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 2012

The Board of Directors (the "Directors") of Hans Energy Company Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012
(Expressed in Hong Kong dollars)

	Note	**2012** **$'000**	2011 $'000
Turnover	2	**204,019**	144,884
Direct costs and operating expenses		**(192,529)**	(106,130)
		11,490	38,754
Other net income	3	**3,028**	213
Administrative expenses		**(59,055)**	(47,517)
Impairment loss on trade receivables	8(a)	**-**	(109,472)
Loss from operations		**(44,537)**	(118,022)
Finance costs	4(a)	**(80,071)**	(25,231)
Loss before taxation	4	**(124,608)**	(143,253)
Income tax	5(a)	**573**	182
Loss for the year		**(124,035)**	(143,071)
Attributable to:			
Equity shareholders of the Company		**(116,713)**	(133,930)
Non-controlling interests		**(7,322)**	(9,141)
Loss for the year		**(124,035)**	(143,071)
Loss per share	6		
- basic		**(3.13 cents)**	(3.59 cents)
- diluted		**(3.13 cents)**	(3.59 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012
(Expressed in Hong Kong dollars)

	2012	2011
	$'000	*$'000*
Loss for the year	**(124,035)**	(143,071)
Other comprehensive income for the year		
Exchange differences on translation of financial statements of subsidiaries	**(386)**	31,497
Total comprehensive income for the year	**(124,421)**	(111,574)
Attributable to:		
Equity shareholders of the Company	**(117,068)**	(104,906)
Non-controlling interests	**(7,353)**	(6,668)
Total comprehensive income for the year	**(124,421)**	(111,574)

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2012
(Expressed in Hong Kong dollars)

	Note	**2012**	2011
		$'000	*$'000*
Non-current assets			
Fixed assets	*7*		
- Property, plant and equipment		**1,463,173**	1,571,956
- Interests in land held for own use under operating leases		**272,517**	280,137
Prepayments for construction costs		**15,480**	15,263
Intangible assets		**2,606**	2,809
		1,753,776	1,870,165
Current assets			
Interest in land held for own use under operating leases		**7,587**	7,587
Consumable parts		**18,084**	18,327
Trade and other receivables	*8*	**35,781**	31,515
Current tax recoverable		**18,580**	13,786
Cash and cash equivalents		**73,571**	68,281
		153,603	139,496
Current liabilities			
Other payables and accruals		**67,154**	78,876
Bank loans	*9*	**52,267**	1,179,625
		119,421	1,258,501
Net current assets/(liabilities)		**34,182**	(1,119,005)
Total assets less current liabilities		**1,787,958**	751,160
Non-current liabilities			
Deferred tax liabilities		**6,660**	7,236
Bank loans	*9*	**1,174,149**	-
Amounts due to related parties	*10*	**186,636**	198,990
		1,367,445	206,226
Net assets		**420,513**	544,934
Capital and reserves			
Share capital		**373,264**	373,264
Reserves		**7,153**	124,221
Total equity attributable to equity shareholders of the Company		**380,417**	497,485
Non-controlling interests		**40,096**	47,449
Total equity		**420,513**	544,934

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Special reserve	Translation reserve	Statutory reserve	Share-based compensation reserve	Accumulated losses	Total		
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
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
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 and 1 January 2012	**373,264**	**710,477**	**(251,428)**	**104,864**	**31,947**	**-**	**(471,639)**	**497,485**	**47,449**	**544,934**
Changes in equity for 2012:										
Loss for the year	-	-	-	-	-	-	**(116,713)**	**(116,713)**	**(7,322)**	**(124,035)**
Other comprehensive income	-	-	-	**(355)**	-	-	-	**(355)**	**(31)**	**(386)**
Total comprehensive income	-	-	-	**(355)**	-	-	**(116,713)**	**(117,068)**	**(7,353)**	**(124,421)**
Balance at 31 December 2012	**373,264**	**710,477**	**(251,428)**	**104,509**	**31,947**	**-**	**(588,352)**	**380,417**	**40,096**	**420,513**

NOTES

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies

(a) Basis of preparation

The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2012 but is extracted from those financial statements.

The 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.

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

1. Significant accounting policies (continued)

(b) Changes in accounting policies

The HKICPA has issued several 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 – Transfers of financial assets* is relevant to the Group's financial statements.

The adoption of the amendments to HKFRS 7 does not result in a significant impact on the Group's results of operations and financial position for the current or comparative periods as 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.

2. Turnover and segment reporting

(a) Turnover

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

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

	2012	2011
	$'000	*$'000*
Port income	**4,732**	5,282
Storage, warehousing and transshipment income	**199,287**	139,602
	204,019	144,884

In 2012, the Group has one customer (2011: two customers) with whom transactions have exceeded 10% of the Group's revenues. In 2012, revenue from provision of storage, warehousing and transshipment services to this customer, including revenues from entities which are known to the Group to be under common control with this customer, amounted to approximately $22 million (2011: $49 million and $17 million respectively).

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

2. Turnover and segment reporting (continued)

(b) Segment reporting

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

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

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

(i) Segment results, assets and liabilities

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

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

Revenue and expenses are allocated to the reportable segments with reference to 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/(loss) is "profit/(loss) before taxation", i.e. "adjusted earnings/(losses) before taxes". To arrive at "profit/(loss) before taxation", the Group's earnings/(losses) are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs.

In addition to receiving segment information concerning profit/(loss) before taxation, management is provided with segment information concerning revenue, interest income, 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 2012 and 2011 is set out below.

2. Turnover and segment reporting (continued)

(b) Segment reporting (continued)

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

	XHIT		*DZIT*		*Total*	
	2012	2011	**2012**	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Reportable segment revenue	**100,694**	123,473	**103,325**	21,411	**204,019**	144,844
Reportable segment loss before taxation	**(789)**	(84,608)	**(89,766)**	(28,134)	**(90,555)**	(112,472)
Interest income	**559**	1,074	**174**	37	**733**	1,111
Finance costs	**13,363**	10,811	**66,556**	14,262	**79,919**	25,073
Impairment loss on trade receivables	**-**	109,472	**-**	-	**-**	109,472
Reportable segment assets	**1,524,785**	1,494,080	**1,358,132**	1,450,708	**2,882,917**	2,944,788
Reportable segment liabilities	**1,412,931**	1,366,024	**1,012,611**	1,015,060	**2,425,542**	2,381,084
Additions to non-current segment assets during the year	**3,406**	11,627	**10,025**	99,653	**13,431**	111,280

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

	2012	2011
	$'000	*$'000*
Revenue		
Reportable segment revenue	**204,019**	144,884
Consolidated turnover (note 2(a))	**204,019**	144,884
Loss		
Reportable segment loss before taxation	**(90,555)**	(112,742)
Unallocated other net income/(loss)	**142**	(8)
Unallocated head office and corporate expenses	**(34,195)**	(30,503)
Consolidated loss before taxation	**(124,608)**	(143,253)

2. Turnover and segment reporting (continued)

(b) Segment reporting (continued)

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

	2012	2011
	$'000	*$'000*
Assets		
Reportable segment assets	**2,882,917**	2,944,788
Elimination of inter-segment receivables	**(988,019)**	(964,519)
	1,894,898	1,980,269
Unallocated head office and corporate assets	**12,481**	29,392
Consolidated total assets	**1,907,379**	2,009,661
Liabilities		
Reportable segment liabilities	**2,425,542**	2,381,084
Elimination of inter-segment payables	**(988,019)**	(964,519)
	1,437,523	1,416,565
Unallocated head office and corporate liabilities	**49,343**	48,162
Consolidated total liabilities	**1,486,866**	1,464,727

3. Other net income

	2012	2011
	$'000	*$'000*
Interest income	**755**	1,180
Government grants	**1,035**	217
Loss on disposal of property, plant and equipment	**(131)**	(109)
Net foreign exchange loss	**(201)**	(1,395)
Others	**1,570**	320
	3,028	213

4. Loss before taxation

Loss before taxation is arrived at after charging:

	2012	2011
	$'000	*$'000*
(a) Finance costs:		
Interest on bank loans	**80,071**	66,198
Less: Borrowing costs capitalised as construction in progress	**-**	(40,967)
	80,071	25,231

The borrowing costs during 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.

	2012	2011
	$'000	*$'000*
(b) Staff costs*		
Contributions to defined contribution retirement plan	**2,347**	1,526
Salaries, wages and other benefits	**51,313**	41,110
Total staff costs	**53,660**	42,636
(c) Other items		
Depreciation and amortisation	**127,388**	62,159
Auditor's remuneration		
- audit services	**1,320**	1,250
- review services	**380**	380
Operating lease charges on properties*	**7,968**	5,664

* Staff costs includes $1,800,000 (2011: $1,800,000) 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:

	2012	2011
	$'000	*$'000*
Current tax - PRC Enterprise Income Tax		
Under-provision in respect of prior years	**-**	358
Deferred tax		
Origination and reversal of temporary differences	**(573)**	(540)
	(573)	(182)

Notes:

(i) No Hong Kong Profits Tax was provided for the year ended 31 December 2012 as the Group sustained a loss for Hong Kong Profits Tax purposes for the year (2011: Nil).

(ii) No PRC Enterprise Income Tax was provided for the year ended 31 December 2012 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 2012 was 25% (2011: 24%).

No tax relief has been granted to other subsidiaries in the PRC and the applicable tax rates of these subsidiaries for the year ended 31 December 2012 was 25% (2011: 25%).

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

(b) Reconciliation between tax credit and accounting loss at applicable tax rates:

	2012	2011
	$'000	*$'000*
Loss before taxation	**(124,608)**	(143,253)
Notional tax on loss before tax, calculated at the rates applicable in the tax jurisdiction concerned	**(28,400)**	(32,503)
Tax effect of non-deductible expenses	**2,563**	2,117
Tax effect of non-taxable income	**(29)**	(90)
Tax effect of unused tax loss not recognised	**25,230**	30,258
Others	**63**	36
Actual tax credit	**(573)**	(182)

6. Loss per share

The calculation of basic and diluted loss per share is based on the loss attributable to ordinary equity shareholders of the Company of $116,713,000 (2011: $133,930,000) and the weighted average of 3,732,638,000 ordinary shares (2011: 3,732,638,000 ordinary shares) in issue during the year.

The diluted loss per share is the same as the basic loss per share for the years ended 31 December 2011 and 2012 as the share options outstanding during 2011 were anti-dilutive and lapsed during the year ended 31 December 2011.

7. Fixed assets

	Buildings $'000	Dock and storage facilities $'000	Office equipment $'000	Motor vehicles $'000	Leasehold improvement $'000	Sub-total $'000	Construction in progress $'000	Interests in land held for own use under operating leases $'000	Total fixed assets $'000
Costs:									
At 1 January 2012	53,600	1,888,093	5,839	20,013	149	1,967,694	-	316,414	2,284,108
Exchange adjustments	(7)	(198)	3	-	-	(202)	-	(37)	(239)
Additions	-	5,412	945	1,565	-	7,922	3,629	-	11,551
Disposals	-	-	(60)	(943)	-	(1,003)	-	-	(1,003)
Transfers	-	3,629	-	-	-	3,629	(3,629)	-	-
At 31 December 2012	53,593	1,896,936	6,727	20,635	149	1,978,040	-	316,377	2,294,417
Accumulated depreciation and amortisation:									
At 1 January 2012	8,232	373,298	3,028	11,031	149	395,738	-	28,690	424,428
Exchange adjustments	5	347	2	4	-	358	-	23	381
Charge for the year	1,712	114,647	761	2,505	-	119,625	-	7,560	127,185
Written back on disposals	-	-	(54)	(800)	-	(854)	-	-	(854)
At 31 December 2012	9,949	488,292	3,737	12,740	149	514,867	-	36,273	551,140
Net book value:									
Balance at 31 December 2012	**43,644**	**1,408,644**	**2,990**	**7,895**	**-**	**1,463,173**	**-**	**280,104**	**1,743,277**
Balance at 31 December 2011	45,368	1,514,795	2,811	8,982	-	1,571,956	-	287,724	1,859,680

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 2012 includes an amount of $7,587,000 (2011: $7,587,000) which is disclosed as interest in land held for own use under operating leases under current assets.

8. Trade and other receivables

	2012	2011
	$'000	*$'000*
Trade debtors and bills receivable	**139,939**	142,779
Less: Allowance for doubtful debts (note 8(a))	**(118,417)**	(118,431)
	21,522	24,348
Prepayments and other receivables	**14,259**	7,167
	35,781	31,515

The amount of the Group's prepayments and other receivables expected to be recovered or recognised as expense after one year is $345,000 (2011: $1,000,000). Apart from these, the prepayments and other receivables are expected to be recovered or recognised as expense within one year.

8. Trade and other receivables (continued)

(a) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable 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 debtors and bills receivable 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.

On 11 June 2012, the Group 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.

The arbitration was still in progress and no conclusion has been drawn up to date.

As a result of the above, the Group 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 $109,472,000. 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 31 December 2011 and 2012.

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

	2012	2011
	$'000	*$'000*
At 1 January	**118,431**	6,131
Impairment loss recognised	**-**	109,472
Exchange adjustment	**(14)**	2,828
At 31 December	**118,417**	118,431

8. Trade and other receivables (continued)

(a) Impairment of trade debtors and bills receivable (continued)

At 31 December 2012, the Group's trade debtors and bills receivable of $118,417,000 (2011: $118,431,000) were individually determined to be impaired, of which $6,435,000 (2011: $6,435,000) related to customers that were in financial difficulties and management assessed that the receivables were not expected to be recovered. In addition, specific allowance for doubtful debts of $111,982,000 was recognised as at 31 December 2012 in respect of accrued rental income receivable in relation to the Lease Agreement, which the Lessee requested to terminate since 1 July 2011.

(b) Ageing analysis

As at balance sheet date, the ageing analysis of trade debtors and bills receivable based on the invoice date and net of allowance for doubtful debts, is as follows:

	2012	2011
	$'000	*$'000*
Within 1 month	**17,925**	22,237
Over 1 month but within 2 months	**2,038**	2,111
Over 2 months but within 3 months	**1,559**	-
	21,522	24,348

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.

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	2012	2011
	$'000	*$'000*
Neither past due nor impaired	**17,925**	22,237
Within 1 month past due	**2,038**	2,111
Over 1 month but within 3 months past due	**1,559**	-
	3,597	2,111
	21,522	24,348

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

9. Bank loans

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

	2012	2011
	$'000	*$'000*
Current liabilities		
Short-term bank loans	**49,267**	2,400
Long-term bank loans repayable on demand	**3,000**	1,177,225
	52,267	1,179,625
Non-current liabilities		
Long-term bank loans	**1,174,149**	-
	1,226,416	1,179,625

(b) At 31 December 2012, according to the original repayment schedules, the bank loans were repayable as follows:

	2012	2011
	$'000	*$'000*
Within 1 year or on demand	**49,267**	2,400
After 1 year but within 2 years	**2,400**	49,273
After 2 years but within 5 years	**188,069**	126,350
After 5 years	**986,680**	1,001,602
	1,177,149	1,177,225
	1,226,416	1,179,625

(c) At 31 December 2012, the bank loans were secured as follows:

	2012	2011
	$'000	*$'000*
Bank loans		
- secured	**1,221,016**	1,171,825
- unsecured	**5,400**	7,800
	1,226,416	1,179,625

9. Bank loans (continued)

(d) At 31 December 2012, the Group had banking facilities totalling $1,468,373,000 (2011: $1,183,825,000), of which $1,455,353,000 (2011: $1,171,825,000) were secured by certain of the Group's fixed assets with net book value of $1,325,542,000 as at 31 December 2012 and certain of the Group's future operating lease receivables (2011: secured by certain of the Group's future operating lease receivables). The banking facilities were utilised to the extent of $1,221,016,000 (2011: $1,171,825,000).

As set out in note 8(a), the Lessee made a request for its unilateral termination of the Lease Agreement since 1 July 2011, which the Group's bank loans of $1,171,825,000 as at 31 December 2011 were secured by the future operating lease receivables of the Lease Agreement. According to the terms of the 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 was uncertain that the Lease Agreement would continue to be executed, the outstanding bank loans of $1,171,825,000 were classified as current liabilities at 31 December 2011.

On 30 July 2012, the Group received a letter from the Lender to confirm the acceptance of the Group's fixed assets as additional security and maintain the banking facilities with the original repayment schedule unchanged. As such, the outstanding bank loans (other than $46,867,000 which is repayable in 2013 according to repayment schedule) of $1,174,149,000 were classified as non-current liabilities as at 31 December 2012.

(e) The Group's unsecured banking facilities of $12,000,000 (2011: $12,000,000) are subject to the fulfilment of covenants relating to the Group's net worth (defined as the net asset of the Group less intangible assets, non-controlling interests and dividend declared) 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 2012, the Group was in breach of the covenant relating to the Group's net worth and the bank loan drawn down of $5,400,000 is repayable at the bank's sole discretion (2011: no breach of covenants). In addition, the abovementioned banking facilities, which utilised to the extent of $5,400,000 (2011: $7,800,000), contains clauses which give the lender the right as 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 balance is therefore classified as current liabilities in the consolidated balance sheet as at 31 December 2012 and 2011. Up to date of these financial statements, the bank did not demand immediate repayment of the loan of $5,400,000.

10. Amounts due to related parties

The amounts due to related parties are unsecured, interest-free and with no fixed terms of repayment.

The related parties have confirmed that they will not request repayment within twelve months from the balance sheet date and accordingly, the balances are 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 expired on 15 December 2012.

No share option was granted to or exercised by any of the Directors and senior management during the year ended 31 December 2012 (2011: Nil) and no share option was outstanding under the scheme as at 31 December 2012 (2011: Nil).

Pursuant to an ordinary resolution passed on 28 December 2012, the Company adopted a new share option scheme (the "new scheme"). The scheme will remain in force for a period of 10 years from adoption of such scheme and will expire on 27 December 2022.

Under the new scheme, the board of directors of the Company may at their discretion grant options to any eligible participant including any employee, director, consultant, agent, business affiliate, business partner, joint venture partner, strategic partner of the Company or any subsidiaries of the Company, or any supplier or provider of goods or services to the Company or any subsidiaries of the Company as may be determined by the directors from time to time to subscribe for the shares of the Company.

No share option was granted by the Company under the new scheme since its date of adoption.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

With the commencement of operations of our new terminal, Dongzhou International Terminal ("DZIT") in Lisha Island of Shatian Town, in Dongguan City last year, the Group now has two liquid product terminals including the existing one in operations in Xiao Hu Island of Nansha, Panyu ("XHIT"). In addition, the warehouse and logistic centre for solid chemical products located in Xiao Hu Island (the "Solid Warehousing Centre") performed with remarkable improvement during the year. The operational results of XHIT and DZIT for the year 2012 were as follows:

Operational statistics	XHIT 2012	XHIT 2011	XHIT Change %	DZIT 2012	DZIT 2011	DZIT Change %
Liquid product terminal, storage and transshipment services						
Number of vessels visited						
- foreign	**194**	197	-1.5	**94**	27	+248.1
- domestic	**202**	352	-42.6	**125**	59	+111.9
Number of trucks served to pick up cargoes	**14,389**	16,660	-13.6	**18,016**	2,480	+626.5
Number of drums filled	**47,405**	46,346	+2.3	**1,563**	118	+1,224.6
Transshipment volume (metric ton)						
- oils	**-**	11,900	-100.0	**9,933**	31,315	-68.3
- petrochemicals	**149,899**	151,205	-0.9	**26,621**	2,009	+1,225.1
Port jetty throughput (metric ton)	**675,922**	940,312	-28.1	**620,262**	319,393	+94.2
Tank farm throughput (metric ton)	**961,080**	1,245,000	-22.8	**1,130,379**	405,000	+179.1
Solid chemical warehousing services						
Floor area leased out (m^2)	**28,460**	16,674	+70.7	**N/A**	N/A	N/A
Cargoes received (metric ton)	**81,453**	31,594	+157.8	**N/A**	N/A	N/A
Cargoes issued (metric ton)	**76,967**	27,650	+178.4	**N/A**	N/A	N/A

XHIT

The performance and results of XHIT have been drastically hampered since Sinopec Guangdong Oil Products Company early terminated the lease agreement for the oil tanks ("Sinopec Lease") with a total storage capacity of approximately 241,000 cubic metres in July 2011. The termination of the Sinopec Lease coupled with the continuous slowing down of the general economy in the PRC affected the total port jetty and tank farm throughput during the year. The number of vessels visited and trucks served to pick up cargoes also dropped accordingly. Fortunately, approximately 28,000 cubic metres of oil tanks under Sinopec Lease have been leased to the customers by end of the year. Apart from the tanks under the Sinopec Lease, over 90% of the petrochemical storage tanks in XHIT remained being leased-out throughout the year.

The Solid Warehousing Centre has commenced operations since January 2011. Notwithstanding its slow start last year, more customers moved into the Centre during the year. 28,460 square metres floor area, which were about 85% of the total floor area available for rent has been leased out to the customers by the end of the year. The flows of goods in and out of the logistic centre increased significantly. There were about 158% increase in cargoes received while about 178% more cargoes were issued during the year.

DZIT

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. In its first full year of operations, DZIT could achieve an average lease-out rate of 75% for the year and over 80% of the tanks are leased to the customers currently.

Operating financials

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

	XHIT				DZIT			
	2012		2011		**2012**		2011	
	HK$'000	***%***	*HK$'000*	*%*	***HK$'000***	***%***	*HK$'000*	*%*
Terminal, storage and transshipment services	76,048	75.5	108,652	88.0	101,870	98.6	21,303	99.5
Port income	3,277	3.3	5,174	4.2	1,455	1.4	108	0.5
Solid chemical warehousing income	21,369	21.2	9,647	7.8	N/A	N/A	N/A	N/A

XHIT

With the impact of the early termination of the Sinopec Lease, the turnover from the provision of terminal, storage and transshipment facilities for liquid products in XHIT dropped by 30% from HK$108.7 million to HK$76.0 million during the year. The port income decreased from HK$5.2 million to HK$3.3 million, a drop of about 37%, which was in line with the early termination of the Sinopec Lease. Fortunately, XHIT has started to rent out some of the oil tanks previously leased to Sinopec to other customers and approximately 98,000 cubic metres of these tanks are currently leased to the customers.

As the utilization of the Solid Warehousing Centre continuously improved during the year, it contributed a revenue of HK$21.4 million (2011: HK$9.6 million) to the Group representing an increase of 122%, with about 85% of the total floor area being rented to various customers by the end of the year.

DZIT

DZIT contributed to the Group's results with terminal, storage and transshipment income of HK$101.9 million during the year (2011: HK$21.3 million). The increase was attributable to the fact that DZIT operated for only a quarter in 2011 while it has full year operations in 2012. In addition to this, the utilization of the terminal facilities improved in 2012. DZIT managed to achieve an average lease-out rate of 75% of its storage tanks to the customer for the year and over 80% of the tanks are leased to the various customers currently.

OUTLOOK

- **Liquid Product Terminal Business**

During the year, the general economy in China slowed down and the demand for oils and chemicals was not stimulated to rebound. The Government cut down the retail oil prices to tackle price hike impact to the general public consumers which reduced the flow of goods within the region which the Group operated. In this respect, the throughput and utilization of storage tanks in the liquid terminals dropped. Despite the early termination of the rental lease as requested by Sinopec, the operations in XHIT remained stable. Over 90% 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 98,000 cubic metres of these tanks are currently leased to customers.

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. Taking into account of the fact that DZIT has been granted with permit to cater not only oils and petrochemicals but also gas products, such as LNG, it is the advantage and edges of DZIT to open another areas and scopes to receive and store gas products for customers. It is the Government's policy to encourage more consumption of cleaner energies in near future. The Group believes that DZIT has bright future to tap into the benefits arising from the favourable policy change.

Furthermore, 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**

With a year of operations in the Group's Solid Warehousing Centre in XHIT, it successfully landed several high-end renowned multinational companies in the Centre and could achieve about 85% utilization of its storage capacity by the end of the year. Such results relied mainly on the confidence customers placed to the Group with regards to the higher standard in safety and environmental protection in the industry and quality services provided by the Group. The Group will stand firm to these strategies and expect to maintain improvements in the utilization of the Centre and thus is conservatively optimistic for its solid product business in the future.

FINANCIAL REVIEW

	2012 *HK$'000*	2011 *HK$'000*	Changes %
Turnover	**204,019**	144,884	+40.8
Turnover less direct costs and operating expenses	**11,490**	38,754	-70.4
Loss before interest and tax ("LBIT")	**(44,537)**	(118,022)	+62.3
Loss attributable to equity shareholders of the Company	**(116,713)**	(133,930)	+12.9
Earnings / (loss) before interest, tax, depreciation and amortisation ("EBITDA / LBITDA")	**82,851**	(55,863)	+248.3
Gross margin	**5.6%**	26.7%	-79.0
Net loss margin	**(60.8%)**	(98.7%)	-38.4
Basis loss per share (HK cents)	**(3.13)**	(3.59)	-12.8
Diluted loss per share (HK cents)	**(3.13)**	(3.59)	-12.8

The Group's turnover was HK$204.0 million during the year (2011: HK$144.9 million), representing an increase of 40.8%. Despite the early termination of Sinopec Lease since 1 July 2011, the opening of DZIT and Solid Warehousing Centre successfully generated turnover of HK$103.3 million (2011: HK$21.4 million) and HK$21.4 million (2011: HK$9.6 million) respectively to the Group during the year. However, the gross operating profit decreased by 70.4% from HK$38.7 million to HK$11.5 million which was mainly attributable to the leasing income ceased to be recognized in respect of oil tanks under Sinopec Lease, resulted in reduction in turnover amounted to HK$48.9 million. The decrease was partially offset by the improvement of utilization rate of DZIT during the year. The gross margin dropped from 26.7% to 5.6%, mainly attributable to the factors mentioned above. In addition, the increase in operating costs and administration expenses as resulted from the general inflation in the PRC during the year, also impacted particularly on staff costs, maintenance and other overheads. LBIT for the year was HK$44.5 million (2011: HK$118.0 million) and EBITDA for the year was HK$82.9 million (2011: LBITDA of HK$55.9 million). The drop in both LBIT and LBITDA was the combined effect of the factors mentioned above and the one-off impairment loss on trade receivables of HK$109.5 million incurred last year. Finance costs increased by HK$54.8 million as the interest ceased to be capitalized and were charged to profit or loss during the year 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 year were 3.13 Hong Kong cents (2011: basic and diluted loss per share of 3.59 Hong Kong cents).

Capital structure, liquidity and gearing

As at 31 December 2012, the Group's total cash and cash equivalents amounted to approximately HK$73.6 million (2011: HK$68.3 million). Most of the funds were held in Hong Kong dollar, RMB and US dollar.

As at 31 December 2012, the current ratio was 1.29 (2011: 0.11). The improvement in ratio was attributable to the change in classification of certain bank loans from current liabilities to long-term liabilities of HK$1,174.1 million during the year upon the Lender's acceptance of additional security and maintaining the banking facilities with the original repayment schedule unchanged.

The Group's gearing ratio as at 31 December 2012 was 3.54 (2011: 2.69) (defined as total liabilities to total equity). The increase was due to the addition of new bank loan of HK$49.3 million 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 and advance from related parties 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$1,226 million as at 31 December 2012 (2011: HK$1,180 million). The borrowing costs of HK$41.0 million during the year ended 31 December 2011 have been capitalized for construction in progress. The capitalization of borrowing costs ceased upon the commencement of operations of DZIT in October 2011. During the year ended 31 December 2012, the finance cost charged to profit or loss was approximately HK$80.1 million (2011: HK$25.2 million).

Taxation

The Group had no assessable profit subject to Hong Kong Profits Tax and PRC Income Tax for the year.

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

The Group has provided the Lender with certain of the Group's fixed assets and certain future non-cancellable operating lease receivables as collaterals for the banking facilities granted.

Capital commitment

At 31 December 2012, 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$21 million (2011: HK$20 million).

At 31 December 2012, 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 (2011: HK$145 million).

Contingent liabilities

At 31 December 2012, the Company has issued guarantees to banks in respect of banking facilities granted to its wholly-owned 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 HK$5,400,000 (2011: HK$7,800,000).

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 HK$Nil (2011: HK$Nil).

Final dividend

The directors do not recommend any final dividend for the year ended 31 December 2012 (2011: 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 which was subsequently revised as the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules"). The Company has complied with the CG Code except for the deviations from Code Provisions A.2.1, A.4.1, A.6.7 and E.1.2 which deviations are explained below.

Code Provision A.2.1 stipulates that the roles of the Chairman and Chief Executive should be separate and should not be performed by the same individual. The Company supports the division of responsibility to ensure the balance of power and authority. However, in view of the fact that the Group's core business is carried out singularly by the PRC subsidiaries, and that the Chief Operating Officer, China (de facto Chief Executive), who managed the core business, is a separate person, the Board considers there is no necessity to separate the Chief Executive at the Group level.

Under Code Provision A.4.1, the non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive directors of the Company do not have a specific term of appointment. However, all directors of the Company are subject to retirement by rotation at least once every three years pursuant to article 116 of the Company's articles of association.

The Company has the deviations from Code Provision A.6.7 and E.1.2 as the Chairman and some of the directors were unable to attend the last annual general meeting held on 15 May 2012 and extraordinary general meeting held on 28 December 2012 due to business engagements. They will use their best endeavours to attend all future shareholders' meetings of the Company.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the directors and all of them have confirmed that they have complied with the Model Code throughout the year ended 31 December 2012.

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 2012, the Group had a workforce of approximately 440 (2011: 414) employees, 430 (2011: 400) 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 2012 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 2012 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, 22 March 2013

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.

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