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HANS ENERGY COMPANY LIMITED
漢思能源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00554)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 2018 as follows:

CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2018 - unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2018	2017
		$'000	*$'000*
Revenue	3	**161,712**	115,167
Direct costs and operating expenses		**(93,211)**	(81,410)
		68,501	33,757
Other income	4	**139**	2,507
Administrative expenses		**(28,906)**	(28,547)
Profit from operations		**39,734**	7,717
Finance costs	5(a)	**(23,818)**	(23,505)
Profit/(loss) before taxation	5	**15,916**	(15,788)
Income tax	6	**(9,776)**	2,116
Profit/(loss) for the period		**6,140**	(13,672)
Attributable to:			
Equity shareholders of the Company		**4,579**	(13,615)
Non-controlling interests		**1,561**	(57)
Profit/(loss) for the period		**6,140**	(13,672)
Earnings/(loss) per share	7		
Basic		**0.12 cents**	(0.36 cents)
Diluted		**0.12 cents**	(0.36 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2018 - unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2018	2017
	$'000	*$'000*
Profit/(loss) for the period	**6,140**	(13,672)
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	**(1,244)**	5,341
Total comprehensive income for the period	**4,896**	(8,331)
Attributable to:		
Equity shareholders of the Company	**3,552**	(8,756)
Non-controlling interests	**1,344**	425
Total comprehensive income for the period	**4,896**	(8,331)

CONSOLIDATED BALANCE SHEET
at 30 June 2018 - unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 June 2018 $'000	At 31 December 2017 $'000
Non-current assets			
Property, plant and equipment		**877,195**	925,065
Interests in land held for own use under operating leases		**225,360**	230,673
Prepayments		**8,126**	9,941
Intangible assets		**1,656**	1,743
Deferred tax assets		**-**	2,916
		1,112,337	1,170,338
Current assets			
Interests in land held for own use under operating leases		**6,685**	6,743
Consumable parts		**11,173**	11,083
Trade and other receivables	*8*	**74,473**	85,908
Cash and cash equivalents		**54,255**	41,161
		146,586	144,895
Current liabilities			
Other payables and accruals	*9*	**55,320**	54,777
Bank loans	*10*	**64,049**	64,601
Current taxation		**3,182**	-
		122,551	119,378
Net current assets		**24,035**	25,517
Total assets less current liabilities		**1,136,372**	1,195,855
Non-current liabilities			
Deferred tax liabilities		**3,364**	-
Bank loans	*10*	**882,458**	922,363
Amounts due to related parties	*11*	**264,016**	265,094
		1,149,838	1,187,457
Net (liabilities)/assets		**(13,466)**	8,398
Capital and reserves			
Share capital		**373,264**	373,264
Reserves		**(380,468)**	(384,020)
Total deficit attributable to equity shareholders of the company		**(7,204)**	(10,756)
Non-controlling interests		**(6,262)**	19,154
Total (deficit)/equity		**(13,466)**	8,398

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2018 – unaudited
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company								
	Share capital	**Share premium**	**Special reserve**	**Translation reserve**	**Statutory reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total (deficit)/ equity**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 1 January 2017	373,264	710,477	(251,428)	88,819	31,947	(975,307)	(22,228)	15,729	(6,499)
Changes in equity for the six months ended 30 June 2017:									
Loss for the period	-	-	-	-	-	(13,615)	(13,615)	(57)	(13,672)
Other comprehensive income	-	-	-	4,859	-	-	4,859	482	5,341
Total comprehensive income	-	-	-	4,859	-	(13,615)	(8,756)	425	(8,331)
Balance at 30 June 2017 and 1 July 2017	373,264	710,477	(251,428)	93,678	31,947	(988,922)	(30,984)	16,154	(14,830)
Changes in equity for the six months ended 31 December 2017:									
Profit for the period	-	-	-	-	-	13,970	13,970	2,295	16,265
Other comprehensive income	-	-	-	6,258	-	-	6,258	705	6,963
Total comprehensive income	-	-	-	6,258	-	13,970	20,228	3,000	23,228
Balance at 31 December 2017 and 1 January 2018	**373,264**	**710,477**	**(251,428)**	**99,936**	**31,947**	**(974,952)**	**(10,756)**	**19,154**	**8,398**
Changes in equity for the six months ended 30 June 2018:									
Profit for the period	**-**	**-**	**-**	**-**	**-**	**4,579**	**4,579**	**1,561**	**6,140**
Other comprehensive income	**-**	**-**	**-**	**(1,027)**	**-**	**-**	**(1,027)**	**(217)**	**(1,244)**
Total comprehensive income	**-**	**-**	**-**	**(1,027)**	**-**	**4,579**	**3,552**	**1,344**	**4,896**
Dividend declared to non-controlling interests in respect of prior years	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(26,760)**	**(26,760)**
Balance at 30 June 2018	**373,264**	**710,477**	**(251,428)**	**98,909**	**31,947**	**(970,373)**	**(7,204)**	**(6,262)**	**(13,466)**

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 2018 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 28 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA. Extract of KPMG's independent review report to the Board of Directors is included on page 19.

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. In the auditors' report dated 22 March 2018, the auditors expressed an unqualified opinion on those financial statements but drew attention to conditions which indicated existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

Material uncertainties related to going concern

As at 30 June 2018, the Group had net liabilities of $13,466,000 and is committed to incur non-operating cash outflows of $108,742,000 within one year, being (i) repayment of bank loans of $32,024,000 in December 2018 and $32,025,000 in June 2019; and (ii) payment of interest of $44,693,000. The Group will be unable to repay these bank loans and interest in full when they fall due unless it is able to generate sufficient net cash inflows from its operations and/or other sources, since as at 30 June 2018, the Group only had cash and cash equivalents of $54,255,000.

The directors have been taking various initiatives to improve the Group's operating cash flows, which include:

- implementing various strategies to improve the Group's storage, warehousing and transhipment income to generate additional operating cash inflows;
- putting extra efforts on the collection of trade debtors to improve the debtors turnover days; and
- actively and regularly reviewing its capital structure and sourcing additional capital by issuing bonds or new shares, where appropriate.

As part of its going concern assessment, the Group has carried out a review of its cash flow forecast and concluded that material uncertainties exist regarding the Group's ability to successfully implement the above initiatives and therefore the achievability of the forecast.

These facts and circumstance continue to indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Based on the directors' intentions and the cash flow forecast mentioned above, the directors are of the opinion that it is appropriate to prepare the Group's interim financial report for the six months ended 30 June 2018 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 this interim financial report.

2. Changes in accounting policies

(a) Overview

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. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

The Group has been impacted by HKFRS 9 in relation to measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition, and presentation of contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements.

There is no impact of transition to HKFRS 9 on accumulated losses and reserves at 1 January 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

- FVOCI - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

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

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The measurement categories for all financial assets and financial liabilities remain the same in accordance with HKFRS 9.

The carrying amounts for all financial assets and financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables).

Financial assets measured at fair value, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;

- a breach of contract, such as a default or delinquency in interest or principal payments;

- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

The Group has concluded that there would be no material impact for the initial application of the new impairment requirements.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. The information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group).

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018 (if any).

There is no impact of transition to HKFRS 15 on accumulated losses at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from rental income was recognised over the accounting periods covered by the lease term and port income is recognised upon performance of the services.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity’s performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from rental income and port income and this change in accounting policy has no material impact on opening balances as at 1 January 2018.

(ii) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group’s arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group’s arrangements with its customers.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises financing component rental income and port income and this change in accounting policy had no material impact on opening balances as at 1 January 2018.

(iii) Presentation of contract liabilities

Under HKFRS 15, a contract liability, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue, or when the Group receives consideration from a customer and expects to refund some or all of that consideration to the customer (i.e. refund liability). To reflect this change in presentation, contract liabilities, including deferred revenue, with amount of $1,633,000 are now separately presented under trade and other payables at 30 June 2018, as a result of the adoption of HKFRS 15.

(d) ***HK(IFRIC) 22, Foreign currency transactions and advance consideration***

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK (IFRIC) 22 does not have any material impact on the financial position and financial results of the Group.

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, 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 revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment 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.

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 2018 and 2017 is set out below:

For the six months ended 30 June	XHIT		DZIT		Total	
	2018	2017	**2018**	2017	**2018**	2017
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Reportable segment revenue	**87,836**	67,813	**73,876**	47,354	**161,712**	115,167
Reportable segment profit/(loss) before taxation	**35,223**	22,089	**(5,521)**	(24,514)	**29,702**	(2,425)

	XHIT		DZIT		Total	
	At 30 June 2018	At 31 December 2017	**At 30 June 2018**	At 31 December 2017	**At 30 June 2018**	At 31 December 2017
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Reportable segment assets	**1,244,413**	1,304,578	**917,645**	953,092	**2,162,058**	2,257,670
Reportable segment liabilities	**1,036,882**	1,089,754	**941,800**	972,065	**1,978,682**	2,061,819

(b) Reconciliations of reportable segment revenues and profit/(loss) before taxation

	Six months ended 30 June	
	2018	2017
	$'000	*$'000*
Revenue		
Reportable segment revenue	**161,712**	115,167
Consolidated revenue	**161,712**	115,167
Profit/(loss)		
Reportable segment profit/(loss) before taxation	**29,702**	(2,425)
Unallocated other (expenses)/income	**(801)**	653
Unallocated head office and corporate expenses	**(12,985)**	(14,016)
Consolidated profit/(loss) before taxation	**15,916**	(15,788)

4. Other income

	Six months ended 30 June	
	2018	2017
	$'000	*$'000*
Interest income	**262**	103
Loss on disposal of property, plant and equipment	**(1,313)**	(4)
Net foreign exchange loss	**(156)**	(478)
Others	**1,346**	2,886
	139	2,507

5. Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging:

	Six months ended 30 June	
	2018	2017
	$'000	*$'000*
(a) Finance costs		
Interest on bank loans	**23,818**	23,505
	23,818	23,505
(b) Staff costs*		
Contributions to defined contribution retirement plan	**1,717**	1,681
Salaries, wages and other benefits	**33,066**	29,178
Total staff costs	**34,783**	30,859
(c) Other items		
Depreciation and amortisation	**47,897**	44,273
Operating lease charges on properties*	**2,531**	2,531

* Staff costs include $900,000 (six months ended 30 June 2017: $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	
	2018	2017
	$'000	*$'000*
Current tax – PRC Enterprise Income tax for the period	**(3,297)**	-
Deferred taxation – origination and reversal of temporary differences	**(6,479)**	2,116
	(9,776)	2,116

Notes:

(i) No Hong Kong Profits Tax was provided for the six months ended 30 June 2018 as the Group sustained a loss for Hong Kong Profits Tax purposes for the period (six months ended 30 June 2017: $Nil).

(ii) The statutory income tax rate applicable to the Company's PRC subsidiaries is 25% for the six months ended 30 June 2018 (six months ended 30 June 2017: 25%).

At 30 June 2018, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to $259,375,776 (31 December 2017: $236,378,000). Deferred tax liabilities of $12,969,000 (31 December 2017: $11,819,000) 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.

7. Earnings/(loss) per share

The calculations of basic and diluted earnings/(loss) per share is based on the earnings attributable to ordinary equity shareholders of the Company of $4,579,000 (six months ended 30 June 2017: loss attributable to ordinary equity shareholders of the Company of $13,615,000) and the weighted average of 3,732,638,000 ordinary shares (six months ended 30 June 2017: 3,732,638,000 ordinary shares) in issue during the interim period.

The diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share as there were no dilutive potential ordinary shares in existence during the six months ended 30 June 2018 and 2017.

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 2018 *$'000*	At 31 December 2017 *$'000*
Within 1 month	**21,335**	37,031
Over 1 month but within 2 months	**3,948**	1,182
Over 2 months but within 3 months	**284**	69
Over 3 months	**40,710**	41,086
Trade debtors, net of allowance for doubtful debts	**66,277**	79,368
Prepayment and other receivables	**8,196**	6,540
	74,473	85,908

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.

At 30 June 2018, receivables that were past due over 3 months mainly represents an amount of $40,611,000 (31 December 2017: $40,961,000) due from a customer that was in financial difficulty. To reclaim the trade debtor, the Group filed an application to the court in the PRC and the court granted the Group a lien on the customer's goods stored at the storage facilities of the Group. Subsequently, the goods were sold by the court through an auction. Since certain legal cases relating to the customer were still ongoing as at 30 June 2018, the proceeds from the auction were still under the custody of the court. In connection with this case, the Group has obtained a PRC legal opinion and was advised that the Group has the first priority to receive the proceeds over other creditors of the customer. Based on the foregoing, the directors have assessed the expected credit losses of the amount due from the customer as at 30 June 2018 and no impairment loss was recognised in this regard.

Apart from the above, receivables that were past due but not impaired relate to a number of independent customers that have good track record with the Group. During the six months ended 30 June 2018, the Group kept assessing the expected credit loss of all the receivables and established a provision for doubtful debts, if any. The provision for doubtful debts is recorded using a provision account unless the Group is satisfied that the recovery is remote, in which case the expected credit loss is written off against the receivables and the provision for doubtful debts directly. The Group does not hold any collateral over these balances.

9. Other payables and accruals

	At 30 June 2018 $'000	At 31 December 2017 $'000
Other payables and accruals	**53,687**	53,762
Deferred revenue *(Note)*	**-**	1,015
Contract liabilities	**1,633**	-
	55,320	54,777

Note: As a result of the adoption of HKFRS 15, deferred revenue from customers are included in contract liabilities (see note 2(c)).

10. Bank loans

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

	At 30 June 2018 $'000	At 31 December 2017 $'000
Current liabilities		
Short-term bank loans	**64,049**	64,601
Non-current liabilities		
Long-term bank loans	**882,458**	922,363
	946,507	986,964

(b) As at 30 June 2018, the bank loans were repayable as follows:

	At 30 June 2018 $'000	At 31 December 2017 $'000
Bank loans (secured)		
Within 1 year or on demand	**64,049**	64,601
After 1 year but within 2 years	**123,354**	94,509
After 2 years but within 5 years	**607,283**	672,332
After 5 years	**151,821**	155,522
	882,458	922,363
	946,507	986,964

(c) At 30 June 2018, the Group had banking facilities totalling $946,507,000 (31 December 2017: $986,964,000), which were secured by certain of the Group's property, plant and equipment with net book value of $702,533,000 as at 30 June 2018 (31 December 2017: $739,398,000) and interests in land held for own use under operating leases with net book value of $220,208,000 (31 December 2017: $224,993,000). The banking facilities were utilised to the extent of $946,507,000 as at 30 June 2018 (31 December 2017: $986,964,000).

11. Amounts due to related parties

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 balance is shown as non-current.

EXTRACT OF THE REVIEW REPORT FROM THE DRAFT INTERIM FINANCIAL REPORT OF THE GROUP FOR THE PERIOD ENDED 30 JUNE 2018

"*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 2018 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

Material Uncertainty Related to Going Concern

Without qualifying our review conclusion, we draw attention to note 1 to the interim financial report which describes that the Group is committed to repay bank loans and interest totalling HK$108,742,000 within one year and that the Group's ability to meet these liquidity requirements depends on its ability to generate sufficient net cash inflows from future operations and/or other sources. These facts and circumstances indicate the existence of material uncertainties 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 generate sufficient cash flows from future operations and/or other sources to meet its liquidity commitments. Further details are set out in note 1. The interim financial report does not include any adjustments that would result should the Group be unable to continue to operate as a going concern."

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Hans Energy Company Limited is a leading provider with the integrated operations of terminal and storage facilities and services for liquid petrochemical products in south China. As used in this report, the terms of Hans, Hans Energy, we and the Company may refer to Hans Energy Company Limited or any one or more of its consolidated subsidiaries ("The Group").

Company Profile

The Group is a major operator in providing integrated facilities of jetties, storage tanks, warehousing and logistic services in south China for petroleum, liquid chemicals and gases products, offering value-added services in its own ports and storage tank farms. The Group owns and operates three major facilities, namely Panyu Petrochemical Terminal ("XHIT"), Panyu Solid Chemical warehouse and logistic centre ("Solid Warehousing Centre"), and Dongzhou Petrochemical Terminal ("DZIT").

Operation Performance Review

The lease-out rates and cargo throughput of the two terminals during the period were as follows:

	XHIT Six months ended 30 June			**DZIT** Six months ended 30 June		
Operational statistics	**2018**	2017	Change %	**2018**	2017	Change %
Liquid product terminal and transshipment services						
Number of vessels visited						
- foreign	**120**	100	+20.0	**42**	49	-14.3
- domestic	**432**	544	-20.6	**352**	196	+79.6
Number of trucks served to pick up cargoes	**22,342**	21,797	+2.5	**24,930**	20,485	+21.7
Number of drums filled	**17,703**	17,355	+2.0	**2,106**	2,822	-25.4
Transshipment volume (metric ton)						
- petrochemicals	**83,780**	88,846	-5.7	**3,460**	2,559	+35.2
Terminal throughput (metric ton)	**1,843,000**	1,873,000	-1.6	**1,515,000**	1,235,000	+22.7
- port jetty throughput	**1,303,000**	1,497,000	-13.0	**948,000**	738,000	+28.5
- loading station throughput	**540,000**	376,000	+43.6	**567,000**	497,000	+14.1
Storage services						
Leaseout rate – oil and chemicals products	**100.0%**	79.5%	+20.5 % points	**93.9%**	71.4%	+22.5 % points

Operational statistics	XHIT Six months ended 30 June **2018**	 2017	 Change %
Solid chemical warehousing services			
Cargoes received (metric ton)	**23,260**	24,050	-3.3
Cargoes issued (metric ton)	**23,235**	23,625	-1.7
Floor area leased out (m^2)	**29,016**	30,964	-6.3
Leaseout rate	**90.0%**	95.6%	-5.6 % points

LIQUID PRODUCT TERMINAL BUSINESS

XHIT

During the six months ended 30 June 2018, port jetty throughput decreased by 13.0%. Such decrease was mainly attributable to increasingly tightened policies of environmental protection, production safety supervision, and other local government measures, which in return reduced arrival of oil products and affected the port jetty throughput. In this connection, the number of domestic vessels visited dropped by 20.6%. Meanwhile, a portion of cargoes were picked up by trucks, so the loading station throughput increased by 43.6%. Furthermore, the Group continued to encourage new customers to utilise our gasoline and diesel storage tanks, while the existing customers continued to keep their storage volume growth. As compared to 72.6% during the first half year of 2017, the Group reported a utilisation rate of 100% for oil tanks during the first half year of 2018. During the period, the average utilisation rate of chemical tanks remained as high as 99%, and the total average leaseout rate for both categories amounted to a total 100%, 20.5 percentage points higher than that in first half period last year.

DZIT

During the six months ended 30 June 2018, DZIT maintained stable growth in its major operating indicators. During the first half year of 2018, the total number of domestic vessels visited and the number of trucks served to pick up cargoes increased by 79.6% and 21.7%, respectively, which resulted from our continued introduction of new customers. Such increase in return drove the port jetty throughput and the loading station throughput, representing an increase of 28.5% and 14.1%. During the period, the average utilisation rate of the storage tanks increased from 71.4% to 93.9% on a half-year on half-year basis, 22.5 percentage points higher. The Group will continue to maximize its efforts to identify market potential and expand its oil and chemical storage volume.

SOLID CHEMICAL WAREHOUSING BUSINESS

During the six months ended 30 June 2018, Solid Warehousing Centre reported a slight drop in its major operating indicators. During the first half year of 2018, the average floor area leased out dropped by 6.3% on a half-year on half-year basis, while the average leaseout rate was approximately 90.0%, 5.6 percentage points lower than 95.6% reported during the same period in 2017. The drop was mainly attributable to increasingly tightened policies of environmental protection, production safety supervision, and other local government measures, as a result of which, local manufacturers undertook transformation of their products, reducing the warehousing demands from the existing customers. The Group will continue to introduce new customers to use the existing warehouses in order to adapt the change of market.

Operating financials

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

	XHIT				DZIT			
Six months ended 30 June	**2018**		2017		**2018**		2017	
	HK$'000	***%***	*HK$'000*	*%*	***HK$'000***	***%***	*HK$'000*	*%*
Storage and transshipment income	**72,649**	**82.7**	53,655	79.1	**73,018**	**98.8**	46,348	97.9
Port income	**1,671**	**1.9**	1,758	2.6	**858**	**1.2**	1,006	2.1
Solid chemical warehousing income	**13,516**	**15.4**	12,400	18.3	**N/A**	**N/A**	N/A	N/A

XHIT

The revenue from the provision of terminal, storage and transshipment facilities for liquid products in XHIT was about HK$74.3 million during the period, representing an increase of 34.1% compared to HK$55.4 million of the same period of last year. During the six months ended 30 June 2018, the storage income for oil and liquid chemicals products increased significantly from HK$39.4 million to HK$57.7 million, representing an increase of 46.4% over the same period of prior year that was attributable to the increase of average utilisation rate of storage tanks at XHIT. During the period, the average leaseout rate remained as high level as 100% that brought considerable revenue to the Group.

The revenue from Solid Warehousing Centre for the period was approximately HK$13.5 million, representing an increase of 9.0% from HK$12.4 million on a half-year and half-year basis. Despite the fact that the leased average floor area slightly dropped by 6.3% over the same period of prior year, the average unit rate for warehouse storing goods increased by 7.4% over the same period of last year, that resulted in a slight increase of solid chemical warehousing income during the period.

DZIT

During the six months ended 30 June 2018, revenue from the provision of terminal, storage and transshipment facilities for liquid products in DZIT increased significantly from HK$47.4 million to HK$73.9 million, representing an increase of 56.0% over the same period of last year. The increase was mainly attributable to the active introduction of new customers using storage facilities at DZIT, drove the rise of the average utilisation rate of the storage tanks by 22.5% and overall storage income.

OUTLOOK

In the first half of 2018, the global and domestic markets of petroleum and chemicals remained mediocre. Affected by the ongoing trade war between China and the USA, as well as the depreciation of RMB, it is expected that the imports of petroleum and chemicals will decline during the second half of the year, resulting in adverse impacts on our port jetty and storage business. Despite a comparatively significant improvement in our business volume and revenue from our port jetty and oil terminals during the first half of 2018, the Group's business and revenue growth for the full year is still facing huge pressure due to those conditions as referred in the preceding statement.

- **Principal Business — Petrochemical Product Terminal Storage**

In addition to individual operational indicators, both XHIT and DZIT operated by the Group generally achieved significant increases during the first half of 2018 as compared to the same period last year. Especially, their respective storage tanks reached an average leaseout rate of 100% and 94%, indicating their full capacities. Regarding the solid chemical warehousing business, due to increasingly tightened governmental regulations over dangerous chemical operators, affected the Group's existing warehouse customers undergone major adjustments during the period, thus resulted that the leaseout rate decreased by 5.6% from our solid chemical warehousing business over the same period of the last year. For the second half of this year, our liquid chemicals business is expected to remain stable, while we will constantly explore a financially strong and stable customer base, increase the unit price, and adopt other measures, thus hopefully will meet or exceed last year's revenue level. During the second half of this year, a possible decline in our terminals and storage business remains as the greatest challenge, because most customers, as importers directly exposed to the consumer market, may be materially affected due to the deteriorating economic conditions and depreciation of RMB. Thus the Group will strive to improve services, introduce new customers, and adopt other measures in order to stabilise and expand this business segment.

- **New Business Development — Retail of Gasoline and Diesel and LPG/LNG Storage and Transportation**

The Group continues to push ahead with the construction of a gas refueling station, a joint venture invested with a local state-owned enterprise in Guangzhou. It is confirmed that the construction is expected to commence in the second half of this year, and that the full operation is anticipated in the first half of next year. Meanwhile, the Group will continue to explore diverse means to increase the number of gas refueling stations so as to expand this business segment into a part of our principal activities of the Group. Furthermore, the Group is still actively working with a potential partner to carry out the preliminary works by effectively utilising the DZIT and its reserved land for construction of loading, unloading and storage of LPG/LNG products. Once undertaken, this project will significantly enhance the economic benefits of the DZIT and even extend to the Group.

FINANCIAL REVIEW

	Six months ended 30 June 2018 ***HK$'000***	Six months ended 30 June 2017 *HK$'000*	Changes *%*
Revenue	**161,712**	115,167	+40.4
Revenue less direct costs and operating expenses	**68,501**	33,757	+102.9
Profit before interest and tax ("EBIT")	**39,734**	7,717	+414.9
Profit/(loss) attributable to equity shareholders of the company	**4,579**	(13,615)	+133.6
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**87,631**	51,990	+68.6
Gross margin	**42.4%**	29.3%	+13.1 % points
Net profit/(loss) margin	**3.8%**	(11.8%)	+15.6 % points
Basic earnings/(loss) per share (HK cents)	**0.12**	(0.36)	+133.3
Diluted earnings/(loss) per share (HK cents)	**0.12**	(0.36)	+133.3

The Group's financial performances achieved a significant improvement in the first half of 2018. During the six months ended 30 June 2018, the Group's revenue substantially increased by 40.4% from HK$115.2 million to HK$161.7 million over the same period of last year. This was mainly attributable to introduction of new customers using the storage facilities at both XHIT and DZIT. During the first half of 2018, the leaseout rate of storage tanks at XHIT and DZIT achieved as high as 100% and 94% respectively. It indicated that most of the tanks almost reached their full capacities. In this connection, the gross margin increased by 13.1 percentage points to 42.4% as compared to the same period of prior year. Apart from these, the Group recorded the net profit margin of 3.8% during the period. During the six months ended 30 June 2018, EBIT and EBITDA increased by 414.9% and 68.6% respectively. During the period, the basic and diluted earnings per share was improved from a loss of 0.36 Hong Kong cents in prior year to earnings of 0.12 Hong Kong cents. This is a positive indicator that reflects our actively improving business.

Capital structure, liquidity and gearing

As at 30 June 2018, the Group's total cash and cash equivalents amounted to approximately HK$54.3 million (31 December 2017: HK$41.2 million). The funds were held in Hong Kong dollar, RMB and US dollar.

The Group's current ratio was 1.20 as at 30 June 2018 (31 December 2017: 1.21). The Group's gearing ratio (defined as total liabilities to total assets) as at 30 June 2018 was 101.1% (31 December 2017: 99.4%). The higher gearing ratio indicated the higher degree of leverage of the Group. The Group will actively consider various financing methods to improve our existing financial position and reduce the degree of leverage of the Group.

Financial resources

During the six months ended 30 June 2018, the Group met its working capital requirement principally from its business operation. The Group has been taking various initiatives to improve the Group's operating cash flows to cope with future daily operation and future repayment of bank loans. 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 loans and other borrowings of HK$947 million as at 30 June 2018 (31 December 2017: HK$987 million). During the six months ended 30 June 2018, the finance cost charged to profit or loss was approximately HK$23.8 million (2017: HK$23.5 million).

Taxation

The Group sustained a loss for Hong Kong Profits Tax purposes for the period. The applicable tax rate of the Group's PRC subsidiaries for the period ended 30 June 2018 was 25% (2017: 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 subsidiaries 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.

As the exchange rate of RMB depreciated as compared to the year ended 31 December 2017, the Group incurred an exchange loss of HK$1.2 million (2017: exchange gain of HK$5.3 million) on translation of financial statements of its PRC subsidiaries.

Charge on group assets

The Group has provided the lender with certain of the Group's fixed assets as collaterals for the banking facilities granted.

Capital commitment

At 30 June 2018, 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$18 million (31 December 2017: HK$19 million) and petrol station development amounted to HK$1 million (31 December 2017: HK$Nil).

At 30 June 2018, 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$139 million (31 December 2017: HK$140 million).

Contingent liabilities

At 30 June 2018, the Group has no material contingent liabilities.

Employees and remuneration policy

The Group had a workforce of approximately 430 people (31 December 2017: 476). 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 2018 (2017: HK$Nil).

OTHER INFORMATION

REVIEW OF THE INTERIM FINANCIAL REPORT

The Group's interim financial report for the six months ended 30 June 2018 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 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.4.1 and E.1.2 as disclosed in 2017 annual report.

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

(b) Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the directors and all of them have confirmed that they have complied with the Model Code for the six months ended 30 June 2018.

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

Hong Kong, 28 August 2018

As at the date of this announcement, the board of directors of the Company comprises four executive directors, namely Mr. David An (Chairman), Mr. Yang Dong, Ms. Liu Zhijun and Mr. Zhang Lei and three independent non-executive directors, namely Mr. Li Wai Keung, Mr. Chan Chun Wai, Tony and Ms. Hai Hiu Chu.

website : www.hansenergy.com