# 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 2013

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 2013 as follows:

**CONSOLIDATED INCOME STATEMENT**
*for the six months ended 30 June 2013 - unaudited*
*(Expressed in Hong Kong dollars)*

| | | Six months ended 30 June | |
|---|---|---|---|
| | *Note* | **2013** | 2012 |
| | | ***$'000*** | *$'000* |
| **Turnover** | *2* | **111,933** | 104,219 |
| Direct costs and operating expenses | | **(95,471)** | (92,835) |
| | | **16,462** | 11,384 |
| Other net income | *3* | **510** | 1,347 |
| Administrative expenses | | **(27,985)** | (26,327) |
| **Loss from operations** | | **(11,013)** | (13,596) |
| Finance costs | *4(a)* | **(40,799)** | (38,012) |
| **Loss before taxation** | *4* | **(51,812)** | (51,608) |
| Income tax | *5* | **290** | 65 |
| **Loss for the period** | | **(51,522)** | (51,543) |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **(48,531)** | (48,699) |
| Non-controlling interests | | **(2,991)** | (2,844) |
| **Loss for the period** | | **(51,522)** | (51,543) |
| **Loss per share** | *6* | | |
| Basic | | **(1.30 cent)** | (1.30 cent) |
| Diluted | | **(1.30 cent)** | (1.30 cent) |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*for the six months ended 30 June 2013 - unaudited*
*(Expressed in Hong Kong dollars)*

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***$'000*** | *$'000* |
| **Loss for the period** | **(51,522)** | (51,543) |
| **Other comprehensive income for the period:** | | |
| Item that may be reclassified subsequently to consolidated income statement: | | |
| - Exchange differences on translation of financial statements of subsidiaries | **8,549** | (3,109) |
| **Total comprehensive income for the period** | **(42,973)** | (54,652) |
| **Attributable to:** | | |
| Equity shareholders of the Company | **(40,667)** | (51,556) |
| Non-controlling interests | **(2,306)** | (3,096) |
| **Total comprehensive income for the period** | **(42,973)** | (54,652) |

**CONSOLIDATED BALANCE SHEET**
*at 30 June 2013 - unaudited*
*(Expressed in Hong Kong dollars)*

| | Note | **At 30 June 2013 $'000** | At 31 December 2012 $'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | *7* | | |
| - Property, plant and equipment | | **1,427,595** | 1,463,173 |
| - Interests in land held for own use under operating leases | | **273,516** | 272,517 |
| Prepayments for construction costs | | **18,651** | 15,480 |
| Intangible assets | | **2,510** | 2,606 |
| | | **1,722,272** | 1,753,776 |
| **Current assets** | | | |
| Interest in land held for own use under operating leases | | **7,721** | 7,587 |
| Consumable parts | | **18,371** | 18,084 |
| Trade and other receivables | *8* | **47,292** | 35,781 |
| Current tax recoverable | | **18,911** | 18,580 |
| Cash and cash equivalents | | **67,350** | 73,571 |
| | | **159,645** | 153,603 |
| **Current liabilities** | | | |
| Other payables and accruals | | **61,475** | 67,154 |
| Bank loans | *9* | **51,903** | 52,267 |
| | | **113,378** | 119,421 |
| **Net current assets** | | **46,267** | 34,182 |
| **Total assets less current liabilities** | | **1,768,539** | 1,787,958 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **6,487** | 6,660 |
| Bank loans | *9* | **1,195,084** | 1,174,149 |
| Amounts due to related parties | *10* | **189,428** | 186,636 |
| | | **1,390,999** | 1,367,445 |
| **Net assets** | | **377,540** | 420,513 |
| **Capital and reserves** | | | |
| Share capital | | **373,264** | 373,264 |
| Reserves | | **(33,514)** | 7,153 |
| **Total equity attributable to equity shareholders of the Company** | | **339,750** | 380,417 |
| **Non-controlling interests** | | **37,790** | 40,096 |
| **Total equity** | | **377,540** | 420,513 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the six months ended 30 June 2013 – unaudited*
*(Expressed in Hong Kong dollars)*

| | Attributable to equity shareholders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** *$'000* | **Share premium** *$'000* | **Special reserve** *$'000* | **Translation reserve** *$'000* | **Statutory reserve** *$'000* | **Accumulated losses** *$'000* | **Total** *$'000* | **Non-controlling interests** *$'000* | **Total equity** *$'000* |
| **Balance at 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 the six months ended 30 June 2012:** | | | | | | | | | |
| 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 and 1 July 2012** | 373,264 | 710,477 | (251,428) | 102,007 | 31,947 | (520,338) | 445,929 | 44,353 | 490,282 |
| **Changes in equity for the six months ended 31 December 2012:** | | | | | | | | | |
| Loss for the period | - | - | - | - | - | (68,014) | (68,014) | (4,478) | (72,492) |
| Other comprehensive income | - | - | - | 2,502 | - | - | 2,502 | 221 | 2,723 |
| Total comprehensive income | - | - | - | 2,502 | - | (68,014) | (65,512) | (4,257) | (69,769) |
| **Balance at 31 December 2012 and 1 January 2013** | **373,264** | **710,477** | **(251,428)** | **104,509** | **31,947** | **(588,352)** | **380,417** | **40,096** | **420,513** |
| **Changes in equity for the six months ended 30 June 2013:** | | | | | | | | | |
| Loss for the period | **-** | **-** | **-** | **-** | **-** | **(48,531)** | **(48,531)** | **(2,991)** | **(51,522)** |
| Other comprehensive income | **-** | **-** | **-** | **7,864** | **-** | **-** | **7,864** | **685** | **8,549** |
| Total comprehensive income | **-** | **-** | **-** | **7,864** | **-** | **(48,531)** | **(40,667)** | **(2,306)** | **(42,973)** |
| **Balance at 30 June 2013** | **373,264** | **710,477** | **(251,428)** | **112,373** | **31,947** | **(636,883)** | **339,750** | **37,790** | **377,540** |

**NOTES：**

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

## 1. Basis of preparation

The financial information set out in this announcement does not constitute the Group's interim financial report for the six months ended 30 June 2013 but is extracted from the report.

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 26 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements.

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. The adoption of the new and revised standards does not result in a significant impact on the Group's results of operations and financial position for current or comparative periods nor any significant change in the Group's accounting policies.

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

## 2. 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, warehousing 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 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/(loss) is "profit/(loss) before taxation" i.e. "adjusted profit/(loss) before taxes". To arrive at "adjusted profit/(loss) before taxes", the Group's profit/(loss) before taxation is further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs.

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 2013 and 2012 is set out below:

| | **XHIT** | | **DZIT** | | **Total** | |
|---|---|---|---|---|---|---|
| For the six months ended 30 June | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| | ***$'000*** | *$'000* | ***$'000*** | *$'000* | ***$'000*** | *$'000* |
| Reportable segment revenue | **55,735** | 48,272 | **56,198** | 55,947 | **111,933** | 104,219 |
| Reportable segment profit/(loss) before taxation | **3,214** | 2,615 | **(40,128)** | (37,467) | **(36,914)** | (34,852) |

| | **XHIT** | | **DZIT** | | **Total** | |
|---|---|---|---|---|---|---|
| | **At 30 June 2013** | At 31 December 2012 | **At 30 June 2013** | At 31 December 2012 | **At 30 June 2013** | At 31 December 2012 |
| | ***$'000*** | *$'000* | ***$'000*** | *$'000* | ***$'000*** | *$'000* |
| Reportable segment assets | **1,532,385** | 1,524,785 | **1,345,980** | 1,358,132 | **2,878,365** | 2,882,917 |
| Reportable segment liabilities | **1,422,064** | 1,412,931 | **1,034,810** | 1,012,611 | **2,456,874** | 2,425,542 |

***(b) Reconciliations of reportable segment revenues, loss before taxation, assets and liabilities***

| | **Six months ended 30 June** | |
|---|---|---|
| | **2013** | 2012 |
| | ***$'000*** | *$'000* |
| **Revenue** | | |
| Reportable segment revenue | **111,933** | 104,219 |
| Consolidated turnover | **111,933** | 104,219 |
| **Loss before taxation** | | |
| Reportable segment loss before taxation | **(36,914)** | (34,852) |
| Unallocated other net income | **176** | 11 |
| Unallocated head office and corporate expenses | **(15,074)** | (16,767) |
| Consolidated loss before taxation | **(51,812)** | (51,608) |

| | **At 30 June 2013** | At 31 December 2012 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **Assets** | | |
| Reportable segment assets | **2,878,365** | 2,882,917 |
| Elimination of inter-segment receivables | **(1,013,789)** | (988,019) |
| | **1,864,576** | 1,894,898 |
| Unallocated head office and corporate assets | **17,341** | 12,481 |
| Consolidated total assets | **1,881,917** | 1,907,379 |
| **Liabilities** | | |
| Reportable segment liabilities | **2,456,874** | 2,425,542 |
| Elimination of inter-segment payables | **(1,013,789)** | (988,019) |
| | **1,443,085** | 1,437,523 |
| Unallocated head office and corporate liabilities | **61,292** | 49,343 |
| Consolidated total liabilities | **1,504,377** | 1,486,866 |

## 3. Other net income

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***$'000*** | *$'000* |
| Interest income | **420** | 251 |
| Loss on disposal of fixed assets | **(5)** | (39) |
| Net foreign exchange (loss)/gain | **(841)** | 130 |
| Others | **936** | 1,005 |
| | **510** | 1,347 |

## 4. Loss before taxation

Loss before taxation is arrived at after charging:

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2013** | 2012 |
| | | ***$'000*** | *$'000* |
| (a) | Finance costs | | |
| | Interest on bank loans | **40,799** | 38,012 |
| (b) | Staff costs* | | |
| | Contributions to defined contribution retirement plan | **1,126** | 1,101 |
| | Salaries, wages and other benefits | **25,929** | 21,198 |
| | Total staff costs | **27,055** | 22,299 |
| (c) | Other items | | |
| | Depreciation and amortisation | **65,498** | 64,775 |
| | Operating lease charges on properties* | **3,960** | 4,005 |

* Staff costs includes $900,000 (six months ended 30 June 2012: $900,000) relating to operating lease charges on properties, which amount is also included in the respective total amount disclosed separately above.

## 5. Income tax

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***$'000*** | *$'000* |
| Current tax - PRC Enterprise Income Tax | | |
| - Under-provision in respect of prior years | **-** | 222 |
| Deferred taxation – origination and reversal of temporary differences | **(290)** | (287) |
| | **(290)** | (65) |

Notes:

(i) No Hong Kong Profits Tax was provided for the six months ended 30 June 2013 as the Group sustained a loss for Hong Kong Profits Tax purposes for the period (six months ended 30 June 2012: Nil).

(ii) No PRC Enterprise Income Tax was provided for the six months ended 30 June 2013 as the Group's PRC subsidiaries either sustained a loss for PRC Enterprise Income Tax purposes or have accumulated tax loss brought forward to offset estimated assessable profit for the period (six months ended 30 June 2012: Nil).

The applicable tax rate of the PRC subsidiaries for the six months ended 30 June 2013 and 2012 was 25%.

At 30 June 2013, temporary differences relating to the undistributed profits of the Group's subsidiaries amounted to $158,425,000 (31 December 2012: $155,941,000). Deferred tax liabilities of $7,921,000 (31 December 2012: $7,797,000) have not been recognised in respect of the tax that would be payable on distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that the profits will not be distributed in the foreseeable future.

## 6. Loss per share

The calculations of basic and diluted loss per share is based on the loss attributable to ordinary equity shareholders of the Company of $48,531,000 (six months ended 30 June 2012: $48,699,000) and the weighted average of 3,732,638,000 ordinary shares (six months ended 30 June 2012: 3,732,638,000 ordinary shares) in issue during the interim period.

The diluted loss per share is the same as the basic loss per share as there was no share options outstanding during the six months ended 30 June 2013 and 2012.

## 7. Fixed assets

***Acquisition and disposals of property, plant and equipment***

During the six months ended 30 June 2013, additions to the Group's dock and storage facilities with a cost amounted to approximately $279,000 (six months ended 30 June 2012: $833,000). Dock and storage facilities with net book value of $5,000 were disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: $Nil), resulting in a loss on disposal of $5,000 (six months ended 30 June 2012: $Nil).

## 8. Trade and other receivables

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

| | **At 30 June 2013** ***$'000*** | At 31 December 2012 *$'000* |
|---|---|---|
| Within 1 month | **24,400** | 17,925 |
| 1 to 2 months | **5,394** | 2,038 |
| 2 to 3 months | **1,625** | 1,559 |
| Over 3 months | **2,044** | - |
| Trade debtors, net of allowance for doubtful debts | **33,463** | 21,522 |
| Prepayment and other receivables | **13,829** | 14,259 |
| | **47,292** | 35,781 |

### *(a) Impairment of trade debtors*

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 debtors 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 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 (the "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 is still in progress and no conclusion has been drawn up to date.

As a result of the above, the Group has ceased to recognise revenue from the Lease Agreement since 1 July 2011. Further, there is accrued rental income receivable arising from initial rent free period of the Lease Agreement (included within trade debtors) 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 2012 and 30 June 2013.

## 9. Bank loans

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

| | **At 30 June 2013** *$'000* | At 31 December 2012 *$'000* |
|---|---|---|
| **Current liabilities** | | |
| Short-term bank loans | **50,103** | 49,267 |
| Long-term bank loans repayable on demand | **1,800** | 3,000 |
| | **51,903** | 52,267 |
| **Non-current liabilities** | | |
| Long-term bank loans | **1,195,084** | 1,174,149 |
| | **1,246,987** | 1,226,416 |

(b) ***As at 30 June 2013, according to the original repayment schedule, the bank loans were repayable as follows:***

| | At 30 June 2013 $'000 | At 31 December 2012 $'000 |
|---|---|---|
| Within 1 year or on demand | **50,103** | 49,267 |
| After 1 year but within 2 years | **1,800** | 2,400 |
| After 2 years but within 5 years | **193,322** | 188,069 |
| After 5 years | **1,001,762** | 986,680 |
| | **1,196,884** | 1,177,149 |
| | **1,246,987** | 1,226,416 |

(c) ***As at 30 June 2013, the bank loans are secured as follows:***

| | At 30 June 2013 $'000 | At 31 December 2012 $'000 |
|---|---|---|
| Bank loans | | |
| - secured (note 9(d)) | **1,242,787** | 1,221,016 |
| - unsecured (note 9(e)) | **4,200** | 5,400 |
| | **1,246,987** | 1,226,416 |

***(d)*** At 30 June 2013, the Group had banking facilities totalling $1,505,619,000 (31 December 2012: $1,468,373,000), of which $1,492,599,000 (31 December 2012: $1,455,353,000) were secured by certain of the Group's fixed assets with net book value of $1,302,323,000 as at 30 June 2013 (31 December 2012: $1,325,542,000) and certain of the Group's future operating lease receivables. The banking facilities were utilised to the extent of $1,242,787,000 as at 30 June 2013 (31 December 2012: $1,221,016,000).

***(e)*** The Group's unsecured banking facilities of $12,000,000 (31 December 2012: $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. As at 30 June 2013, the Group was in breach of the covenant relating to the Group's net worth and the bank loan draw down of $4,200,000 (31 December 2012: $5,400,000) is repayable at the bank's sole discretion. In addition, the abovementioned banking facilities contain 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. Up to date of this interim financial report, the bank did not demand immediate repayment of the loan of $4,200,000.

## 10. Amounts due to a 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 have no intention to request repayment within twelve months from the balance sheet date and accordingly, the balances are shown as non-current.

## MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATION REVIEW

The operational results of the two liquid product terminals of the Group operating in Panyu ("XHIT") and Dongguan ("DZIT") plus the warehouse and logistic centre for solid chemical products located in Xiao Hu Island (the "Solid Warehousing Centre") continuously performed with remarkable improvement during the period. The results were as follows:

| | **XHIT** | | | **DZIT** | | |
|---|---|---|---|---|---|---|
| | **Six months ended 30 June** | | | **Six months ended 30 June** | | |
| **Operational statistics** | **2013** | 2012 | Change % | **2013** | 2012 | Change % |
| **Liquid product terminal, storage and transshipment services** | | | | | | |
| Number of vessels visited | | | | | | |
| - foreign | **97** | 94 | +3.2 | **63** | 49 | +28.6 |
| - domestic | **180** | 106 | +69.8 | **94** | 47 | +100.0 |
| Number of trucks served to pick up cargoes | **6,407** | 6,873 | -6.8 | **11,539** | 7,452 | +54.8 |
| Number of drums filled | **25,067** | 21,483 | +16.7 | **544** | 901 | -39.6 |
| Transshipment volume (ton) | | | | | | |
| - oils | **-** | - | - | **25,386** | - | +100.0 |
| - petrochemicals | **92,691** | 72,980 | +27.0 | **18,590** | 1,996 | +831.4 |
| Port jetty throughput (ton) | **486,000** | 348,000 | +39.7 | **590,000** | 301,000 | +96.0 |
| Tank farm throughput (ton) | **630,000** | 475,000 | +32.6 | **948,000** | 237,000 | +300.0 |
| | | | | | | |
| **Solid chemical warehousing services** | | | | | | |
| Floor area leased out ($m^2$) | **29,230** | 25,245 | +15.8 | **N/A** | N/A | N/A |
| Cargoes received (ton) | **50,714** | 25,745 | +97.0 | **N/A** | N/A | N/A |
| Cargoes issued (ton) | **51,975** | 22,902 | +126.9 | **N/A** | N/A | N/A |

***LIQUID PRODUCT TERMINAL BUSINESS***

### XHIT

The impact of the early termination of Sinopec Lease to XHIT carried from July 2011 to most of 2012. Only around 15% of the 241,000 cubic metres oil tanks resumed were taken up by customers. However, there were improvements in the leased out volume by the end of 2012. It rented out 40% of the oil tanks. In this regard, the total port jetty and tank farm throughput during the period increased by 39.7% and 32.6% respectively. The number of vessels visited also increased significantly accordingly. Approximately 60,000 cubic metres of oil tanks under Sinopec Lease was being leased to customers at the end of the period. Apart from the tanks under the Sinopec Lease, the petrochemical storage tanks in XHIT were closed to 100% being leased-out throughout the period.

### DZIT

The lease out rate in DZIT improved as it achieved on average about 88% throughout the period and over 90% of the tanks are leased to the customers by end of the period. Total port jetty and tank farm throughput significantly improved throughout the period. The number of vessels visited and trucks served to pick up cargoes also increased accordingly. The increasing transshipment volume for the oil and petrochemicals was attributable to the higher utilization of DZIT port during the period.

***SOLID CHEMICAL WAREHOUSING BUSINESS***

The Solid Warehousing Centre continuously performed with remarkable improvements during the period. 29,230 square metres floor area, which were about 90% of the total floor area available for rent has been leased out to the customers by the end of the period. The flows of goods in and out of the logistic centre increased significantly. There were about 97% increases in cargoes received while about 127% more cargoes were issued during 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** | | | | **Six months ended 30 June** | | | |
| | **2013** | | 2012 | | **2013** | | 2012 | |
| | ***HK$'000*** | ***%*** | *HK$'000* | *%* | ***HK$'000*** | ***%*** | *HK$'000* | *%* |
| Terminal, storage and transshipment services | **40,398** | **72.4** | 38,012 | 78.7 | **55,047** | **98.0** | 54,928 | 98.2 |
| Port income | **1,764** | **3.2** | 1,733 | 3.6 | **1,151** | **2.0** | 1,019 | 1.8 |
| Solid chemical warehousing income | **13,573** | **24.4** | 8,527 | 17.7 | **N/A** | **N/A** | N/A | N/A |

## XHIT

The turnover from the provision of terminal, storage and transshipment facilities for liquid products in XHIT increased by 6.3% from HK$38.0 million to HK$40.4 million during the period. The increase was mainly attributable to some of the oil tanks resumed from Sinopec being leased to other customers. Approximately 60,000 cubic metres of these tanks were leased to the customers by end of the period and almost 30% of the oil storage tanks in XHIT were leased-out throughout the period. Apart from the tanks under the Sinopec Lease, closed to 100% of the petrochemical storage tanks in XHIT remained being lease-out throughout the period.

As the utilization of the Solid Warehousing Centre continuously improved during the period, it contributed a revenue of HK$13.6 million (six months ended 30 June 2012: HK$8.5 million) to the Group representing an increase of 59.2%, with about 90% of the total floor area being rented to various customers by the end of the period.

## DZIT

DZIT contributed to the Group's results with terminal, storage and transshipment income of HK$55.0 million during the period (six months ended 30 June 2012: HK$54.9 million). DZIT managed to achieve an average lease-out rate of 88% of its storage tanks throughout the period and over 90% of the tanks are leased to the various customers by end of the period.

## OUTLOOK

- **Liquid Product Terminal Business**

The general economy in China was not stimulated to rebound in the first half of 2013. The Government took tighter monetary policies to curb down the potential credit problems in the banking sector might have due to loosen liquidity and money supply in previous years. This in turn slowed down the economic activities in both consumer market and industrial sectors which reduced the flow of goods within the region which the Group operated. Nevertheless, the throughput and utilization of storage tanks in the liquid terminals improved. Apart from the oil tanks resumed from Sinopec, the operations in XHIT remained stable. Over 90% of its petrochemical tanks were rented out to customers.

The operations in DZIT improved in the six months ended 30 June 2013 as the tank lease-out rate increased, followed by a better port utilization. However, the terminal faced keen competitions as more storage operators started their business in adjacent sites. Rental rates for tanks in DZIT could barely be maintained, and that of some tanks even dropped. 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.

Bearing in mind that 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 deal with LNG businesses. It is the Government's policy to encourage more consumption of cleaner energies in near future. The initial feedbacks to the Group's pursuits were encouraging. The Group believes that DZIT has bright future to tap into the benefits arising from the favourable policy change.

- **Solid Warehousing Centre**

The Group's Solid Warehousing Centre in XHIT managed to maintain high level of utilization during the period. The Group focused to provide quality logistic services to the lessees in the Centre, especially those high-end renowned multinational customers. The higher standard in safety and environmental protection in the industry and quality services proved to be the core success factors. 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

| | **Six months ended 30 June 2013** *HK$'000* | Six months ended 30 June 2012 *HK$'000* | Changes % |
|---|---|---|---|
| Turnover | **111,933** | 104,219 | +7.4 |
| Turnover less direct costs and operating expenses | **16,462** | 11,384 | +44.6 |
| Loss before interest and tax ("LBIT") | **(11,013)** | (13,596) | -19.0 |
| Loss attributable to equity shareholders of the Company | **(48,531)** | (48,699) | -0.3 |
| Earnings before interest, tax, depreciation and amortisation ("EBITDA") | **54,485** | 51,179 | +6.5 |
| Gross margin | **14.7%** | 10.9% | +34.9 |
| Net loss margin | **(46.0%)** | (49.5%) | -7.1 |
| Basic loss per share (HK cent) | **(1.30)** | (1.30) | - |
| Diluted loss per share (HK cent) | **(1.30)** | (1.30) | - |

For the six months ended 30 June 2013, the Group's turnover increased by 7.4% from HK$104.2 million to HK$111.9 million over the same period in 2012. XHIT liquid product terminal and tank farm provided HK$42.2 million turnover during the first half of 2013 (six months ended 30 June 2012: HK$39.7 million). DZIT and Solid Warehousing Centre generated turnover of HK$56.2 million (six months ended 30 June 2012: HK$55.9 million) and HK$13.6 million (six months ended 30 June 2012: HK$8.5 million) respectively to the Group during the period. The increase in total turnover was attributable to the rental income from oil tanks resumed from Sinopec by XHIT; more floor areas leased in Solid Warehousing Centre and higher lease-out rate in DZIT in 2013. The gross operating profit increased by 44.6% from HK$11.4 million to HK$16.5 million and the gross margin improved from 10.9% to 14.7% due to higher turnover during the first half of 2013. LBIT for the period was HK$11.0 million (six months ended 30 June 2012: HK$13.6 million) and EBITDA for the period was HK$54.5 million (six months ended 30 June 2012: HK$51.2 million), which was mainly attributable to the increase in XHIT oil tank leasing income and higher capacity utilization in the DZIT and Solid Warehousing Centre. Despite there was increase in turnover during the six months ended 30 June 2013, the loss attributable to equity shareholders of the Company was HK$48.5 million as compared to HK$48.7 million for 2012. It was due to slight increase in finance costs as more bank loans were drawn down and increase in interest rate during the period. The basic and diluted loss per share for the period were 1.30 Hong Kong cent during the six months ended 30 June 2013 and 2012.

### Capital structure, liquidity and gearing

The Group's financial position remained stable. As at 30 June 2013, the Group's total cash and cash equivalents amounted to approximately HK$67.3 million (31 December 2012: HK$73.6 million). Most of the funds were held in Hong Kong dollar, Renminbi yuan ("RMB") and US dollar.

As at 30 June 2013, the Group's current ratio was 1.41 (31 December 2012: 1.29) and the Group's gearing ratio (defined as total liabilities to total equity) as at 30 June 2013 was 3.98 (31 December 2012: 3.54). The increase was attributable to 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 advances from related parties to support the 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$1,247 million as at 30 June 2013 (31 December 2012: HK$1,226 million). During the six months ended 30 June 2013, the finance cost charged to profit or loss was approximately HK$40.8 million (2012: HK$38.0 million).

**Taxation**

The Group sustained a loss for Hong Kong Profits Tax for the period. The Group's PRC subsidiaries either sustained a loss for PRC Enterprises Income Tax purposes or have accumulated tax loss brought forward to offset estimated assessable profit for the period.

**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**

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 30 June 2013, 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 $28 million (31 December 2012: $21 million).

At 30 June 2013, 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 $145 million (31 December 2012: $145 million).

**Contingent liabilities**

At 30 June 2013, the Group has no material contingent liabilities.

**Employees and remuneration policy**

The Group had a workforce of approximately 430 people (31 December 2012: 440). 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 2013 (2012: Nil).

## OTHER INFORMATION

## REVIEW OF THE INTERIM FINANCIAL REPORT

The Group's interim financial report for the six months ended 30 June 2013 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'') 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 and A.4.1 as disclosed in 2012 annual report.

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 22 May 2013 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.

### *(b) Compliance with the Model Code*

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the directors and all of them have confirmed that they have complied with the Model Code for the six months ended 30 June 2013.

*(c) Changes in Director's Information*

The following are the changes in the information of directors since the date of the 2012 Annual Report of the Company, which are required to be disclosure pursuant to Rule 13.51(2) and 13.51B of the Listing Rules:

i. Mr. Liu Jian resigned as an independent non-executive director of the Company with effect from 31 May 2013. Accordingly, Mr. Liu has also ceased to be a member of each of the Remuneration Committee, the Audit Committee and the Nomination Committee upon his resignation as an independent non-executive director.

ii. Miss Cheung Siu Yuen, Rose has been appointed as an independent non-executive director and a member of each of the Remuneration Committee, the Audit Committee and the Nomination Committee with effect from 31 May 2013.

iii. Mr. Chan Chun Wai, Tony resigned as an independent non-executive director of Oriental City Group Holdings Limited with effect from 2 August 2013, the share of which is listed on the Stock Exchange.

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

Hong Kong, 26 August 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. Chan Chun Wai, Tony and Miss Cheung Siu Yuen, Rose.*

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