Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

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 2012 as follows:

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2012 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	**2012**	2011
		$'000	*$'000*
Turnover	*3*	**104,219**	84,608
Direct costs and operating expenses		**(92,835)**	(35,113)
		11,384	49,495
Other net income/(loss)	*4*	**1,347**	(146)
Administrative expenses		**(26,327)**	(18,330)
(Loss)/profit from operations		**(13,596)**	31,019
Finance costs	*5(a)*	**(38,012)**	(5,109)
(Loss)/profit before taxation	*5*	**(51,608)**	25,910
Income tax	*6*	**65**	(9,153)
(Loss)/profit for the period		**(51,543)**	16,757
Attributable to:			
Equity shareholders of the Company		**(48,699)**	14,352
Non-controlling interests		**(2,844)**	2,405
(Loss)/profit for the period		**(51,543)**	16,757
(Loss)/earnings per share	*7*		
Basic		**(1.30 cent)**	0.38 cent
Diluted		**(1.30 cent)**	0.38 cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2012 - unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2012	2011
	$'000	*$'000*
(Loss)/profit for the period	**(51,543)**	16,757
Other comprehensive income for the period:		
Exchange differences on translation of financial statements of subsidiaries	**(3,109)**	16,607
Total comprehensive income for the period	**(54,652)**	33,364
Attributable to:		
Equity shareholders of the Company	**(51,556)**	29,678
Non-controlling interests	**(3,096)**	3,686
Total comprehensive income for the period	**(54,652)**	33,364

CONSOLIDATED BALANCE SHEET
at 30 June 2012 - unaudited
(Expressed in Hong Kong dollars)

	Note	**At 30 June 2012** *$'000*	At 31 December 2011 *$'000*
Non-current assets			
Fixed assets			
- Property, plant and equipment	*8*	**1,504,103**	1,571,956
- Construction in progress		**3,681**	-
- Interests in land held for own use under operating leases		**274,818**	280,137
Prepayments for construction costs		**14,389**	15,263
Intangible assets		**2,706**	2,809
		1,799,697	1,870,165
Current assets			
Interest in land held for own use under operating leases		**7,545**	7,587
Consumable parts		**17,289**	18,327
Trade and other receivables	*9*	**36,687**	31,515
Current tax recoverable		**18,259**	13,786
Cash and cash equivalents		**49,439**	68,281
		129,219	139,496
Current liabilities			
Other payables and accruals		**60,736**	76,004
Deferred revenue		**975**	2,872
Bank loans	*10*	**1,171,956**	1,179,625
		1,233,667	1,258,501
Net current liabilities		**(1,104,448)**	(1,119,005)
Total assets less current liabilities		**695,249**	751,160
Non-current liabilities			
Deferred tax liabilities		**6,910**	7,236
Amount due to a director	*11*	**198,057**	198,990
		204,967	206,226
NET ASSETS		**490,282**	544,934
CAPITAL AND RESERVES			
Share capital		**373,264**	373,264
Reserves		**72,665**	124,221
Total equity attributable to equity shareholders of the Company		**445,929**	497,485
Non-controlling interests		**44,353**	47,449
TOTAL EQUITY		**490,282**	544,934

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2011 – unaudited

(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 2012	**373,264**	**710,477**	**(251,428)**	**104,864**	**31,947**	**-**	**(471,639)**	**497,485**	**47,449**	**544,934**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(48,699)**	**(48,699)**	**(2,844)**	**(51,543)**
Other comprehensive income	**-**	**-**	**-**	**(2,857)**	**-**	**-**	**-**	**(2,857)**	**(252)**	**(3,109)**
Total comprehensive income	**-**	**-**	**-**	**(2,857)**	**-**	**-**	**(48,699)**	**(51,556)**	**(3,096)**	**(54,652)**
Balance at 30 June 2012	**373,264**	**710,477**	**(251,428)**	**102,007**	**31,947**	**-**	**(520,338)**	**445,929**	**44,353**	**490,282**
Balance at 1 January 2011	373,264	710,477	(251,428)	75,840	31,947	10,419	(348,128)	602,391	54,117	656,508
Profit for the period	-	-	-	-	-	-	14,352	14,352	2,405	16,757
Other comprehensive income	-	-	-	15,326	-	-	-	15,326	1,281	16,607
Total comprehensive income	-	-	-	15,326	-	-	14,352	29,678	3,686	33,364
Equity settled share-based transaction	-	-	-	-	-	(10,419)	10,419	-	-	-
Balance at 30 June 2011	373,264	710,477	(251,428)	91,166	31,947	-	(323,357)	632,069	57,803	689,872

NOTES：

(Expressed in Hong Kong dollars)

1. Basis of preparation

The interim financial report 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 by the Board of Directors on 28 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in note 2.

Going Concern

In 2011, a lessee of the Group's oil storage tanks unilaterally terminated a lease agreement with the Group. 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 $1,165,356,000 were classified as current liabilities at 30 June 2012. Further details have been set out in notes 9 and 10 to the interim financial report.

As a result of the above, the Group had consolidated net current liabilities of $1,104,448,000 at 30 June 2012. In addition, the Group incurred a consolidated loss of $51,543,000 during the six months ended 30 June 2012. 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 and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In order to maintain the long-term banking facilities of $1,165,356,000 with the original repayment schedule unchanged, the Group has actively worked with the bank to fulfil its request by providing the necessary additional security. Subsequent to the balance sheet date, the Group received a letter dated 30 July 2012 from the lending bank (the "Lender") to confirm the acceptance of additional security and maintain the long-term banking facilities with the original repayment schedule unchanged (as set out in note 10(d)).

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 interim financial report has 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 the interim financial report.

2. Changes in accounting policies

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the amendments to HKFRS 7, *Financial instruments: Disclosures - Transfer of financial assets* are relevant to the Group's financial statements.

The amendments to HKFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

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

3. 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, transhipment 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, transhipment and storage activities carried out in Dongguan, the PRC.

(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 other payables and accruals and deferred revenue attributable to the individual segments, and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to turnover 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 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 six months ended 30 June 2012 and 2011 is set out below:

For the six months ended 30 June	XHIT 2012 $'000	XHIT 2011 $'000	DZIT 2012 $'000	DZIT 2011 $'000	Total 2012 $'000	Total 2011 $'000
Reportable segment revenue	**48,272**	84,608	**55,947**	-	**104,219**	84,608
Reportable segment profit/(loss) before taxation	**2,615**	40,009	**(37,467)**	-	**(34,852)**	40,009
Interest income	**147**	456	**85**	-	**232**	456
Finance costs	**5,973**	5,024	**31,974**	-	**37,947**	5,024

	XHIT At 30 June 2012 $'000	XHIT At 31 December 2011 $'000	DZIT At 30 June 2012 $'000	DZIT At 31 December 2011 $'000	Total At 30 June 2012 $'000	Total At 31 December 2011 $'000
Reportable segment assets	**1,473,394**	1,494,080	**1,403,787**	1,450,708	**2,877,181**	2,944,788
Reportable segment liabilities	**1,352,206**	1,366,024	**1,007,844**	1,015,060	**2,360,050**	2,381,084

For the six months ended 30 June	XHIT 2012 $'000	XHIT 2011 $'000	DZIT 2012 $'000	DZIT 2011 $'000	Total 2012 $'000	Total 2011 $'000
Additions to non-current segment assets during the period	**832**	12,269	**5,029**	75,655	**5,861**	87,924

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

	Six months ended 30 June 2012 $'000	Six months ended 30 June 2011 $'000
Revenue		
Reportable segment revenue	**104,219**	84,608
Consolidated turnover	**104,219**	84,608
(Loss)/profit		
Reportable segment (loss)/profit before taxation	**(34,852)**	40,009
Unallocated other net income/(loss)	**11**	(343)
Unallocated head office and corporate expenses	**(16,767)**	(13,756)
Consolidated (loss)/profit before taxation	**(51,608)**	25,910

	At 30 June 2012 $'000	At 31 December 2011 $'000
Assets		
Reportable segment assets	**2,877,181**	2,944,788
Elimination of inter-segment receivables	**(970,340)**	(964,519)
	1,906,841	1,980,269
Unallocated head office and corporate assets	**22,075**	29,392
Consolidated total assets	**1,928,916**	2,009,661
Liabilities		
Reportable segment liabilities	**2,360,050**	2,381,084
Elimination of inter-segment payables	**(970,340)**	(964,519)
	1,389,710	1,416,565
Unallocated head office and corporate liabilities	**48,924**	48,162
Consolidated total liabilities	**1,438,634**	1,464,727

4. Other net income/(loss)

	Six months ended 30 June 2012 $'000	2011 $'000
Interest income	**251**	480
Loss on disposal of fixed assets	**(39)**	(131)
Net foreign exchange gain/(loss)	**130**	(580)
Others	**1,005**	85
	1,347	(146)

5. (Loss)/profit before taxation

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

		Six months ended 30 June	
		2012	2011
		$'000	*$'000*
(a)	Finance costs		
	Interest on bank loans	**38,012**	32,316
	Less: Borrowing costs capitalised as construction in progress	**-**	(27,207)
		38,012	5,109

The borrowing costs during the six months ended 30 June 2011 have been capitalised at a rate of 5.40% - 6.39% per annum for construction in progress. The capitalisation of borrowing costs ceased upon the completion of construction in October 2011.

(b)	Staff costs*		
	Contributions to defined contribution retirement plan	**1,101**	672
	Salaries, wages and other benefits	**21,198**	14,906
		22,299	15,578
(c)	Other items		
	Depreciation and amortisation	**64,775**	19,276
	Operating lease charges on properties*	**4,005**	2,740

* Staff costs includes $900,000 (six months ended 30 June 2011: $900,000) relating to operating lease charges on properties, which amount is also included in the respective total amount disclosed separately above.

6. Income tax

	Six months ended 30 June	
	2012	2011
	$'000	*$'000*
Income tax in the consolidated income statement represents:		
Current tax - PRC Enterprise Income Tax		
- Provision for the period	**-**	9,419
- Under-provision in respect of prior years	**222**	-
	222	9,419
Deferred taxation – origination and reversal of temporary differences	**(287)**	(266)
	(65)	9,153

Notes:

(i) No Hong Kong Profits Tax was provided for the six months ended 30 June 2012 as the Group sustained a loss for Hong Kong Profits Tax purposes for the period (six months ended 30 June 2011: Nil).

(ii) No PRC Enterprise Income Tax was provided for the six months ended 30 June 2012 as the Group sustained a loss for PRC Enterprise Income Tax purposes for the period.

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 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 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. The applicable tax rate of GD (Panyu) for the six months ended 30 June 2012 and 2011 was 25% and 24% respectively.

No tax relief has been granted to other subsidiaries in the PRC and the applicable tax rates of these subsidiaries for the six months ended 30 June 2012 and 2011 was 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.

At 30 June 2012, temporary differences relating to the undistributed profits of the Group's foreign-invested enterprise amounted to $159,392,000 (31 December 2011: $157,669,000). Deferred tax liabilities of $7,970,000 (31 December 2011: $7,883,000) 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 enterprise and the directors have determined that the profits will not be distributed in the foreseeable future.

7. (Loss)/earnings per share

The calculations of the basic and diluted (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of $48,699,000 (six months ended 30 June 2011: profit of $14,352,000) and the weighted average of 3,732,638,000 ordinary shares (six months ended 30 June 2011: 3,732,638,000 ordinary shares) in issue during the interim period.

The diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share as the outstanding share options were anti-dilutive and lapsed during the six months ended 30 June 2011.

8. Fixed assets

Acquisition and disposals of property, plant and equipment

During the six months ended 30 June 2012, additions to the Group's dock and storage facilities (including those transferred from construction in progress upon completion of construction) with a cost amounted to approximately $833,000 (six months ended 30 June 2011: $131,550,000). Motor vehicles with net book value of $40,000 were disposed of during the six months ended 30 June 2012 (six months ended 30 June 2011: $Nil). Loss on disposal of $40,000 was resulted (six months ended 30 June 2011: $Nil).

9. Trade and other receivables

	At 30 June 2012 *$'000*	At 31December 2011 *$'000*
Trade receivables	**141,262**	142,779
Less: Allowance for doubtful debts (note 9(b))	**(117,777)**	(118,431)
	23,485	24,348
Prepayments and other receivables	**13,202**	7,167
	36,687	31,515

(a) The ageing of trade receivables (net of allowance for doubtful debts) as of the balance sheet date is as follows:

	At 30 June 2012 *$'000*	At 31December 2011 *$'000*
Neither past due nor impaired	**22,110**	22,237
Less than 1 month past due	**1,124**	2,111
1 month to 3 months past due	**251**	-
	23,485	24,348

(b) Impairment of trade receivables

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.

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.

On 11 June 2012, the Group has applied for an arbitration to the Guangzhou Arbitration Commission, requesting the Commission to rule that:

- the Lessee shall pay the Group the outstanding rental of RMB86,760,000 (equivalent to $106,428,000) for the period from 1 July 2011 to 30 June 2012 and the penalty for the late payment of the above rental which amounted to RMB5,307,000 (equivalent to $6,510,000) as of 30 June 2012;

- the Lease Agreement be terminated;

- the Lessee shall pay the Group a default payment of RMB607,320,000 (equivalent to $744,993,000);

- the Lessee shall pay the Group a rental of RMB64,260,000 (equivalent to $78,827,000) for the actual usage of the oil storage tanks by the Lessee during the period from 1 January 2005 to 30 June 2006; and

- the arbitration fee shall be borne by the Lessee.

As a result of the above, the Group has ceased to recognise revenue from the Lease Agreement since 1 July 2011. Further, there is accrued rental income receivable arising from initial rent free period of the Lease Agreement (included within trade receivables) of $111,378,000 at 30 June 2012. 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 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 30 June 2012.

10. Bank loans

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

	At 30 June 2012	At 31 December 2011
	$'000	*$'000*
Current liabilities		
Short-term bank loans	**2,400**	2,400
Long-term bank loans repayable on demand	**1,169,556**	1,177,225
	1,171,956	1,179,625

(b) As at 30 June 2012, according to the original repayment schedule, the bank loans were repayable as follows:

	At 30 June 2012	At 31 December 2011
	$'000	*$'000*
Within 1 year or on demand	**2,400**	2,400
After 1 year but within 2 years	**49,014**	49,273
After 2 years but within 5 years	**124,469**	126,350
After 5 years	**996,073**	1,001,602
	1,169,556	1,177,225
	1,171,956	1,179,625

(c) As at 30 June 2012, the bank loans are secured as follows:

	At 30 June 2012	At 31 December 2011
	$'000	*$'000*
Bank loans		
- secured (note 10(d))	**1,165,356**	1,171,825
- unsecured (note 10(e))	**6,600**	7,800
	1,171,956	1,179,625

(d) At 30 June 2012, the Group had banking facilities totalling $1,177,356,000 (31 December 2011: $1,183,825,000), of which $1,165,356,000 (31 December 2011: $1,171,825,000) were secured by certain of the Group's future non-cancellable operating lease receivables. The facilities were utilised to the extent of $1,165,356,000 as at 30 June 2012 (31 December 2011: $1,171,825,000).

As set out in note 9, 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 $1,165,356,000 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 Lender may request the Group to replace the security or the drawn down facilities would become repayable at the Lender's sole discretion. During the period, 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 $1,165,356,000. Following this, the Group has actively worked with the Lender to provide the necessary additional security. As at 30 June 2012, the formalities for the provision of additional security were still in progress. As it is uncertain that the Lease Agreement will continue to be executed and the Lender will accept the additional security provided, the outstanding long-term bank loans of $1,165,356,000 were classified as currently liabilities at 30 June 2012.

Subsequent to the balance sheet date, the Group received a letter dated 30 July 2012 from the Lender to confirm the acceptance of additional security and maintain the long-term banking facilities with the original repayment schedule unchanged. The additional security includes the land, terminal and storage facilities of a PRC subsidiary (the "facilities") with net book value of $1,356,903,000 as at 30 June 2012 and the right of income from the facilities.

(e) The Group's unsecured banking facilities of $12,000,000 (31 December 2011: $12,000,000) 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. As at 30 June 2012, none of the covenants relating to drawn down facilities had been breached (31 December 2011: none).

In addition, the abovementioned banking facilities of $12,000,000 (31 December 2011: $12,000,000) which were utilised to the extent of $6,600,000 (31 December 2011: $7,800,000) 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 repayment 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.

11. 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.

EXTRACT OF THE REVIEW REPORT ON THE DRAFT INTERIM FINANCIAL REPORT OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2012

"*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2012 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

Emphasis of matter

Without qualifying our conclusion, we draw attention to note 1 to the interim financial report which indicates that the Group incurred a consolidated loss of HK$51,543,000 during the six months ended 30 June 2012 and had consolidated net current liabilities of HK$1,104,448,000 at 30 June 2012. 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 interim financial report has 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$1,165,356,000 as described in notes 1, 9 and 10 to the interim financial report and to meet its obligations as and when they fall due."

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

In addition to the terminal in Xiao Hu Island of Nansha, Panyu ("XHIT"), the Group expanded its liquid product terminal operations to Dongguan. The new terminal, Dongzhou International Terminal ("DZIT") in Lisha Island of Shatian Town, Dongguan City, commenced business in the last quarter of 2011. The operational results of XHIT and DZIT were as follows:

	XHIT			DZIT
Operational statistics	**Six months ended 30 June 2012**	Six months ended 30 June 2011	Change %	**Six months ended 30 June 2012**
Liquid product terminal, storage and transshipment services				
Number of vessels visited				
- foreign	**94**	104	-9.6	**49**
- domestic	**106**	274	-61.3	**47**
Number of trucks served to pick up cargoes	**6,873**	7,771	-11.6	**7,452**
Number of drums filled	**21,483**	23,313	-7.8	**901**
Transshipment volume (metric ton)				
- oils	**-**	1,943	-100.0	**-**
- petrochemicals	**72,980**	72,864	0.2	**1,996**
Port jetty throughput (metric ton)	**348,000**	599,000	-41.9	**301,000**
Tank farm throughput (metric ton)	**475,000**	752,000	-36.8	**237,000**
Solid chemical warehousing services				
Floor area leased out (m^2)	**25,245**	12,960	94.8	**N/A**
Cargoes received (metric ton)	**25,745**	17,948	43.4	**N/A**
Cargoes issued (metric ton)	**22,902**	14,122	62.2	**N/A**

In July 2011, one of XHIT's 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 approximately 241,000 cubic metres. The termination of the Sinopec Lease coupled with the continuous slowing down of the general economy in the PRC, adversely affected the total port jetty and tank farm throughput during the period. The number of vessels visited and trucks served to pick up cargoes also dropped accordingly. Fortunately, some of the tanks under the Sinopec Lease have been leased to other customers. Apart from the tanks under the Sinopec Lease, close to 100% of the storage tanks in XHIT remained being leased-out throughout the period.

DZIT started 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. Over 85% of the tanks were leased to customers by the end of the period.

The warehouse and logistic centre for solid chemical products located in Xiao Hu Island (the "Solid Warehousing Centre") has commenced operations since January 2011. Notwithstanding its slow start last year, more customers moved into the Centre during the period. Over 75% of the total floor area available for rent has been leased out to the customers by the end of the period.

Operating financials

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

	XHIT				DZIT	
	Six months ended 30 June 2012		Six months ended 30 June 2011		**Six months ended 30 June 2012**	
	HK$'000	***%***	*HK$'000*	*%*	***HK$'000***	***%***
Terminal, storage and transshipment services	**38,012**	**78.7**	77,768	91.9	**54,928**	**98.2**
Port income	**1,733**	**3.6**	3,221	3.8	**1,019**	**1.8**
Solid chemical warehousing income	**8,527**	**17.7**	3,619	4.3	**N/A**	**N/A**

With the impact of the early termination of the Sinopec Lease, the turnover from the provision of terminal, storage and transshipment facilities in XHIT dropped by 50.9% from HK$81.0 million to HK$39.7 million during the period. XHIT has started to rent out some of the oil tanks previously leased to Sinopec to other customers and approximately 39,000 cubic metres of these tanks were leased to the customers by the end of this period.

As the utilization of the Solid Warehousing Centre improved during the six months ended 30 June 2012, it generated revenue of HK$8.5 million (six months ended 30 June 2011: HK$3.6 million) to the Group. By the end of the period, over 75% of the total floor area was rented to various customers.

Since the commencement of operations in last quarter of 2011, DZIT in Dongguan maintained a lease-out rate of over 85% of its storage tanks during the period. It contributed to the Group's results with terminal, storage and transshipment income of HK$55.9 million during the period (six months ended 30 June 2011: HK$Nil).

Despite the termination of the Sinopec Lease, the Group's turnover increased by 23.2% from HK$84.6 million to HK$104.2 million for the six months ended 30 June 2012. XHIT recorded a segment profit of HK$2.6 million (six months ended 30 June 2011: HK$40.0 million). The decrease was mainly due to the early termination of Sinopec Lease as discussed above. For DZIT, there was a loss of HK$37.5 million during the period, which was mainly attributable to lower utilization on common facilities which the revenue generated is outweighed by its direct costs and operating expenses, finance costs on bank loans and depreciation of these facilities. In addition, the general inflation in the PRC impacted our operating costs and the cessation of capitalization of finance costs on bank loans upon commencement of operations for DZIT also contributed to the effect. For details of the segment reporting, please refer to note 3 on page 6 to 8.

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 but eventually it is decided to take proper actions to protect the Group's and the shareholders' interests. The Group has applied for an arbitration to the Guangzhou Arbitration Commission in June 2012 to claim for compensation against the lessee in accordance with the terms under the captioned lease agreement. However, in order to mitigate the impact, XHIT has started to rent out some of the oil tanks to other customers and approximately 39,000 cubic metres of these tanks have been leased to customers by the end of the period.

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. Backed up with the unused land, larger docking capacity and capability for 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 pursuing with potential customers to further utilize its land available in the DZIT with tailor-made new storage tanks and equipment to cater various market environments. With higher utilization of the spare capacity of DZIT, it is envisaged that 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 competitive advantages over peers in the region. It is therefore optimistic for the Group to turn around its results and return to its shareholders in the coming years.

- **Solid Warehousing Centre**

The Group diversified its business into solid chemical warehousing and intended to set a higher standard in safety and environmental protection in the industry. Despite the market was fragmented before the Group entering it, there were rooms of improvement in enforcing these standards from various bureaus. The Solid Warehousing Centre targeted to attract high-end renowned multinational companies with its state-of-art facilities and quality services. These customers put higher emphasis in safety and quality of services in their logistic operators. In this regard, it successfully landed several high-end renowned multinational companies in the Centre and could achieve close to 80% utilization of its storage capacity by the end of the period. The Group is therefore conservatively optimistic for its solid product business in the future.

FINANCIAL REVIEW

	Six months ended 30 June 2012 *HK$'000*	Six months ended 30 June 2011 *HK$'000*	Changes %
Turnover	**104,219**	84,608	23.2
Turnover less direct costs and operating expenses	**11,384**	49,495	-77.0
(Loss)/earnings before interest and tax ("LBIT/EBIT")	**(13,596)**	31,019	-143.8
(Loss)/profit attributable to equity shareholders of the Company	**(48,699)**	14,352	-439.3
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**51,179**	50,295	1.8
Gross margin	**10.9%**	58.5%	
Net (loss)/profit margin	**(49.5%)**	19.8%	
Basis (loss)/earnings per share (HK cent)	**(1.30)**	0.38	-442.1
Diluted (loss)/earnings per share (HK cent)	**(1.30)**	0.38	-442.1

For the six months ended 30 June 2012, the Group's turnover was HK$104.2 million (2010: HK$84.6 million), representing an increase of 23.2% over the same period in 2011. Despite the early termination of Sinopec Lease since 1 July 2011, the opening of DZIT and Solid Warehousing Centre successfully generated turnover of HK$55.9 million (six months ended 30 June 2011: HK$Nil) and HK$8.5 million (six months ended 30 June 2011: HK$3.6 million) respectively to the Group during the period. However, the gross operating profit decreased by 77.0% from HK$49.5 million to HK$11.4 million and the gross margin dropped from 58.5% to 10.9%, which was mainly attributable to the leasing income ceased to be recognized in respect of oil tanks under Sinopec Lease and higher operating costs due to lower capacity utilization on common facilities in DZIT. In addition, the increase in XHIT operating costs and administration expenses was attributable partly to the general inflation in the PRC, which impacted particularly on staff costs, maintenance and other overheads. LBIT for the period was HK$13.6 million (six months ended 30 June 2011: EBIT of HK$31.0 million) and EBITDA for the period was HK$51.2 million (six months ended 30 June 2011: HK$50.3 million). Finance costs increased by HK$32.9 million as the interest ceased to be capitalized and were charged to profit or loss during the period upon commencement of operations for Solid Warehousing Centre and DZIT in the first and last quarter of 2011 respectively. The basic and diluted loss per share for the period were 1.30 Hong Kong cent (six months ended 30 June 2011: basic and diluted earnings per share of 0.38 Hong Kong cent).

Capital structure, liquidity and gearing

As at 30 June 2012, the Group's total cash and cash equivalents amounted to approximately HK$49.4 million (31 December 2011: HK$68.3 million). Most of the funds were held in Hong Kong dollar, Renminbi yuan ("RMB") and US dollar.

As at 30 June 2012, the Group's current ratio was 0.10 (31 December 2011: 0.11). The low current ratio was mainly attributable to the reclassification of long-term bank loans of HK$1,171,956,000 from non-current liabilities to current liabilities at 30 June 2012 which is consistent to the presentation in 2011 annual report. The current ratio would be improved once the Group completed the documentation for pledging in favour of the lending bank (the "Lender")with the Group's fixed assets. On 30 July 2012, the Group received a letter from the Lender to confirm the acceptance of additional security and maintain the long-term banking facilities with the original repayment schedule unchanged.

The Group's gearing ratio (defined as total liabilities to total equity) as at 30 June 2012 was 2.93 (31 December 2011: 2.69). The slightly increase was attributable to the higher Group's working capital requirement upon DZIT's commencement of operations and the loss incurred during the period.

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 and advance from a director to support the start-up stage of new businesses, settlement of the construction costs of the Solid Warehousing Centre and DZIT. 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$1,172 million as at 30 June 2012 (31 December 2011: HK$1,180 million). The borrowing costs of HK$27.2 million during the six months ended 30 June 2011 have been capitalized for construction in progress. The capitalization of borrowing costs ceased upon the completion of construction in October 2011. During the six months ended 30 June 2012, the finance cost charged to profit or loss was approximately HK$38.0 million (2011: HK$5.1 million).

Taxation

The Group had no assessable profit subject to Hong Kong Profits Tax for the period. On the other hand, the applicable tax rate for the PRC subsidiaries is 25%.

Exposure to fluctuation in exchange rates and related hedge

The Group's cash and cash equivalents are held predominately in Hong Kong dollar, RMB and US dollar. Operating outgoings incurred by the Group's 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 the Group's future non-cancellable operating lease receivables have been collateralized for long-term banking facilities. Apart from this, as at 30 June 2012, none of the assets of the Group was pledged. Subsequent to the balance sheet date, the Group received a letter from the Lender to confirm the acceptance of the land, terminal and storage facilities of DZIT and the right of income from the facilities as additional security for the banking facility granted.

Capital commitment and contingent liabilities

At 30 June 2012, the Group had capital expenditure contracted for but not provided in the interim financial report in respect of terminal development and acquisition of port and storage facilities amounted to HK$27 million (31 December 2011: HK$20 million).

At 30 June 2012, the Group had capital expenditure not contracted for but approved by the board and not provided in the interim financial report in respect of terminal development and acquisition of port and storage facilities amounted to approximately HK$144 million (31 December 2011: HK$145 million).

At 30 June 2012, the Group has no material contingent liabilities.

Employees and remuneration policy

The Group had a workforce of approximately 420 people (31 December 2011: 414). Salaries of employees are maintained at competitive level with reference to the relevant market and are performance driven.

Interim dividend

The directors do not recommend any interim dividend for the six months ended 30 June 2012 (2011: Nil).

OTHER INFORMATION

REVIEW OF THE INTERIM FINANCIAL REPORT

The Group's interim financial report for the six months ended 30 June 2012 has not been audited but has been reviewed by the Audit Committee and auditors of the Company, KPMG, whose review report will be included in the interim financial report to be sent to shareholders.

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

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'') as set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") (revised and took effect on 1 April 2012) contained in Appendix 14 of the Listing Rules on the Stock Exchange. The Company has complied with the Code Provisions, except for deviations from Code Provision A.4.1 which is explained below.

Under Code Provision A.4.1, the 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.

(b) Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific inquiry of all directors, all directors have complied with the required standard set out in the Model Code for the six months ended 30 June 2012.

On behalf of the Board
David An
Chairman

Hong Kong, 28 August 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