HANS ENERGY COMPANY LIMITED
漢思能源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00554)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The Board of Directors (the "Directors") of Hans Energy Company Limited (the "Company") announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2020 as follows:

CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2020 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	**2020**	2019
		$'000	*$'000*
Continuing operations:			
Revenue	*3*	**1,029,346**	72,176
Direct costs and operating expenses		**(1,007,794)**	(55,967)
		21,552	16,209
Other income	*4*	**4,851**	1,243
Administrative expenses		**(38,739)**	(36,859)
Loss from operations		**(12,336)**	(19,407)
Finance costs	*5(a)*	**(24,405)**	(23,283)
Loss before taxation	*5*	**(36,741)**	(42,690)
Income tax	*6*	**119**	(2,992)
Loss for the period from continuing operations		**(36,622)**	(45,682)
Discontinued operations:			
Profit for the period from discontinued operations		**-**	1,234,689
(Loss)/profit for the period		**(36,622)**	1,189,007

CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2020 – unaudited (continued)
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2020	2019
		$'000	*$'000*
Attributable to:			
Equity shareholders of the Company			
− continuing operations		**(35,887)**	(44,641)
− discontinued operations		**-**	1,240,535
		(35,887)	1,195,894
Non-controlling interests			
− continuing operations		**(735)**	(1,041)
− discontinued operations		**-**	(5,846)
		(735)	(6,887)
(Loss)/profit for the period		**(36,622)**	1,189,007
Basic and diluted (losses)/earnings per share	*7*		
− continuing operations		**(0.98) cents**	(1.20) cents
− discontinued operations		**N/A**	33.23 cents
		(0.98) cents	32.03 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2020 - unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
(Loss)/profit for the period	**(36,622)**	1,189,007
Other comprehensive income for the period:		
Item that may be reclassified subsequently to consolidated income statement:		
Exchange differences on translation of financial statements of subsidiaries		
− continuing operations	**(3,670)**	3,502
− discontinued operations	**-**	632
Release of exchange reserve upon disposal of subsidiary	**-**	(85,880)
Decrease in fair value of investments at fair value through other comprehensive income	**(2,300)**	-
Other comprehensive income for the period	**(5,970)**	(81,746)
Total comprehensive income for the period	**(42,592)**	1,107,261
Attributable to:		
Equity shareholders of the Company		
− continuing operations	**(41,816)**	(41,345)
− discontinued operations	**-**	1,155,238
	(41,816)	1,113,893
Non-controlling interests		
− continuing operations	**(776)**	(835)
− discontinued operations	**-**	(5,797)
	(776)	(6,632)
Total comprehensive income for the period	**(42,592)**	1,107,261

CONSOLIDATED BALANCE SHEET
at 30 June 2020 – unaudited
(Expressed in Hong Kong dollars)

	Note	**At 30 June 2020**	At 31 December 2019
		$'000	*$'000*
Non-current assets			
Property, plant and equipment		**562,074**	574,017
Interests in leasehold land and building held for own use		**195,278**	173,912
Prepayments		**3,425**	22,711
Investment at fair value through other comprehensive income		**19,840**	-
Intangible assets		**1,307**	1,394
Goodwill		**4,638**	4,729
		786,562	776,763
Current assets			
Inventories		**265,313**	149,154
Trade and other receivables	*8*	**350,174**	174,063
Cash and cash equivalents		**852,653**	974,510
		1,468,140	1,297,727
Current liabilities			
Trade and other payables and contract liabilities	*9*	**366,047**	128,252
Bank loans	*10*	**55,606**	50,021
Lease liabilities		**6,303**	5,246
Current taxation		**538**	1,481
Amounts due to related parties	*11*	**275,790**	112,958
		704,284	297,958
Net current assets		**763,856**	999,769
Total assets less current liabilities		**1,550,418**	1,776,532
Non-current liabilities			
Bank loans	*10*	**610,572**	652,478
Lease liabilities		**28,718**	2,886
Amounts due to related parties	*11*	**-**	167,448
		639,290	822,812
NET ASSETS		**911,128**	953,720

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2020
at 30 June 2020 – unaudited (continued)
(Expressed in Hong Kong dollars)

	At 30 June 2020	At 31 December 2019
	$'000	*$'000*
Capital and reserves		
Share capital	**373,264**	373,264
Reserves	**523,545**	565,361
Total equity attributable to equity shareholders of the Company	**896,809**	938,625
Non-controlling interests	**14,319**	15,095
TOTAL EQUITY	**911,128**	953,720

NOTES：

(Expressed in Hong Kong dollars, unless otherwise indicated)

1. Basis of preparation

The unaudited consolidated interim financial information set out in this announcement does not constitute the unaudited interim financial report of the Group for the six months ended 30 June 2020 but is extracted from that unaudited interim financial report which has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 25 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2. In addition, the Group has adopted the accounting policy for investments in equity securities in the interim financial report as follows:

Investments in equity securities

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

Equity Investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at fair value through other comprehensive income ("FVOCI") (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the investment revaluation reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the investment revaluation reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

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

1. Basis of preparation (continued)

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2019 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

2. Changes in accounting policies

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Revenue and segment reporting

The Group manages its businesses by entities, which are organised by a mixture of both 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 four reportable segments. No operating segments have been aggregated to form the following reportable segments:

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

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

- Guangzhou Hans Gongjiao Energy Co., Ltd. ("GHGJ"): this segment represents the Group's operation of a filling station in Zengcheng, the PRC.

- Xiao Hu Island Terminal ("XHIT"): this segment represents the Group's provision of terminal, transhipment, warehousing and storage activities carried out in Panyu, the PRC. The segment XHIT was classified as discontinued operations for the six months ended 30 June 2019.

3. Revenue and segment reporting (continued)

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in subsidiaries and other corporate assets. Segment liabilities include trade and other payables and contract liabilities and lease liabilities attributable to the individual segments, and bank loans 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 loss is "loss before taxation" i.e. "adjusted losses before taxes". To arrive at "loss before taxation", the Group's losses are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs.

(b) Disaggregation of revenue

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

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
Revenue from contracts with customers not within the scope of HKFRS 15		
Continuing operations		
Storage and warehousing income	**56,506**	55,431
Discontinued operations		
Storage and warehousing income	**-**	8,990
	56,506	64,421
Revenue from contracts with customers within the scope of HKFRS 15		
Continuing operations		
Port and transshipment income	**17,670**	16,745
Sales of oil and petrochemical products	**949,020**	-
Revenue from operating a filling station	**6,150**	-
Discontinued operations		
Port and transshipment income	**-**	4,487
	972,840	21,232
	1,029,346	85,653

3. Revenue and segment reporting (continued)

(c) Information about profit or loss, assets and liabilities

	Continuing operations						Discontinued operations			
	DZIT		SHDY		GHGJ		XHIT		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
For the six months ended 30 June										
Revenue from external customers	**74,176**	72,176	**949,020**	-	**6,150**	-	**-**	13,477	**1,029,346**	85,653
Inter-segment revenue	**1,501**	-	**4,284**	-	**-**	-	**-**	-	**5,785**	-
Reportable segment revenue	**75,677**	72,176	**953,304**	-	**6,150**	-	**-**	13,477	**1,035,131**	85,653
Reportable segment loss before taxation	**(7,019)**	(12,694)	**(6,298)**	-	**(1,151)**	-	**-**	(73,215)	**(14,468)**	(85,909)

	Continuing operations						Discontinued operations			
	DZIT		SHDY		GHGJ		XHIT		Total	
	At 30 June 2020	At 31 December 2019	**At 30 June 2020**	At 31 December 2019	**At 30 June 2020**	At 31 December 2019	**At 30 June 2020**	At 31 December 2019	**At 30 June 2020**	At 31 December 2019
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Reportable segment assets	**762,103**	834,167	**612,148**	331,800	**56,203**	-	**-**	-	**1,430,454**	1,165,967
Reportable segment liabilities	**683,192**	736,332	**348,765**	90,898	**23,046**	-	**-**	-	**1,055,003**	827,230

(d) Reconciliations of reportable segment (loss)/profit before taxation

	Continuing operations		Discontinued operations		Total	
	2020	2019	**2020**	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
For the six months ended 30 June						
Reportable segment loss before taxation	**(14,468)**	(12,694)	**-**	(73,215)	**(14,468)**	(85,909)
Gain on disposal of discontinued operations	**-**	-	**-**	1,307,768	**-**	1,307,768
Unallocated other income/(expenses)	**1,302**	(948)	**-**	-	**1,302**	(948)
Unallocated head office and corporate expenses	**(23,575)**	(29,048)	**-**	-	**(23,575)**	(29,048)
Consolidated (loss)/profit before taxation	**(36,741)**	(42,690)	**-**	1,234,553	**(36,741)**	1,191,863

4. Other income

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
Continuing operations:		
Interest income	**5,116**	2,283
Net foreign exchange loss	**(3,245)**	(2,611)
Gain/(loss) on disposal of property, plant and equipment	**1**	(708)
Others	**2,979**	2,279
	4,851	1,243
Discontinued operations:		
Interest income	**-**	1,507
Loss on disposal of property, plant and equipment	**-**	(1,256)
Net foreign exchange loss	**-**	(75)
Others	**-**	261
	-	437
	4,851	1,680

5. Loss before taxation

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
(a) Finance costs		
Continuing operations:		
Interest on bank loans	**23,857**	23,219
Interest on lease liabilities	**548**	64
	24,405	23,283
Discontinued operations:		
Interest on bank loans	**-**	2,374
	24,405	25,657

5. Loss before taxation (continued)

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
*(b) Staff costs**		
Continuing operations:		
Contributions to defined contribution retirement plan	**1,416**	901
Salaries, wages and other benefits	**22,591**	18,459
Equity-settled share-based payment expenses	**-**	8,260
	24,007	27,620
Discontinued operations:		
Contributions to defined contribution retirement plan	**-**	348
Salaries, wages and other benefits	**-**	61,002
	-	61,350
Total staff costs	**24,007**	88,970
(c) Other items		
Continuing operations:		
Amortisation		
– intangible assets	**84**	85
Depreciation		
– owned property, plant and equipment	**29,676**	29,950
– right-of-use assets*	**6,324**	4,176

* Staff costs include $884,000 relating to depreciation of right-of-use assets (six months ended 30 June 2019: $1,688,000), which amount is also included in the respective total amount disclosed separately above.

6. Income tax

(a) Continuing operations

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
Current tax – PRC Enterprise Income Tax		
Provision for the period (ii)	**(25)**	(15)
Over-provision in previous years	**144**	-
	119	(15)
Current tax – PRC dividend income withholding tax	**-**	(2,977)
	119	(2,992)

(b) Discontinued operations

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
Deferred tax – origination and reversal of temporary differences	**-**	136

Notes:

(i) No Hong Kong Profits Tax was provided for the six months ended 30 June 2020 as the Group sustained a loss for Hong Kong Profits Tax purposes for the period (six months ended 30 June 2019: $Nil).

(ii) The statutory income tax rate applicable to the Company's PRC subsidiaries is 25% for the six months ended 30 June 2020 (six months ended 30 June 2019: 25%).

7. (Losses)/earnings per share

Basic and diluted (losses)/earnings per share

The calculation of basic and diluted losses per share (2019: earning per share) is based on the loss attributable to ordinary equity shareholders of the Company of $35,887,000 (six months ended 30 June 2019: profit attributable to ordinary equity shareholders of the Company of $1,195,894,000) and weighted average of 3,732,638,000 ordinary shares (six months ended 30 June 2019: 3,732,638,000 ordinary shares) in issue deducting the weighted average number of treasury shares held under share award scheme of 58,590,000 ordinary shares (2019: Nil) during the interim period. The relevant calculation is as follows:

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
(Loss)/profit attributable to ordinary equity shareholders		
– continuing operations	**(35,887)**	(44,641)
– discontinued operations	**-**	1,240,535
	(35,887)	1,195,894
Basic and diluted (losses)/earnings per share		
– continuing operations	**(0.98) cents**	(1.20) cents
– discontinued operations	**N/A**	33.23 cents
	(0.98) cents	32.03 cents

The diluted (losses)/earnings per share is the same as the basic (losses)/earnings per share as there were no dilutive potential ordinary shares in existence during the six months ended 30 June 2020 and 2019.

8. Trade and other receivables

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

	At 30 June 2020	At 31 December 2019
	$'000	*$'000*
Within 1 month	**206,760**	91,459
Over 1 month but within 2 months	**-**	1,124
Over 2 months but within 3 months	**-**	34
Over 3 months	**-**	2,896
Trade debtors, net of loss allowance	**206,760**	95,513
Prepayment and other receivables	**143,414**	78,550
	350,174	174,063

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.

During the six months ended 30 June 2020, the Group kept assessing the expected credit loss of all the receivables and established a provision for loss allowance, if any. The provision for loss allowance is recorded using a provision account unless the Group is satisfied that the recovery is remote, in which case the expected credit loss is written off against the receivables and the provision for doubtful debts directly. The Group does not hold any collateral over these balances.

9. Trade and other payables and contract liabilities

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables and contract liabilities), based on the invoice date, is as follows:

	At 30 June 2020	At 31 December 2019
	$'000	*$'000*
Within 1 month	**258,029**	49,862
1 to 3 months	**530**	-
Total creditors	**258,559**	49,862
Other creditors and accrued charges	**26,743**	47,057
Contract liabilities	**80,745**	31,333
	366,047	128,252

10. Bank loans

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

	At 30 June 2020	At 31 December 2019
	$'000	*$'000*
Current liabilities		
Bank loans	**55,606**	50,021
Non-current liabilities		
Bank loans	**610,572**	652,478
	666,178	702,499

(b) As at 30 June 2020, the bank loans were repayable as follows:

	At 30 June 2020	At 31 December 2019
	$'000	*$'000*
Bank loans (secured)		
Within 1 year or on demand	**55,606**	50,021
After 1 year but within 2 years	**68,689**	63,358
After 2 years but within 5 years	**296,564**	277,887
After 5 years	**245,319**	311,233
	610,572	652,478
	666,178	702,499

(c) At 30 June 2020, the Group had banking facilities totalling $666,178,200 (31 December 2019: $702,499,000), which were secured by certain of the Group's property, plant and equipment with net book value of $357,208,000 as at 30 June 2020 (31 December 2019: $383,217,000) and interests in leasehold land held for own use with net book value of $168,287,000 (31 December 2019: $173,912,000). The banking facilities were utilised to the extent of $666,178,200 as at 30 June 2020 (31 December 2019: $702,499,000).

11. Amounts due to related parties

Apart from the non-current amounts due to related parties of $167,448,000 as at 31 December 2019 which are unsecured, interest-free and repayable after one year, the amounts due to related parties are unsecured, interest-free and repayable within one year.

12. Commitments

Capital commitments outstanding at 30 June 2020 not provided for in the interim financial report

At 30 June 2020, the Group had capital expenditure contracted for but not provided in the interim financial report in respect of interest in a limited partnership of $133 million (31 December 2019: $156 million) (note (a)).

At 31 December 2019, the Group had capital expenditure contracted for but not provided in the financial statements in respect of purchase of an office of $10 million and capital expenditure for filling station development of $4 million.

Note (a):

The amount at 30 June 2020 represented USD 17 million (equivalent to $133 million) for subscription for limited partnership interest in a limited partnership ("the Limited Partnership") as a limited partner. The purpose of the Limited Partnership is primarily achieving capital appreciation and participating primarily through investments in equity and equity-related securities, mainly in companies based in Asia-Pacific and Europe and portfolio funds with a similar investment focus. The business of the Limited Partnership will be conducted and managed by one single general partner (the "General Partner"), who have exclusive responsibility for the operation of the Limited Partnership and the management conduct and control of its business and affairs and shall make all investment decisions on behalf of the Limited Partnership. The limited partners of the Limited Partnership, including the Group, shall take no part in the operation of the Limited Partnership or the management or conduct of its business and affairs except with the written consent of the General Partner. Details of this transaction are set out in the Company's announcements dated 12 April 2019 and 17 May 2019. Up to the date of this announcement, the Group's subscription for limited partnership interest in the Limited Partnership has not been completed.

13. Non-adjusting events after the reporting period

(a) Subsequent to the end of the reporting period, the Group repaid the amount due to a related party of $200,000,000 in July 2020.

(b) Subsequent to the end of the reporting period, the Group also entered into the following transactions on 21 August 2020 as set out in the Company's announcement on the same date:

Templewater Bravo Holdings Limited ("TWB Holdings"), Glorify Group Limited ("Glorify"), a wholly-owned subsidiary of the Group, Ascendal Bravo Limited ("ABL") and Bravo Transport Holdings Limited ("BTHL") entered into a BTHL share subscription agreement ("the BTHL Share Subscription Agreement"), pursuant to which each of TWB Holdings, Glorify and ABL has conditionally agreed to subscribe for shares constituting approximately 90.8%, 8.6% and 0.6%, respectively of the entire issued share capital of BTHL following the final completion of the issue of such shares for the aggregate consideration of USD162 million, USD15 million and USD1 million (equivalent to approximately $1,258 million, $119 million and $8 million), respectively.

13. Non-adjusting events after the reporting period ("continued")

(b) Immediately after signing of the BTHL Share Subscription Agreement, NWS Service Management Limited ("NWS Service") and BTHL entered into an acquisition agreement, pursuant to which NWS Service has conditionally agreed to sell, and BTHL has conditionally agreed to purchase the entire issued share capital of NWS Transport Services Limited ("the Target Company") for the aggregate consideration of $3,200 million. The Target Company and its subsidiaries are principally engaged in the provision of public bus and travel related services in Hong Kong.

BTHL and China CITIC Bank International Limited ("CNCBI") also entered into a loan agreement, pursuant to which CNCBI (as lender) has agreed to grant loan facilities for the purposes of the acquisition of the equity shares of the Target Company, and BTHL shall procure that, among others, Glorify (as chargor) will charge all of the BTHL Shares held by Glorify to CNCBI (as security agent for the relevant secured parties/lenders).

The Company, Mr. An, the chairman, an executive director and a controlling shareholder of the Company, and a placing agent ("the Placing Agent") entered into a placing and top-up subscription agreement ("the Placing and Top-up Subscription Agreement"), pursuant to which, (a) Mr. An has agreed to appoint the Placing Agent, and the Placing Agent has agreed to act as agent of Mr. An and to use its best efforts to procure purchasers for up to 175,000,000 existing shares at the $0.33 per the placing share; and (b) Mr. An has agreed to subscribe for, and the Company has agreed to issue to Mr. An, such amount of new shares as being equal to the actual number of shares placed by the Placing Agent under the placing, at the placing price less the aggregate amount of the expenses attributable to each subscription share, in each case subject to the terms and conditions set out in the Placing and Top-up Subscription Agreement.

Up to the date of this announcement, the acquisition of the Target Company and the placing and top-up subscription have not been completed.

14. Impacts of COVID-19 pandemic

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment but has immaterial impact on the Group's operations and financial position. The Group has been closely monitoring the impact of the developments on the Group's business.

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 and liquid chemicals products, offering value-added services in its own ports and storage tank farms (the "terminal storage business"), trading of oil and petrochemical products (the "trading business") and operating of a filling station (the "retail business").

Terminal Storage Business

Prior to 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 Petrochemical Terminal ("DZIT") carried out by Dongguan Dongzhou International Petrochemical Storage Limited ("DZ International"). Upon the completion of the very substantial disposal of GD (Panyu) on 28 May 2019, the Group continues to own and operate DZIT that is situated in Lisha Island, Humen Harbour district, Shatian county, Dongguan city, Guangdong province. It 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 petrochemical tanks of a total storage capacity of approximately 260,000 cubic metres, out of which 180,000 cubic metres are specialised 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.

Trading Business

Shanghai Diyou Industry Co., Ltd. ("SHDY") operates in the trading of oil and petrochemical products and holds a refined oil wholesale operating licence issued by the Ministry of Commerce of the People's Republic of China (the "PRC"). At the same time, SHDY is a qualified supplier for major energy companies such as PetroChina, Sinopec etc.

Retail Business

The Group's first filling station operated by Guangzhou Hans Gongjiao Energy Co., Ltd. ("GHGJ") with the co-operation with a local state-owned enterprise in Guangzhou city was built and has commenced its operations since April 2020. The filling station has a site area of approximately 12,500 square metres. Its floor area, fuel island configuration, equipment level and construction standards all meet the standards of local flagship filling stations. The filling station is mainly engaged in petrol filling services, supplemented by comprehensive services such as convenience stores, car maintenance, and logistics warehouses, and providing petrol filling related services.

Key Performance Indicators

Terminal Storage Business

The leaseout rates and cargo throughput are the major key performance indicators of the terminals. Higher leaseout rate should return with higher storage income. More cargoes flows mean more works in the terminals thus more handling fee income. The leaseout rates and cargo throughput of DZIT during the last two periods are as follows:

	Six months ended 30 June		
Operational statistics	**2020**	2019	Change %
Liquid product terminal and transshipment services			
Number of vessels visited			
– foreign	**84**	75	+12.0
– domestic	**234**	294	–20.4
Number of trucks served to pick up cargoes	**28,279**	29,413	–3.9
Number of drums filled	**7,339**	4,397	+66.9
Transshipment volume (metric ton)	**124,882**	106,291	+17.5
– oil	**70,907**	31,890	+122.3
– petrochemical products	**53,975**	74,401	–27.5
Terminal throughput (metric ton)	**3,282,000**	1,708,000	+92.2
– port jetty throughput	**1,224,000**	971,000	+26.1
– loading station throughput	**2,058,000**	737,000	+179.2
Storage services			
Leaseout rate – oil and petrochemical products (%)	**97.9**	93.8	+4.1 points

With the outbreak of the novel coronaviruses disease (COVID-19), many PRC factories have suspended operations at the beginning of this year, the economy has been affected. For DZIT, the number of domestic vessels visited and trucks served to pick up cargoes decreased. Fortunately, economic activities were resumed quickly following the downturn in the PRC. Coupled with the completion of the disposal of GD (Panyu) by the Group in 2019, certain premium customers relocated all or most of their loading and storage services from XHIT to DZIT. Such relocation in return drove the Group's overall transshipment volume and terminal throughput increased by 17.5% and 92.2% respectively in the first half year. Besides, the average leaseout rate for both oil and petrochemical tanks achieved as high as 97.9% during the period, representing an increase of 4.1% points over the same period of the prior year.

Trading Business

	Six months ended 30 June		
Operational statistics	**2020**	2019	Change %
Number of sale contracts entered	**68**	-	N/A
Sales volume of oil and petrochemical products (metric ton)	**254,000**	-	N/A

SHDY continues to develop business with existing customers and further develops relationship with high quality new customers in order to expand customer base and business scale since the acquisition in 2019. During the six months period ended 30 June 2020, SHDY entered into a total of 68 sales contracts with total sale volumes of approximately 254,000 metric ton.

SEGMENT REVENUE

During the six months ended 30 June 2020, the Group manages its operations by three existing reportable segment revenue from the (i) trading business, (ii) storage and terminal business and (iii) retail business. The breakdown is as follows:

	SHDY				DZIT				GHGJ				Total			
Six months ended 30 June	**2020**		2019		**2020**		2019		**2020**		2019		**2020**		2019	
	$'000	***%***	*$'000*	*%*	***$'000***	***%***	***$'000***	***%***	***$'000***	***%***	***$'000***	***%***	***$'000***	***%***	*$'000*	*%*
Sales of oil and petrochemical products	**949,020**	**100.0**	-	-	**-**	**-**	-	-	**-**	**-**	-	-	**949,020**	**92.2**	-	-
Storage income	**-**	**-**	-	-	**56,506**	**76.2**	55,431	76.8	**-**	**-**	-	-	**56,506**	**5.5**	55,431	76.8
Transshipment and other handling income	**-**	**-**	-	-	**16,927**	**22.8**	15,912	22.0	**-**	**-**	-	-	**16,927**	**1.6**	15,912	22.0
Port income	**-**	**-**	-	-	**743**	**1.0**	833	1.2	**-**	**-**	-	-	**743**	**0.1**	833	1.2
Revenue from operating a filling station	**-**	**-**	-	-	**-**	**-**	-	-	**6,150**	**100.0**	-	-	**6,150**	**0.6**	-	-
	949,020	**100.0**	-	-	**74,176**	**100.0**	72,176	100.0	**6,150**	**100.0**	-	-	**1,029,346**	**100.0**	72,176	100.0

During the six months ended 30 June 2020, the Group's total revenue increased significantly from $72.2 million to $1,029.3 million, an increase by 1,326.2% as compared to the same period in prior year. The increase was mainly attributable to the new segment revenue from the trading business and the retail business during the period. The trading business operated by SHDY was acquired in December 2019 that has brought a substantial increase to the Group's revenue, accounting for 92.2% of the Group's total revenue during the period. On the other hand, the retail business from the filling station has commenced its operation since April 2020 that contributed the revenue of $6.2 million to the Group. During the six months ended 30 June 2020, revenue from the provision of terminal, storage and transshipment activities for liquid chemicals products in DZIT was $74.2 million, an increase by 2.8% on a half-year basis. The increase was mainly attributable to the increase in storage income and transshipment income that was arisen from the relocation of certain GD (Panyu)'s customers from XHIT to DZIT since last year.

OUTLOOK

Terminal Storage Business

In the first half of 2020, despite of the fact that the outbreak of COVID-19 has spread throughout the world and severely disrupted the economy, the Group's traditional business operations remained stable, while port jetty throughput and oil terminal leaseout rate increased compared to that of the corresponding period last year. The main reasons included: firstly, part of the business from sale of assets last year was transferred to DZIT's port jetty and oil terminal; secondly, mutual access and collaboration between DZIT and surrounding port jetty and oil terminals contributed to the growth of certain businesses. It is expected that in the second half of this year, with further and improved such cooperation, business volume will further increase. The management of the Group believes that terminal storage business of DZIT shall rely on the construction of new operating facilities to achieve greater development. The Group is negotiating with various parties in relation to the cooperation plan for the construction of DZIT Phase II project, with an aim to commence the construction of the new project as soon as possible.

Trading of refined oil and petrochemical products

Due to the significant decrease in oil prices and the decline in consumption of petroleum products attributed to the global epidemic, trading of refined oil and petrochemical products was severely interrupted, and accordingly, the business scale and profitability of SHDY, which was acquired by the Group at the end of last year, suffered. Nevertheless, in the first half of this year, SHDY still brought an operating revenue of HK$950 million to the Group. In the second half of 2020, as the Mainland's economy recovers, trade volume and profitability are expected to improve. Meanwhile, the Group plans to carry out import trading business, which will bring revenue growth to the Group's subsidiaries in both China and Hong Kong.

Filling Station Business

The Group's first joint-venture filling station was officially opened in April this year, and the current daily refueling capacity is approximately 15 tons. Due to the higher retail profit of refined oil products, it is expected that significant contribution will be made to the profit of the Group by the end of the year. On the other hand, the Group is looking for more filling station assets in Southern China, which will be incorporated into the retail business sector of the Group through various flexible ways such as acquisition, leasing, cooperative operation and franchise operation. It strives to add 5 or more filling stations by the end of 2020 to form a preliminary scale.

2020 is a year for the Group to take up our predecessor's mantle and create our own success. Despite the sudden blow to the global economy under the epidemic, the Group's traditional business operations remained stable. Although the new trading segment business has not reached the expected goal, it has created a much higher operating revenue than that of the traditional business, which shows that the Group has successfully entered into a new business field. At present, the Group is still actively identifying suitable investment projects to expand the current business chain of the Group, provide more better services to the society, and bring greater returns to the Group and shareholders.

FINANCIAL REVIEW

RESULTS OF OPERATIONS

During the six months ended 30 June 2020, the Group's financial performance are set out as bellows:

	Six months ended 30 June		
	2020	2019	Changes
	$'000	*$'000*	*%*
Continuing operations:			
Revenue	**1,029,346**	72,176	+1,326.2
Direct costs and operating expenses	**(1,007,794)**	(55,967)	+1,700.7
Gross profit	**21,552**	16,209	+33.0
Loss before interest and tax ("LBIT")	**(12,336)**	(19,407)	-36.4
Depreciation and amortisation	**36,207**	34,211	+5.8
Finance costs	**24,405**	23,283	+4.8
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**23,871**	14,804	+61.2
Basic and diluted losses per share (cents)	**(0.98)**	(1.20)	-18.3
Gross profit margin (%)	**2.1**	22.5	-20.4 points
Net loss margin (%)	**-3.6**	-63.3	-59.7 points

Revenue and gross profit margin

During the six months ended 30 June 2020, the Group's revenue from continuing operations was $1,029.3 million (2019: $72.2 million), representing an increase of 1,326.2% over the same period of last year. The trading business has been acquired since last year that has brought a substantial revenue to the Group. During the period, revenue from trading of oil and petrochemical products was $949.0 million, accounting for 92.2% of the Group's total revenue while revenue from the provision of terminal, storage and transshipment activities for petroleum and liquid chemicals products in DZIT was $74.2 million which increased by 2.8% over the same period of the last year.

Direct costs and operating expenses

During the six months ended 30 June 2020, the Group's direct costs and operating expenses were $1,007.8 million, representing an increase of 1,700.7% over the same period of last year. Following the commencement of trading and retail business, costs of inventories from refined oil and petrochemical products were $955.6 million, accounting for 94.8% of total direct costs and operating expenses. Other direct costs and operating expenses from terminal storage business were $50.8 million (2019: $56.0 million), representing a decrease of 9.3% over the same period of last year. The decrease was mainly attributable to the decrease in repair and maintenance costs for the period.

Gross profit

During the six months ended 30 June 2020, the Group's gross profit from continuing operations were $21.6 million, representing an increase of 33.0% over the same period of last year. In the first half of 2020, the gross profit margin was 2.1%, representing a reduction of 20.4% points on a half-year basis. This was mainly attributable to the lower gross profit margin of sale of oil and petrochemical products diluted the overall gross profit margin of the terminal storage business.

LBIT and EBITDA

During the six months ended 30 June 2020, LBIT from continuing operations was approximately $12.3 million (2019: $19.4 million), representing a decrease of 36.4% over the same period of last year. The decrease was mainly attributable to the increase of gross profit during the period. As a result of the decrease of LBIT, EBITDA from continuing operations increased to $23.9 million (2019: $14.8 million) during the period.

Finance costs

During the period, finance costs from continuing operations amounted to $24.4 million (2019: $23.3 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 period. The applicable tax rate of the Group's PRC subsidiaries for the period ended 30 June 2020 was 25% (2019: 25%).

Basic and diluted losses per share

The basic and diluted losses per share from continuing operations for the six months ended 30 June 2020 were $0.98 cents (2019: $1.2 cents).

LIQUIDITY, GEARING AND CAPITAL STRUCTURE

As at 30 June 2020, the Group's total cash and cash equivalents amounted to $852.7 million (31 December 2019: $974.5 million). Most of the funds were held in HK dollars, RMB and US dollars.

As at 30 June 2020, the Group had total assets of $2,254.7 million (31 December 2019: $2,074.5 million), of which the non-current assets were $786.6 million (31 December 2019: $776.8 million) and the current assets were $1,468.1 million (31 December 2019: $1,297.7 million). As at 30 June 2020, net current assets were $763.9 million (31 December 2019: $999.8 million). The current ratio as at 30 June 2020 of the Group was 2.08 (31 December 2019: 4.36), indicating that the Group has adequate cash to meet its short-term obligations. The change in the ratio was mainly attributable to reclassify amounts due to related parties of $164.2 million from non-current liabilities to current liabilities as at 30 June 2020.

As at 30 June 2020, the Group had outstanding bank borrowings of $666.2 million (31 December 2019: $702.5 million). The total owners' equity of the Group as at 30 June 2020 amounted to approximately $911.1 million (31 December 2019: $953.7 million). The gearing ratio (defined as total liabilities to total assets) as at 30 June 2020 was 59.6% (31 December 2019: 54.0%). The Group will continuously consider various financing methods to improve our existing financial position and reduce the degree of leverage of the Group.

FINANCIAL RESOURCES

During the six months ended 30 June 2020, the Group met its working capital requirement principally from its business operation and financed with facilities provided by bank. Management is 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

During the period ended 30 June 2020, the Group made the drawdown of $19.0 million (equivalent to US$2.44 million) (for the year ended 31 December 2019: $3.1 million (equivalent to US$400,000)) into the Limited Partnership as set out in note 12. As at 30 June 2020, total capital contribution into the Limited Partnership was $22.1 million (equivalent to US$2.84 million).

Other than the disclosed above, there was no other significant investments, nor there was no any other material acquisitions or disposals during the period. The Group did not have any future plans for materials investments nor addition of capital assets during the six months ended 30 June 2020.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND PRICES AND RELATED HEDGE

The Group's cash and cash equivalents are held predominately in HK dollars, RMB and US dollars. 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 six months ended 30 June 2020.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2020, the Group had a workforce of approximately 230 employees (31 December 2019: 230), 205 (31 December 2019: 210) 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. The Group has adopted the share option scheme and share award scheme under which eligible participants may be granted options to subscribe for shares in the Company or awards in the Company's shares respectively.

CHARGE ON GROUP'S ASSETS

The Group has provided the lender with certain of the Group's property, plant and equipment as collaterals for the banking facilities granted. Details are set out in the note 10.

COMMITMENTS

Details of commitments are set out in note 12.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group has no material contingent liabilities.

EVENTS AFTER BALANCE SHEET DATE

Details of events after balance sheet date are set out in note 13.

INTERIM DIVIDEND

The directors do not recommend any interim dividend for the six months ended 30 June 2020 (2019: Nil).

OTHER INFORMATION

REVIEW OF THE INTERIM FINANCIAL REPORT

The Group's unaudited interim financial report for the six months ended 30 June 2020 is prepared in accordance with HKAS 34, *Interim financial reporting*. It has been reviewed by the Company's independent auditor KPMG, in accordance with Hong Kong Standard on Review Engagement 2410, *Review of interim financial information performed by the independent auditor of the entity.* The interim financial report has been reviewed by the Audit Committee of the Company.

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

Save for above disclosed, during the period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the company's listed securities.

CORPORATE GOVERNANCE

(a) Compliance with the Corporate Governance Code and Corporate Governance Report

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Listing Rules on the Stock Exchange. The Board has complied with the CG Code except for the deviations from Code Provisions E.1.2 as disclosed in 2019 annual report.

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

(b) Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the directors and all of them have confirmed that they have complied with the Model Code for the six months ended 30 June 2020.

(c) Changes in Director's Information

The following are the changes in the information of directors which are required to be disclosed pursuant to Rule 13.51(2) and 13.51B of the Listing Rules:

With effect from 20 May 2020, Mr. Woo King Hang was appointed as vice chairman and non-executive director in Centenary United Holdings Limited (stock code: 1959), the securities of which is listed on the Stock Exchange.

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

Hong Kong, 25 August 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