# HANS ENERGY COMPANY LIMITED
# 漢思能源有限公司

*(Incorporated in the Cayman Islands with limited liability)*
(Stock code: 554)

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

The Board of Directors (the "Directors") of Hans Energy Company Limited (the "Company") announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011 as follows:

### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011
*(Expressed in Hong Kong dollars)*

| | *Note* | **2011** **$'000** | 2010 $'000 |
|---|---|---|---|
| **Turnover** | *2* | **144,884** | 159,615 |
| Direct cost and operating expenses | | **(106,130)** | (55,052) |
| | | **38,754** | 104,563 |
| Other net income | *3* | **213** | 2,222 |
| Administrative expenses | | **(47,517)** | (42,561) |
| Impairment loss on trade receivables | *8(a)* | **(109,472)** | - |
| **(Loss)/profit from operations** | | **(118,022)** | 64,224 |
| Finance costs | *4(a)* | **(25,231)** | (679) |
| **(Loss)/profit before taxation** | *4* | **(143,253)** | 63,545 |
| Income tax | *5(a)* | **182** | (20,738) |
| **(Loss)/profit for the year** | | **(143,071)** | 42,807 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **(133,930)** | 37,020 |
| Non-controlling interests | | **(9,141)** | 5,787 |
| **(Loss)/profit for the year** | | **(143,071)** | 42,807 |
| **(Loss)/earnings per share** | *6* | | |
| - basic | | **(3.59 cents)** | 0.99 cent |
| - diluted | | **(3.59 cents)** | 0.99 cent |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 DECEMBER 2011**
*(Expressed in Hong Kong dollars)*

| | **2011** | 2010 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **(Loss)/profit for the year** | **(143,071)** | 42,807 |
| **Other comprehensive income for the year** | | |
| Exchange differences on translation of financial statements of subsidiaries | **31,497** | 21,988 |
| **Total comprehensive income for the year** | **(111,574)** | 64,795 |
| **Attributable to:** | | |
| Equity shareholders of the Company | **(104,906)** | 57,245 |
| Non-controlling interests | **(6,668)** | 7,550 |
| **Total comprehensive income for the year** | **(111,574)** | 64,795 |

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2011

*(Expressed in Hong Kong dollars)*

| | *Note* | **2011** | 2010 |
|---|---|---|---|
| | | ***$'000*** | *$'000* |
| **Non-current assets** | | | |
| Fixed assets | 7 | | |
| - Property, plant and equipment | | **1,571,956** | 284,378 |
| - Construction in progress | 7(a) | **-** | 1,418,758 |
| - Interests in land held for own use under operating leases | 7(b) | **280,137** | 19,060 |
| Prepayments for construction costs | | **15,263** | 21,176 |
| Intangible assets | | **2,809** | 2,993 |
| | | **1,870,165** | 1,746,365 |
| **Current assets** | | | |
| Interest in land held for own use under operating leases | 7(b) | **7,587** | 1,554 |
| Consumable parts | | **18,327** | 3,462 |
| Trade and other receivables | 8 | **31,515** | 72,104 |
| Current tax recoverable | | **13,786** | - |
| Cash and cash equivalents | | **68,281** | 76,429 |
| | | **139,496** | 153,549 |
| **Current liabilities** | | | |
| Other payables and accruals | | **76,004** | 99,989 |
| Deferred revenue | | **2,872** | 3,634 |
| Bank loans | 9 | **1,179,625** | 10,200 |
| Current taxation | | **-** | 5,694 |
| | | **1,258,501** | 119,517 |
| **Net current (liabilities)/assets** | | **(1,119,005)** | 34,032 |
| **Total assets less current liabilities** | | **751,160** | 1,780,397 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **7,236** | 7,420 |
| Bank loans | 9 | **-** | 1,116,469 |
| Amount due to a director | 10 | **198,990** | - |
| | | **206,226** | 1,123,889 |
| **Net assets** | | **544,934** | 656,508 |
| **Capital and reserves** | | | |
| Share capital | | **373,264** | 373,264 |
| Reserves | | **124,221** | 229,127 |
| **Total equity attributable to equity shareholders of the Company** | | **497,485** | 602,391 |
| **Non-controlling interests** | | **47,449** | 54,117 |
| **Total equity** | | **544,934** | 656,508 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2011

*(Expressed in Hong Kong dollars)*

| | Attributable to equity shareholders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Special reserve | Translation reserve | Statutory reserve | Share-based compensation reserve | Accumulated losses | Total | Non-controlling interests | Total equity |
| | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* |
| **Balance at 1 January 2010** | 373,264 | 710,477 | (251,428) | 55,615 | 31,947 | 9,811 | (385,148) | 544,538 | 46,567 | 591,105 |
| **Changes in equity for 2010:** | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 37,020 | 37,020 | 5,787 | 42,807 |
| Other comprehensive income | - | - | - | 20,225 | - | - | - | 20,225 | 1,763 | 21,988 |
| Total comprehensive income | - | - | - | 20,225 | - | - | 37,020 | 57,245 | 7,550 | 64,795 |
| Equity settled share-based transaction | - | - | - | - | - | 608 | - | 608 | - | 608 |
| **Balance at 31 December 2010 and 1 January 2011** | **373,264** | **710,477** | **(251,428)** | **75,840** | **31,947** | **10,419** | **(348,128)** | **602,391** | **54,117** | **656,508** |
| **Changes in equity for 2011:** | | | | | | | | | | |
| Loss for the year | - | - | - | - | - | - | **(133,930)** | **(133,930)** | **(9,141)** | **(143,071)** |
| Other comprehensive income | - | - | - | **29,024** | - | - | - | **29,024** | **2,473** | **31,497** |
| Total comprehensive income | - | - | - | **29,024** | - | - | **(133,930)** | **(104,906)** | **(6,668)** | **(111,574)** |
| Equity settled share-based transaction | - | - | - | - | - | **(10,419)** | **10,419** | - | - | - |
| **Balance at 31 December 2011** | **373,264** | **710,477** | **(251,428)** | **104,864** | **31,947** | - | **(471,639)** | **497,485** | **47,449** | **544,934** |

## NOTES

*(Expressed in Hong Kong dollars unless otherwise indicated)*

### 1. Significant accounting policies

### (a) Statement of compliance

The consolidated results set out in this announcement does not constitute the Group's financial statements for the year ended 31 December 2011 but is extracted from those financial statements.

These consolidated 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 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.

## 1. Significant accounting policies (continued)

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

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries.

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

*Going concern*

During the year ended 31 December 2011, a lessee of the Group's oil storage tanks unilaterally terminated the lease agreement and an impairment loss of $109,472,000 was recognised on the accrued rental income receivable arising from initial rent free period of the lease. Since the Group's long-term bank loans were secured by the future operating lease receivables of the lease agreement and it is uncertain that the lease agreement will continue to be executed, the outstanding long-term bank loans of $1,171,825,000 were reclassified from non-current liabilities to current liabilities at 31 December 2011. Further details have been set out in notes 8 and 9.

As a result of the above, the Group incurred consolidated loss attributable to equity shareholders of the Company of $133,930,000 during the year ended 31 December 2011 and had consolidated net current liabilities of $1,119,005,000 at 31 December 2011.

In order to maintain the long-term banking facilities of $1,171,825,000 with the original repayment schedule unchanged, the Group has been actively working with the bank to fulfil its request by providing the necessary additional security. The directors are confident that the Group can fulfil the bank's request and the long-term banking facilities can be maintained.

The directors have given careful consideration to the Group's financial performance and liquidity position. On the basis that the Group can satisfactorily fulfil the bank's request and having considered the Group's current operation and business plan, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis. Should the Group not be able to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these financial statements.

## 1. Significant accounting policies (continued)

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

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.

### (c) Changes in accounting policies

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

- HKAS 24 (Revised 2009), *Related party disclosures*

- Improvements to HKFRSs (2010)

- HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*

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

HK(IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The impacts of other developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

- *Improvements to HKFRSs (2010)* omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments have been conformed to the amended disclosure requirement. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

## 2. Turnover and segment reporting

### (a) Turnover

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

Turnover represents port income and storage and transshipment income. The amount of each significant category recognised in turnover during the year is as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Port income | **5,282** | 6,804 |
| Storage and transshipment income | **139,602** | 152,811 |
| | **144,884** | 159,615 |

In 2011, the Group has two customers (2010: two) with whom transactions have exceeded 10% of the Group's revenues. In 2011, revenues from provision of storage and transshipment services to these customers, including revenues from entities which are known to the Group to be under common control with these customers, amounted to approximately $49 million (2010: $92 million) and $17 million (2010: $19 million) respectively.

Further details regarding the Group's principal activities are disclosed below:

### (b) Segment reporting

The Group manages its businesses by entities, which are organised by geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Xiao Hu Island Terminal ("XHIT"): this segment represents the Group's provision of terminal, transshipment and storage activities carried out in Panyu, the People's Republic of China ("PRC").

- Dongzhou International Terminal ("DZIT"): this segment represents the Group's provision of terminal, transshipment and storage activities carried out in Dongguan, the PRC. Construction of DZIT was completed during 2011 and it commenced its business operations in October 2011.

(i) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets with the exception of investments in subsidiaries and other corporate assets. Segment liabilities include other payables and accruals, deferred revenue and current tax payable attributable to the individual segments, and bank borrowings managed directly by the segments.

## 2. Turnover and segment reporting (continued)

### (b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

Revenue and expenses are allocated to the reportable segments with reference to sales 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 is "profit before taxation", i.e. "adjusted earnings before taxes". To arrive at "profit before taxation", the Group's earnings 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 before taxation, management is provided with segment information concerning revenue, interest income, finance costs, impairment loss on trade receivables and additions to non-current segment assets.

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 2011 and 2010 is set out below.

| | *XHIT* | | *DZIT* | | *Total* | |
|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | ***$'000*** | *$'000* | ***$'000*** | *$'000* | ***$'000*** | *$'000* |
| Reportable segment revenue | **123,473** | 159,615 | **21,411** | - | **144,884** | 159,615 |
| Reportable segment (loss)/profit before taxation | **(84,608)** | 94,457 | **(28,134)** | - | **(112,472)** | 94,457 |
| Interest income | **1,074** | 1,405 | **37** | - | **1,111** | 1,405 |
| Finance costs | **10,811** | 492 | **14,262** | - | **25,073** | 492 |
| Impairment loss on trade receivables | **109,472** | - | **-** | - | **109,472** | - |
| Reportable segment assets | **1,494,080** | 1,401,906 | **1,450,708** | 1,280,584 | **2,944,788** | 2,682,490 |
| Reportable segment liabilities | **1,366,024** | 1,155,101 | **1,015,060** | 872,519 | **2,381,084** | 2,027,620 |
| Additions to non-current segment assets during the year | **11,627** | 124,733 | **99,653** | 294,388 | **111,280** | 419,121 |

## 2. Turnover and segment reporting (continued)

### (b) Segment reporting (continued)

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

| | 2011 | 2010 |
|---|---|---|
| | *$'000* | *$'000* |
| **Revenue** | | |
| Reportable segment revenue | **144,884** | 159,615 |
| Consolidated turnover (note 2(a)) | **144,884** | 159,615 |
| **(Loss)/profit** | | |
| Reportable segment (loss)/profit before taxation | **(112,742)** | 94,457 |
| Unallocated other net (loss)/income | **(8)** | 450 |
| Unallocated head office and corporate expenses | **(30,503)** | (31,362) |
| Consolidated (loss)/profit before taxation | **(143,253)** | 63,545 |
| **Assets** | | |
| Reportable segment assets | **2,944,788** | 2,682,490 |
| Elimination of inter-segment receivables | **(964,519)** | (803,443) |
| | **1,980,269** | 1,879,047 |
| Unallocated head office and corporate assets | **29,392** | 20,867 |
| Consolidated total assets | **2,009,661** | 1,899,914 |

| | 2011 | 2010 |
|---|---|---|
| | *$'000* | *$'000* |
| **Liabilities** | | |
| Reportable segment liabilities | **2,381,084** | 2,027,620 |
| Elimination of inter-segment payables | **(964,519)** | (803,443) |
| | **1,416,565** | 1,224,177 |
| Unallocated head office and corporate liabilities | **48,162** | 19,229 |
| Consolidated total liabilities | **1,464,727** | 1,243,406 |

## 3. Other net income

| | **2011** | 2010 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Interest income | **1,180** | 1,419 |
| (Loss)/gain on disposal of property, plant and equipment | **(109)** | 32 |
| Net foreign exchange loss | **(1,395)** | (436) |
| Others | **537** | 1,207 |
| | **213** | 2,222 |

## 4. (Loss)/profit before taxation

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

| | **2011** | 2010 |
|---|---|---|
| | ***$'000*** | *$'000* |
| (a) Finance costs: | | |
| Interest on bank loans | **66,198** | 55,108 |
| Less: Borrowing costs capitalised as construction in progress | **(40,967)** | (54,429) |
| | **25,231** | 679 |

The borrowing costs during 2011 have been capitalised at a rate of 5.40% - 6.39% per annum (2010: 4.86% - 5.58% per annum) for construction in progress.

| | **2011** | 2010 |
|---|---|---|
| | ***$'000*** | *$'000* |
| (b) Staff costs* | | |
| Contributions to defined contribution retirement plan | **1,526** | 1,179 |
| Salaries, wages and other benefits | **41,110** | 32,578 |
| Equity-settled share based payments | **-** | 608 |
| | **42,636** | 34,365 |
| (c) Other items | | |
| Depreciation and amortisation | **62,159** | 29,411 |
| Auditors' remuneration | | |
| - audit services | **1,250** | 1,180 |
| - review services | **380** | 380 |
| Operating lease charges – buildings* | **5,664** | 5,645 |
| Charitable donations | **24** | 613 |

* Staff costs includes $1,800,000 (2010: $1,850,000) relating to operating lease charges on properties, which amount is also included in the respective total amount disclosed separately above.

## 5. Income tax in the consolidated income statement

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

| | **2011** | 2010 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **Current tax - PRC Enterprise Income Tax** | | |
| Provision for the year | **-** | 21,552 |
| Under-provision in respect of prior years | **358** | - |
| | **358** | 21,552 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **(540)** | (814) |
| | **(182)** | 20,738 |

Notes:

(i) No Hong Kong Profits Tax was provided for the year ended 31 December 2011 as the Group sustained a loss for Hong Kong Profits Tax purposes for the year (2010: Nil).

(ii) No PRC Enterprise Income Tax was provided for the year ended 31 December 2011 as the Group sustained a loss for PRC Enterprise Income Tax purposes for the year.

Pursuant to the approval from the PRC authority issued in 2002 regarding port operating business, one of the subsidiaries in the PRC, Guangdong (Panyu) Petrochemical Storage & Transportation Ltd. ("GD (Panyu)") was granted certain tax relief whereby the profit for the five years starting from its first profit-making year is exempted from income tax in the PRC and the profit for each of the subsequent five years is taxed at 50% of the prevailing tax rate set by the local tax authority. The PRC Enterprise Income Tax rate applicable to GD (Panyu) before 1 January 2008 was 15%.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new CIT Law") which takes effect on 1 January 2008. Under the new CIT Law and in accordance with the implementation rules and notices issued by the State Council and the State Administration of Taxation, an entity established before 16 March 2007 that was entitled to preferential tax treatment prior to the new CIT Law is subject to a transitional tax rate beginning in 2008 ("Transitional Tax Rate") before the new corporate income tax rate of 25% applies. For companies currently enjoying a reduced tax rate of 15%, the Transitional Tax Rate is 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012 onwards respectively. Under the grandfathering treatments of the new CIT Law, GD (Panyu), which has not fully utilised its five-year tax relief upon the implementation of the new CIT Law, is allowed to receive the tax relief during the five-year grandfathering period. The applicable tax rate of GD (Panyu) for the year ended 31 December 2011 was 24% (2010: 22%).

No tax relief has been granted to other subsidiaries in the PRC and the applicable tax rates of those subsidiaries for the year ended 31 December 2011 was 25% (2010: 25%).

In addition, under the new CIT Law, dividends paid by a foreign-invested enterprise to its foreign investors are subject to withholding tax at a rate of 10% unless reduced by treaty. Under the grandfathering treatments, undistributed profits of a foreign-invested enterprise as at 31 December 2007 are exempted from withholding tax.

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

(a) Income tax in the consolidated income statement represents: (continued)

(ii) (continued)

At 31 December 2011, temporary differences relating to the undistributed profits of the Group's foreign-invested enterprises amounted to $157,669,000 (2010: $227,456,000). Deferred tax liabilities of $7,883,000 (2010: $11,373,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of the foreign-invested enterprises and the directors have determined that the profits will not be distributed in the foreseeable future.

(b) Reconciliation between tax (credit)/expenses and accounting (loss)/profit at applicable tax rate:

| | **2011** | 2010 |
|---|---|---|
| | ***$'000*** | *$'000* |
| (Loss)/profit before taxation | **(143,253)** | 63,545 |
| Notional tax on (loss)/profit before tax, calculated at the rates applicable in the tax jurisdiction concerned | **(32,503)** | 13,980 |
| Tax effect of non-deductible expenses | **2,117** | 2,792 |
| Tax effect of non-taxable income | **(90)** | (755) |
| Tax effect of unused tax loss not recognised | **30,258** | 4,762 |
| Others | **36** | (41) |
| Actual tax (credit)/expense | **(182)** | 20,738 |

## 6. (Loss)/earnings per share

The calculation of basic and diluted (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of $133,930,000 (2010: profit of $37,020,000) and the weighted average of 3,732,638,000 ordinary shares (2010: 3,732,638,000 ordinary shares) in issue during the year.

The diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share for the years ended 31 December 2010 and 2011 as the share options outstanding during the years are anti-dilutive.

## 7. Fixed assets

| | Buildings $'000 | Dock and storage facilities $'000 | Office equipment $'000 | Motor vehicles $'000 | Leasehold improvements $'000 | Sub-total $'000 | Construction in progress $'000 (note (a)) | Interests in land held for own use under operating leases $'000 (note (b)) | Total fixed assets $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | | | |
| At 1 January 2011 | 15,534 | 569,502 | 3,984 | 17,036 | 149 | 606,205 | 1,418,758 | 44,382 | 2,069,345 |
| Exchange adjustments | 1,611 | 57,229 | 193 | 814 | - | 59,847 | 36,947 | 8,282 | 105,076 |
| Additions | - | 1,707 | 772 | 2,893 | - | 5,372 | 106,058 | - | 111,430 |
| Disposals | - | (902) | (111) | (730) | - | (1,743) | - | - | (1,743) |
| Transfers | 36,455 | 1,260,557 | 1,001 | - | - | 1,298,013 | (1,561,763) | 263,750 | - |
| At 31 December 2011 | 53,600 | 1,888,093 | 5,839 | 20,013 | 149 | 1,967,694 | - | 316,414 | 2,284,108 |
| **Accumulated depreciation and amortisation:** | | | | | | | | | |
| At 1 January 2011 | 6,925 | 303,104 | 2,462 | 9,187 | 149 | 321,827 | - | 23,768 | 345,595 |
| Exchange adjustments | 365 | 16,271 | 98 | 447 | - | 17,181 | - | 1,263 | 18,444 |
| Charge for the year | 942 | 54,701 | 566 | 2,089 | - | 58,298 | - | 3,659 | 61,957 |
| Written back on disposals | - | (778) | (98) | (692) | - | (1,568) | - | - | (1,568) |
| At 31 December 2011 | 8,232 | 373,298 | 3,028 | 11,031 | 149 | 395,738 | - | 28,690 | 424,428 |
| **Net book value:** | | | | | | | | | |
| At 31 December 2011 | 45,368 | 1,514,795 | 2,811 | 8,982 | - | 1,571,956 | - | 287,724 | 1,859,680 |
| At 31 December 2010 | 8,609 | 266,398 | 1,522 | 7,849 | - | 284,378 | 1,418,758 | 20,614 | 1,723,750 |

(a) Construction in progress as at 31 December 2010 comprised costs incurred on the acquisition of land use rights and the construction of port and storage facilities at DZIT and XHIT of $1,262 million and $157 million respectively. The constructions were completed during 2011 and the corresponding costs were transferred to fixed assets accordingly.

(b) The Group was granted the rights to use the land by the PRC authorities with lease terms of 50 years. The net book value as at 31 December 2011 includes an amount of $7,587,000 (2010: $1,554,000) which is disclosed as interest in land held for own use under operating leases under current assets.

## 8. Trade and other receivables

| | 2011 *$'000* | 2010 *$'000* |
|---|---|---|
| Trade receivables | **142,779** | 72,733 |
| Less: Allowance for doubtful debts (note 8(a)) | **(118,431)** | (6,131) |
| | **24,348** | 66,602 |
| Prepayments and other receivables | **7,167** | 5,502 |
| | **31,515** | 72,104 |

The amount of the Group's prepayments and other receivables expected to be recovered or recognised as expense after more than one year is $1,000,000 (2010: $814,000). Apart from these, the prepayments and other receivables are expected to be recovered or recognised as expense within one year.

### (a) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

GD (Panyu), a PRC subsidiary of the Company, and SINOPEC Guangdong Oil Products Company (the "Lessee") entered into an oil storage tanks lease agreement (the "Lease Agreement") in 2004. During the year ended 31 December 2011, a request was made by the Lessee for its unilateral termination of the Lease Agreement since 1 July 2011 because of changes in the Lessee's business operating conditions. After repeated consultations and negotiations with the Lessee, no substantive progress has yet been made by the parties up to date.

As a result of the above, the Group has ceased to recognise revenue from the Lease Agreement since 1 July 2011. Further, there was accrued rental income receivable arising from initial rent free period of the Lease Agreement (included within trade receivables) of $109,472,000 at 31 December 2011. As it is uncertain that the Lease Agreement will continue to be executed for the remaining lease term, full impairment loss was recognised on the accrued rental income receivable of $109,472,000 during the year ended 31 December 2011. Apart from the accrued rental income receivable, the Group did not have other outstanding receivables due from the Lessee at 31 December 2011.

## 8. Trade and other receivables (continued)

### (a) Impairment of trade receivables (continued)

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

| | **2011** | 2010 |
|---|---|---|
| | ***$'000*** | *$'000* |
| At 1 January | **6,131** | 5,925 |
| Impairment loss recognised | **109,472** | - |
| Exchange adjustment | **2,828** | 206 |
| At 31 December | **118,431** | 6,131 |

At 31 December 2011, the Group's trade receivables of $118,431,000 (2010: $6,131,000) were individually determined to be impaired, of which $6,435,000 (2010: $6,131,000) are related to customers that were in financial difficulties and management assessed that the receivables are not expected to be recovered. In addition, specific allowance for doubtful debts of $109,472,000 was recognised during the year ended 31 December 2011 in respect of the accrued rental income receivable in relation to the Lease Agreement, which the Lessee requested to terminate since 1 July 2011.

### (b) Trade receivables that are not impaired

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.

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Neither past due nor impaired | **22,237** | 66,486 |
| Less than 1 month past due | **2,111** | 116 |
| | **24,348** | 66,602 |

Receivables that were past due but not impaired relate to an independent customer that has good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of this balance as there has not been a significant change in credit quality and the balance is considered fully recoverable. The Group does not hold any collateral over this balance.

## 9. Bank loans

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

| | 2011 | 2010 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **Current liabilities** | | |
| Short-term bank loans | **2,400** | 2,400 |
| Long-term bank loans repayable on demand | **1,177,225** | 7,800 |
| | **1,179,625** | 10,200 |
| **Non-current liabilities** | | |
| Long-term bank loans | **-** | 1,116,469 |
| | **1,179,625** | 1,126,669 |

(b) At 31 December 2011, according to the original repayment schedules, the bank loans were repayable as follows:

| | 2011 | 2010 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Within 1 year or on demand | **2,400** | 2,400 |
| After 1 year but within 2 years | **49,273** | 590,015 |
| After 2 years but within 5 years | **126,350** | 108,821 |
| After 5 years | **1,001,602** | 425,433 |
| | **1,177,225** | 1,124,269 |
| | **1,179,625** | 1,126,669 |

(c) At 31 December 2011, the bank loans were secured as follows:

| | 2011 | 2010 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Bank loans | | |
| - secured | **1,171,825** | 1,116,469 |
| - unsecured | **7,800** | 10,200 |
| | **1,179,625** | 1,126,669 |

## 9. Bank loans (continued)

(c) At 31 December 2011, the bank loans were secured as follows (continued):

At 31 December 2011, the Group had banking facilities totalling $1,183,825,000 (2010: $2,218,953,000), of which $1,171,825,000 (2010: $1,116,469,000) were secured by certain of the Group's future operating lease receivables. The facilities were utilised to the extent of $1,171,825,000 (2010: $1,116,469,000).

As set out in note 8, the Lessee made a request for its unilateral termination of the Lease Agreement since 1 July 2011, which the Group's long-term bank loans of $1,171,825,000 were secured by the future operating lease receivables of the Lease Agreement. After repeated consultations and negotiation with the Lessee, no substantive progress has yet been made by the parties up to date. According to the terms of the long-term banking facilities, should there be any decrease in value of the secured assets, the lending bank (the "Lender") may request the Group to replace the security or the drawn down facilities would become repayable at the Lender's sole discretion. As it is uncertain that the Lease Agreement will continue to be executed, the outstanding long-term bank loans of $1,171,825,000 were reclassified from non-current liabilities to current liabilities at 31 December 2011. Subsequent to the balance sheet date, the Group received a letter dated 21 March 2012 from the Lender requesting the Group to provide additional fixed assets as security for the long-term banking facilities of $1,171,825,000. The bank would agree to maintain the long-term banking facilities with the original repayment schedule unchanged provided that the Group pledges the assets under two of its subsidiaries in the PRC to the satisfaction of the Lender by 31 May 2012. The Group has been actively working with the Lender to provide the necessary additional security. The directors are confident that the Group can fulfil the Lender's request and the banking facilities can be maintained. Up to the date of the publication of the results announcement for the year ended 31 December 2011, the Lender has not demanded the Group to early repay the long-term bank loans pursuant to the terms of the long-term banking facilities.

The Group's unsecured banking facilities of $12,000,000 (2010: $402,000,000) are subject to the fulfilment of covenants relating to the Group's net asset position as well as minimum shareholding of the controlling shareholder of the Company, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. At 31 December 2011, none of the covenants relating to drawn down facilities had been breached (2010: none).

In addition, one of the Group's banking facilities of $12,000,000 (2010: $12,000,000) contains clauses which give the lender the right at its sole discretion to demand immediate repayment at anytime irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations. The Group regularly monitors its compliance with these covenants and is up to date with the scheduled repayments of bank loans. The Group does not consider it probable that the bank will exercise its discretion to demand repayment for so as long as the Group continues to meet these requirements.

## 10. Amount due to a director

The amount due to a director is unsecured, interest-free and with no fixed terms of repayment. The director has confirmed that he will not request repayment within twelve months from the balance sheet date and accordingly, the balance is shown as non-current.

## 11. Equity settled share-based transactions

Pursuant to an ordinary resolution passed on 16 December 2002, the Company adopted a share option scheme (the "scheme") for the purpose of enabling the Company to recruit and retain high-calibre employees and attract resources that are available to the Group and to provide the Company with a means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to such persons who contribute or may bring benefit to the Group. The scheme remains in force for a period of 10 years from adoption of such scheme and expires on 15 December 2012.

On 7 May 2008, the Board approved to grant options in respect of 72,400,000 ordinary shares to the Company's directors and senior management under the scheme. The exercise periods for the above options granted under the scheme shall end not later than 3 years from 7 May 2008. Options were granted under a market condition. The share options can only be exercised when the market price of the shares of the Company is $1.2 per share or above. This condition has been taken into account in the grant date fair value measurement.

No share option was granted to or exercised by any of the Directors and senior management during the year ended 31 December 2011 (2010: Nil). All share options issued under the scheme were lapsed during the year and no share option was outstanding under the scheme as at 31 December 2011 (2010: 72,400,000 share options).

## EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT FROM THE DRAFT FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2011

"*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

*Emphasis of matter*

Without qualifying our opinion, we draw attention to note 1(b) to the consolidated financial statements which indicates that the Group incurred consolidated loss attributable to equity shareholders of the Company of HK$133,930,000 during the year ended 31 December 2011 and had consolidated net current liabilities of HK$1,119,005,000 as at 31 December 2011. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group's ability to provide the necessary additional security for its banking facilities of HK$1,171,825,000 as described in notes 1(b), 8 and 9 to the consolidated financial statements."

## MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATION REVIEW

In addition to the terminal in Xiao Hu Island of Nansha, Panyu ("XHIT"), the Group expanded its Guangdong oil and petrochemical terminal operations to Lisha Island of Shatian Town, Dongguan City, the Dongzhou International Terminal ("DZIT") which started operations in October this year. Their operational results were as follows:

| | XHIT | | | DZIT |
|---|---|---|---|---|
| **Operational statistics** | **2011** | 2010 | Change % | **2011** |
| **Liquid product terminal, storage and transshipment services** | | | | |
| Number of vessels visited | | | | |
| - foreign | **197** | 221 | -10.9% | **27** |
| - domestic | **352** | 709 | -50.4% | **59** |
| Number of trucks served to pick up cargoes | **16,660** | 17,859 | -6.7% | **2,480** |
| Number of drums filled | **46,346** | 39,711 | +16.7% | **118** |
| Transshipment volume (metric ton) | | | | |
| - oils | **11,900** | 7,912 | +50.4% | **31,315** |
| - petrochemicals | **151,205** | 152,315 | -0.7% | **2,009** |
| Port jetty throughput (metric ton) | **940,312** | 1,352,000 | -30.5% | **319,393** |
| Tank farm throughput (metric ton) | **1,245,000** | 1,695,000 | -26.5% | **405,000** |

In XHIT, one of its customers, Sinopec Guangdong Oil Products Company, requested to early terminate the lease agreement for the oil tanks ("Sinopec Lease") with a total storage capacity of 241,000 cubic metres since July 2011. Coupled with the continuous drop of imported fuel oil into China, the total port jetty and tank farm throughput decreased during the year. The number of vessels visited and trucks served to pick up cargoes also dropped accordingly. Fortunately, apart from the tanks under the Sinopec Lease, close to 100% of the storage tanks in XHIT remained being leased-out throughout the year. Furthermore, there were improvements in the number of drums filled and transshipment volume of oils in 2011.

DZIT started its operations in October 2011. Total 86 tanks were erected in the tank farm with a storage capacity of 258,000 cubic metres, 180,000 cubic metres of which were for oil products and 78,000 cubic metres were for chemical products. 86% of the tanks were leased to customers by the end of the year.

| **Solid chemical warehousing services** | **2011** | 2010 | Change % |
|---|---|---|---|
| Receiving volume (ton) | **31,594** | N/A | N/A |
| Delivering volume (ton) | **27,650** | N/A | N/A |

Apart from the liquid business in XHIT as mentioned above, the warehouse and logistic centre for solid chemical products located in Xiao Hu Island (the "solid warehousing centre") has started its operations since January this year. The lease-out rate was 52% by the end of the year. By the end of first quarter of 2012, 80% of the total floor areas available for rent has been leased out to customers.

**Operating financials**

The Group's reportable segments represent XHIT and DZIT. The breakdown of turnovers of XHIT and DZIT are as follows:

| | XHIT | | | | DZIT | |
|---|---|---|---|---|---|---|
| | **2011** | | 2010 | | **2011** | |
| | **HK$'000** | **%** | HK$'000 | % | **HK$'000** | **%** |
| Terminal, storage and transshipment services | 108,652 | 88.0 | 152,811 | 95.7 | 21,303 | 99.5 |
| Port income | 5,174 | 4.2 | 6,804 | 4.3 | 108 | 0.5 |
| Solid chemical warehousing income | 9,647 | 7.8 | N/A | N/A | N/A | N/A |

With the impact of the proposed early termination of the Sinopec Lease, the turnover XHIT from the provision of terminal, storage and transshipment facilities dropped by 28.9% from HK$152.8 million to HK$108.7 million during the year. Notwithstanding the decrease in leasing income for the second half of the year, there was an increase in handling income due to the increase in terminal operating services provided to the customers and the appreciation in Renminbi yuan ("RMB") during the year. Nevertheless, the port income recorded a decrease of 24.0% from HK$6.8 million to HK$5.2 million. The slide was mainly due to the decrease in terminal throughput for the year.

The DZIT in Dongguan was permitted to operate in late third quarter of 2011 and started business in last quarter of the year. Over 80% of the storage tanks in the newly built terminal were rented out by the end of the year. It contributed to the Group's results with terminal storage and transshipment income of HK$21.4 million (2010: HK$ Nil).

During the year, Solid Warehousing Centre generated revenue of HK$9.6 million, with 52% of the total floor area being rented to various customers leased out by the end of the year.

The Group recorded a segment loss of HK$84.6 million for the year versus a segment profit of HK$94.5 million for 2010 (for XHIT segment alone). The decrease was mainly due to the drop in rental income for the oil tanks under the Sinopec Lease for the second half of the year. Furthermore, the Solid Warehousing Centre incurred operating losses in the start-up months. Besides, there was a loss of HK$28.1 million in DZIT, which was mainly due to lower utilization rates for the start-up months of which the income generated was unable to cover the total of its direct costs and operating expenses, finance costs on bank loans and deprecation of its facilities. As mentioned above, the lease out rate has been improving and 86% of the tanks were leased to customers by end of the year. In addition, the general inflation in the PRC impacted our operating cost and the cease of capitalization of finance costs on bank loans upon commencement of operations for DZIT and Solid Warehousing Centre has also affected our bottom line. For details of the segment reporting, please refer to note 2(b) on page 7 to 9.

## OUTLOOK

### • Liquid Product Terminal Business

Despite the early termination of the rental lease as requested by Sinopec, the operations in XHIT remained stable, all of its petrochemical tanks were rented out to customers. The Group is pursuing with utmost effort to maintain the captioned lease being executed continuously. However, in order to mitigate the impact, XHIT has started to rent out some of the oil tanks to other customers and it is expected approximately 60,000 cubic metres of these tanks to be leased to customers by the second quarter of 2012.

With the opening of DZIT, the geographic coverage of the Group expanded to a wider range in the region. This gives the Group greater flexibilities to offer a wider range of choices to our customers. More customers can be reached with state of art equipment and facilities to suit their business requirements in terms of product range, mode of operation, logistic arrangements, etc. Back up with the unused land, larger docking capacity and wider scope of product, especially gas products, in DZIT, it is envisaged that more services and storage space can be offered to various customers in coming years.

Notwithstanding the commencement of business in DZIT, the current storage capacity of 258,000 cubic metres is still far from the maximum capacity the terminal can be built. The Group is looking into plans to expand the DZIT terminal with tailor-made new storage tanks and equipment to cater various market environment. With higher utilization of the full capacity in DZIT, the margin can be improved as average fixed costs being diluted, especially depreciation and amortization charges. Apart from the storage capacity, the docking capabilities of the port jetty in DZIT enabled the terminal to handle larger vessels which is our unique capacity among peers in the region. It is therefore optimistic for the Group to expect to get edges in the coming years.

### • Solid Warehousing Centre

The Group's expansion of its business into solid chemical warehousing provided a wider scope and diversification in the industry. The Group insisted its policy in maintaining high standards in safety and environmental protection when building the Solid Warehousing Centre despite the market was fragmented and there were room of improvement in enforcement of these standards from various bureaus. It targeted to serve high end customers who put higher emphasis in safety and quality of services in their logistic operators. In this regard, it started with a modest utilization of its capacity. Nonetheless, the Centre successfully attracted quality customers and is envisaged to fill about 80% of its storage capacity by the end of first quarter of 2012. The Group is therefore conservatory optimistic for its solid product business in the future.

## FINANCIAL REVIEW

Despite the opening of DZIT and Solid Warehousing Centre during the year, the Group's turnover decreased by HK$14.7 million, representing a drop of 9.2% to HK$144.9 million (2010: HK$159.6 million). The Solid Warehousing Centre generated turnover of HK$9.6 million and DZIT provided HK$21.4 million new revenue to the Group. However, turnover generated from XHIT dropped by HK$45.7 million, mainly due to the early termination of Sinopec Lease since 1 July 2011.

In terms of operating profit, the Group suffered a gross operating loss of HK$118.0 million and recorded a negative net profit margin of 81.5%. It was mainly attributable to the loss of leasing income in respect of oil tanks under Sinopec Lease for the second half of the year and an impairment loss recognised on the related accrued rental receivable arising from initial rent free period of HK$109.5 million. Furthermore, the operating costs due to the lower capacity utilization in the start-up periods in both Solid Warehousing Centre and DZIT impacted the operating margin. The position was improved as the utilization of both the Solid Warehousing Centre and DZIT increased towards the end of the year. The Solid Warehousing Centre has been in positive operating margin since June 2011. The increase in XHIT operating costs and administration expenses were attributable partly to the general inflation in the PRC, which impacted particularly on staff costs, maintenance and other overheads. LBIT and LBITDA for the year were HK$118.0 million (2010: EBIT of HK$64.2 million) and HK$55.9 million (2010: EBITDA of HK$93.6 million) respectively. Besides, finance costs increased by HK$24.6 million as the interest started to charge to the income statement when both Solid Warehousing Centre and DZIT started to operate during the year. The basic and diluted loss per share for the year were 3.59 Hong Kong cents (2010: earnings per share of 0.99 Hong Kong cent).

| | **2011** | 2010 | Changes |
|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | % |
| Turnover | **144,884** | 159,615 | -9.2% |
| Turnover less direct costs and operating expenses | **38,754** | 104,563 | -62.9% |
| (Loss) /earnings before interest and tax ("LBIT / EBIT") | **(118,022)** | 64,224 | -283.8% |
| (Loss) / profit attributable to equity shareholders of the Company | **(133,930)** | 37,020 | -461.8% |
| (Loss) / earnings before interest, tax, depreciation and amortisation ("LBITDA / EBITDA") | **(55,863)** | 93,635 | -159.7% |
| Gross margin | **26.7%** | 65.5% | -59.20% |
| Net (loss) / profit margin | **(81.5%)** | 23.2% | -497.4% |
| Basis (loss) / earnings per share (HK cents) | **(3.59)** | 0.99 | -462.6% |
| Diluted (loss) / earnings per share (HK cents) | **(3.59)** | 0.99 | -462.6% |

### Capital structure, liquidity and gearing

As at 31 December 2011, the Group's total cash and cash equivalents amounted to approximately HK$68.3 million (2010: HK$76.4 million). Most of the funds were held in Hong Kong dollar, RMB and US dollar.

As at 31 December 2011, the current ratio was 0.11 (2010: 1.28). The drop in ratio was attributable to the impairment loss in respect of accrued rental receivable made during the year amounted to HK$109.5 million and the change in classification of certain bank loans from long-term liabilities to current liabilities of HK$1,171.8 million.

The Group's gearing ratio as at 31 December 2010 was 2.69 (2010: 1.89) (defined as total liabilities to total equity). The increase was attributable to the funds of HK$199.0 million advanced by a director to the Group to finance the DZIT capital expenditures as well as the Group's working capital requirement and the loss incurred during the year.

**Financial resources**

The current cash reserves and recurrent operating cash flow is sufficient for the daily requirements for current operations. The Group has successfully arranged external bank loan financing in previous year and advance from a director this year to support the start-up stage of new businesses, settlement of the construction costs of the solid warehousing centre and provide funding for DZIT for its operation. Due attention will be paid to the capital and debt markets as well as the latest developments of the Group in order to ensure the efficient use of financial resources.

**Finance costs**

The Group had outstanding bank borrowings of HK$1,180 million as at 31 December 2011 (2010: HK$1,127 million). During the year, the borrowing costs capitalized as construction in progress was HK$41.0 million (2010: HK$54.4 million) and the finance cost charged to profit and loss was approximately HK$25.2 million (2010: HK$679,000).

**Taxation**

The Group had no assessable profit subject to Hong Kong Profits Tax for the year. On the other hand, GD (Panyu), the PRC subsidiary of the Group, is subject to the transitional tax rate of 24% for the year ended 31 December 2011 under the new Corporate Income Tax Law of the PRC. There was no tax relief granted to other PRC subsidiaries and the applicable tax rate is 25%.

**Exposure to fluctuation in exchanges rate and related hedge**

The Group's cash and cash equivalents are held predominately in Hong Kong dollar, RMB and US dollar. Operating outgoings incurred by the Group's subsidiary in the PRC are mainly denominated in RMB, which usually receives revenue in RMB as well. Management is of the opinion that the Group's exposure to foreign exchange rate risks is not significant, and hedging by means of derivative instruments is considered unnecessary.

**Charge on group assets**

Certain of Group's future non-cancellable operating lease receivables have been collateralized for long-term banking facilities. Apart from this, as at 31 December 2011, none of the assets of the Group was pledged.

**Capital commitment**

At 31 December 2011, the Group had capital expenditure contracted for but not provided in the financial statements in respect of terminal development and acquisition of port and storage facilities amounted to HK$20 million (2010: HK$34 million). Meanwhile, the Group had capital expenditure not contracted for but approved by the board and not provided in the financial statements in respect of terminal development and acquisition of port and storage facilities amounted to approximately HK$145 million (2010: HK$161 million) at the balance sheet date.

**Contingent liabilities**

At 31 December 2011, the Company has issued guarantees to banks in respect of banking facilities granted to its subsidiaries. The directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the guarantee is the amount of facilities drawn down by the subsidiaries that are covered by the guarantees, being $7,800,000 (2010: $10,200,000).

The Company has not recognised any deferred income in respect of the guarantees as its fair value cannot be reliably measured using observable market data and its transaction price was $Nil (2010: $Nil).

**Final dividend**

The directors do not recommend any final dividend for the year ended 31 December 2011 (2010: 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 ("Code Provisions") set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules"), except for deviations from Code Provision A.4.1 which is explained below.

Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Although the independent non-executive directors do not have a specific term of appointment, all the existing directors of the Company retire by rotation at least once every three years pursuant to Article 116.

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 the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2011.

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

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2011, the Group had a workforce of approximately 414 (2010: 400) employees, 400 (2010: 390) of which worked for the terminals. Every year, the Group devises a budget which states total salary and bonus plan for the year to encourage the Group's employees to contribute their best efforts and to make maximum economic benefits to the Group. In accordance with the relevant government regulations in the PRC, the Group is required to cover social insurance, including but not limited to retirement, medical, workman compensation and unemployment insurance as well as housing fund for every qualified employee in the PRC. With these insurance policies and staff benefits, the Group hopes to provide a reasonable welfare for each qualified employee.

## REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2011 has been reviewed by the Audit Committee of the Company.

*Scope of work of KPMG*

The figures in respect of the announcement of the Group's results for the year ended 31 December 2011 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

On behalf of the Board
**David An**
*Chairman*

Hong Kong, 27 March 2012

*As at the date of this announcement, the board of directors of the Company comprises four executive directors, namely Mr. David An (Chairman), Mr. Fung Chi Kwan, Nicholas, Ms. Liu Zhijun and Mr. Zhang Lei and three independent non-executive directors, namely Mr. Li Wai Keung, Mr. Liu Jian and Mr. Chan Chun Wai, Tony.*

*website : www.hansenergy.com*