the storage income of approximately HK$8.9 million after the legal case against customer A was concluded during the year (see note 9 to the financial information). However, the gross profit margin reduced by 10.4 percentage points from 23.7% to 13.3% on a yearly basis as the gross profit margin of oil and petrochemical products trading business diluted the overall gross profit margin of the terminal storage business.

Loss before interest and tax for the year

During the year, loss before interest and tax from continuing operations was approximately HK$77.9 million (2018: HK$49.9 million), representing an increase of 56.1% over the prior year. After excluding the reversal of impairment losses of trade receivables of HK$35.5 million (2018: provision for impairment losses of trade receivables of HK$38.4 million) (see note 4(c) to the financial information), the increase was mainly attributable to the increase in administrative expenses during the year. The increase of administrative expenses was mainly attributable to the increase of (i) special bonus to Directors in relation to the completion of the Disposal of approximately HK$87.6 million, (ii) legal and other professional fee by approximately HK$22.0 million and (iii) advisory fee in relation to the subscription of limited partnership by approximately HK$3.1 million. As a result of the increase of loss from continuing operations for the year, the Group recorded LBITDA of HK$9.1 million (2018: EBITDA of HK$16.1 million) but net loss margin improved to 41.7% (2018: 69.7%) during the year due to the increase of revenue.

Finance costs

During the year, finance costs from continuing operations amounted to HK$49.9 million (2018: HK$39.6 million) which were mainly incurred on the Group's outstanding bank loans.

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 2019 was 25% (2018: 25%).

Gain on disposal of discontinued operations

During the year ended 31 December 2019, the Group has completed the disposal of GD (Panyu) and recognised a gain of approximately HK$1.31 billion. Details are set out under the paragraph headed "Significant Investments, Material Acquisitions and Disposals and Future Plans for Material Investments or Capital Assets".

Basic and diluted earnings per share of the Group

The Group's basic and diluted earnings per share for the year ended 31 December 2019 were 29.70 Hong Kong cents (2018: basic and diluted loss per share of 1.67 Hong Kong cents).

LIQUIDITY, GEARING AND CAPITAL STRUCTURE

As at 31 December 2019, the Group's total cash and cash equivalents amounted to approximately HK$975 million (2018: HK$881 million). Most of the funds were held in HK$, RMB and US$.

As at 31 December 2019, the Group had total assets of approximately HK$2,074 million (2018: HK$1,955 million) and net current assets of approximately HK$1,000 million (2018: net current liabilities of HK$78 million). The current ratio as at 31 December 2019 of the Group increased to 4.36 (2018: 0.94). The improvement was mainly attributable to the cash consideration from the completion of the Disposal of approximately HK$1.63 billion received by the Group.

As at 31 December 2019, the Group had outstanding bank borrowings of HK$702 million (2018: HK$880 million). The total equity of the Group as at 31 December 2019 amounted to approximately HK$954 million (2018: total deficit of HK$84 million). The gearing ratio (defined as total liabilities to total assets) as at 31 December 2019 significantly reduced to 54.0% (2018: 104.3%). It indicated that we have obviously improved our existing financial position and substantially reduced the degree of leverage of the Group.

FINANCIAL RESOURCES

During the year ended 31 December 2019, the Group met its working capital requirement principally from its business operation and financed with facilities provided by bank. Together with the proceeds received from disposal of GD (Panyu), we are confident that the Group should have adequate financial resources to meet its future debt repayment and support its working capital and future expansion requirements. 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.

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

(i) Completion of Very Substantial Disposal

During the year ended 31 December 2019, the Group has completed a very substantial disposal in relation to the disposal of the entire equity interest in GD (Panyu) which carried out the liquid product terminals of XHIT.

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 "Transaction") at a consideration of RMB1.56 billion (equivalent to HK$1.77 billion). The Transaction was completed on 28 May 2019, on which date all the conditions for the Transaction have been satisfied pursuant to the Sale and Purchase Agreement and the control of GD (Panyu) was transferred to the Purchaser.

Upon completion of the Transaction, the Company ceases to have any interest in GD (Panyu). As a result of the Transaction, the Group recognised a gain of approximately HK$1.31 billion during the year ended 31 December 2019. The Company believes that the Transaction will effectively reduce the Group's financial risks and improve the Group's liquidity that will lay a new foundation for future development.

Further details of the Transaction are set out in the announcements of the Company dated 29 August 2018, 14 September 2018, 19 September 2018, 8 October 2018, 30 November 2018 and 28 May 2019 respectively and the circular of the Company dated 19 September 2018.

(ii) Subscription of Limited Partnership Interest

On 26 March 2019, Creative Apex International Holding Limited ("Creative Apex"), a direct wholly-owned subsidiary of the Company, entered into the subscription agreement (the "Subscription Agreement") with by one single general partner (the "General Partner'), pursuant to which Creative Apex agreed to subscribe for the limited partnership interest in the limited partnership (the "Limited Partnership") with a maximum capital commitment of US$20 million (equivalent to approximately HK$156 million). During the year, the Group made an advisory fee of approximately HK$3.1 million for the Limited Partnership. The Limited Partnership will consider actively, among other things, investment in the energy sector which is in line with the Group's business. The Directors believe that the subscription represents a good investment opportunity for the Group to diversify the Group's investment portfolio and generate stable income and return for the Group.

As at 31 December 2019, the subscription for the limited partnership interest in the Limited Partnership has not been completed and it has not been made any investment. Details of this subscription are set out in the Company's announcements dated 12 April 2019 and 17 May 2019.

(iii) Acquisition of Equity Interest in SHDY

On 5 November 2019, Guangzhou Hans Energy Investment Ltd. (“GZ Hans”), an indirect non-wholly owned subsidiary of the Company, entered into the equity transfer agreement with Guangzhou Daying Petrochemical Co., Ltd. (the “Vendor”), an independent third party, pursuant to which GZ Hans has agreed to purchase, and the Vendor has agreed to sell, 99% equity interest in SHDY (representing all equity interest held by the Vendor in SHDY) for a consideration of RMB10,265,334.97 (the “Acquisition”). The Acquisition was completed on 10 December 2019, on which date the control of SHDY was transferred to GZ Hans.

The Directors believe that the Acquisition will not only help the sourcing and supply of refined oil products for the Group’s self-operated filling stations, but also allow the Group to develop refined oil products trading with oil refineries and provide refined oil products wholesale and distribution services for other filing stations in the PRC, directly by using Licence of SHDY. Thus, the Acquisition can create a synergistic effect within the Group.

Upon the completion of the Acquisition, SHDY becomes an indirect non-wholly owned subsidiary of the Company. Details of this Acquisition are set out in the Company’s announcements dated 5 November 2019 and 27 November 2019.

Other than the disclosed 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 2019.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND PRICES AND RELATED HEDGE

The Group’s cash and cash equivalents are held predominately in HK$, RMB and US$. 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 considers that the Group exposed to fluctuation in exchange rates are not significant. Prices of oil products are affected by a wide range of global and domestic factors which are beyond the control of the Group. The fluctuations in such prices may have favourable or unfavourable impacts on the Group. However, the Group mainly operated on a back-to-back sale and purchase model to avoid the risk of oil price fluctuations. Accordingly, management is in the opinion that the Group’s exposure to foreign exchange rate and price risks are not significant, and hedging by means of derivative instruments is considered unnecessary.

Save for the above disclosed, there was no other significant risks of exchange rates and price during the year ended 31 December 2019.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2019, the Group had a total of approximately 230 employees (2018: 462), 210 (2018: 448) 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.

CHARGE ON GROUP'S ASSETS

The Group has provided the lender with certain of the Group's property, plant and equipment and interests in leasehold land held for own use as collaterals for the banking facilities granted. Details are set out in note 11 to the financial information.

CAPITAL COMMITMENT

At 31 December 2019, the Group had capital expenditure contracted for but not provided in the financial statements in respect of (i) interests in a limited partnership of HK$156 million (31 December 2018: HK$Nil) (Details are stated under the paragraph headed "Significant Investments, Material Acquisitions and Disposals and Future Plans for Material Investments or Capital Assets"), (ii) purchase of an office of HK$10 million (31 December 2018: HK$Nil) and (iii) capital expenditure for filling station development amounting to HK$4 million.

At 31 December 2018, 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 amounting to HK$4 million and filling station development amounting to HK$18 million.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group has no material contingent liabilities.

FINAL DIVIDEND

The Directors do not recommend any final dividend for the year ended 31 December 2019 (2018: Nil).

CORPORATE GOVERNANCE

The Company is committed to a high standard of corporate governance practices appropriate to the conduct and growth of its business in compliance with the principles and code provisions (the "Code Provisions") set out in the corporate governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The board of Directors (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 (before 22 January 2019) and E.1.2 and which deviations are explained below.

– Under Code Provision A.4.1, the non-executive Directors should be appointed for a specific term, subject to re-election. On 22 January 2019, each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of three years from their date of appointment. 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 31 May 2019 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 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2019, 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 2019 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 2019 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 2019 is published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.hansenergy.com). The 2019 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, 20 March 2020

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 Mr. Woo King Hang.

website : www.hansenergy.com