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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board of Directors (the "Board") of Hans Energy Company Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2021 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021
(Expressed in Hong Kong dollars)

	Note	**2021**	2020
		$'000	*$'000*
Revenue	*2*	**1,972,358**	2,481,906
Direct costs and operating expenses		**(1,867,945)**	(2,415,509)
Gross profit		**104,413**	66,397
Other income	*3*	**28,645**	37,688
Selling and administrative expenses		**(156,309)**	(89,178)
Net fair value gains/(losses) on financial assets at fair value through profit or loss		**70,031**	(3,354)
Profit from operations		**46,780**	11,553
Finance costs	*4(a)*	**(54,934)**	(49,895)
Loss before taxation	*4*	**(8,154)**	(38,342)
Income tax	*5*	**(5,364)**	(994)
Loss for the year		**(13,518)**	(39,336)
Attributable to:			
Equity shareholders of the Company		**(16,047)**	(40,095)
Non-controlling interests		**2,529**	759
Loss for the year		**(13,518)**	(39,336)
Basic and diluted losses per share	6	**(0.41) cents**	(1.07) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021
(Expressed in Hong Kong dollars)

	2021	2020
	$'000	*$'000*
Loss for the year	**(13,518)**	(39,336)
Other comprehensive income for the year		
Item that may be reclassified subsequently to consolidated income statement:		
– Exchange differences on translation of financial statements of subsidiaries	**13,743**	3,379
Item that will not be reclassified subsequently to consolidated income statement:		
– Increase in fair value of investments at fair value through other comprehensive income ("FVOCI")	**309,336**	-
Other comprehensive income for the year	**323,079**	3,379
Total comprehensive income for the year	**309,561**	(35,957)
Attributable to:		
Equity shareholders of the Company	**306,430**	(37,974)
Non-controlling interests	**3,131**	2,017
Total comprehensive income for the year	**309,561**	(35,957)

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2021

(Expressed in Hong Kong dollars)

	Note	**2021**	2020
		$'000	*$'000*
Non-current assets			
Property, plant and equipment		**487,267**	576,639
Interests in leasehold land and buildings held for own use		**208,380**	208,769
Investment property		**46,027**	-
Prepayments and other receivables		**15,645**	16,070
Other investments	*7*	**816,844**	167,959
Intangible assets		**1,062**	1,239
Interest in an associate		**1,223**	-
Interest in a joint venture		**2,140**	-
Goodwill		**5,181**	5,033
		1,583,769	975,709
Current assets			
Inventories	*8*	**144,336**	174,688
Trade and other receivables	*9*	**440,451**	516,864
Cash and bank balances		**118,160**	353,219
		702,947	1,044,771
Current liabilities			
Trade and other payables and contract liabilities	*10*	**53,741**	127,861
Bank loans	*11*	**206,066**	162,218
Lease liabilities		**4,430**	6,487
Current taxation		**1,639**	584
Amounts due to related parties	*12*	**82,802**	82,230
		348,678	379,380
Net current assets		**354,269**	665,391
Total assets less current liabilities		**1,938,038**	1,641,100
Non-current liabilities			
Bank loans	*11*	**562,109**	627,560
Lease liabilities		**23,564**	27,311
		585,673	654,871
Net assets		**1,352,365**	986,229
Capital and reserves			
Share capital		**395,664**	395,664
Reserves		**936,458**	573,453
Total equity attributable to equity shareholders of the Company		**1,332,122**	969,117
Non-controlling interests		**20,243**	17,112
Total equity		**1,352,365**	986,229

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company											
	Share capital	**Share premium**	**Special reserve**	**Translation reserve**	**Statutory reserve**	**Treasuary shares held under share award scheme**	**Share-based compensation reserve**	**Asset revaluation reserve**	**Retained profits**	**Total**	**Non-Controlling interests**	**Total equity**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January **2020**	**373,264**	**710,477**	**(251,428)**	**4,624**	**31,947**	**(16,581)**	**14,700**	**-**	**71,622**	**938,625**	**15,095**	**953,720**
(Loss)/profit for the year	-	-	-	-	-	-	-	-	(40,095)	(40,095)	759	(39,336)
Other comprehensive income	-	-	-	2,121	-	-	-	-	-	2,121	1,258	3,379
Total comprehensive income	**-**	**-**	**-**	**2,121**	**-**	**-**	**-**	**-**	**(40,095)**	**(37,974)**	**2,017**	**(35,957)**
Issue of ordinary shares on placement	17,500	38,806	-	-	-	-		-	-	56,306	-	56,306
Equity settled share-based transaction	-	-	-	-	-	-	596	-	-	596	-	596
Shares issued under share option scheme	4,900	12,544	-	-	-	-	(5,880)	-	-	11,564	-	**11,564**
Balance at 31 December 2020 and 1 January 2021	**395,664**	**761,827**	**(251,428)**	**6,745**	**31,947**	**(16,581)**	**9,416**	**-**	**31,527**	**969,117**	**17,112**	**986,229**
(Loss)/profit for the year	-	-	-	-	-	-	-	-	(16,047)	**(16,047)**	2,529	**(13,518)**
Other comprehensive income	-	-	-	13,141	-	-	-	309,336	-	**322,477**	602	**323,079**
Total comprehensive income	**-**	**-**	**-**	**13,141**	**-**	**-**	**-**	**309,336**	**(16,047)**	**306,430**	**3,131**	**309,561**
Equity settled share-based transaction	-	-	-	-	-	-	56,575	-	-	**56,575**	-	**56,575**
Balance at 31 December 2021	**395,664**	**761,827**	**(251,428)**	**19,886**	**31,947**	**(16,581)**	**65,991**	**309,336**	**15,480**	**1,332,122**	**20,243**	**1,352,365**

NOTES

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies

The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2021 but is extracted from those draft financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

1. Significant accounting policies (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that other investments are stated at their fair value.

Non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The HKICPA has issued certain amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these financial statements.

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

2. Revenue and segment reporting

(a) Revenue

The principal activities of the Group are trading of and provision of terminal, storage, warehousing and transshipment services for oil and petrochemical products and operating a filling station.

(i) Disaggregation of revenue from contracts with customers by major service lines

	2021	2020
	$'000	*$'000*
Revenue from contracts with customers not within the scope of HKFRS 15		
Storage and warehousing income	**128,011**	119,999
Revenue from contracts with customers within the scope of HKFRS 15		
Port and transshipment income	**39,967**	44,354
Sales of oil and petrochemical products	**1,791,052**	2,299,128
Revenue from operating a filling station	**13,328**	18,425
	1,844,347	2,361,907
	1,972,358	2,481,906

Disaggregation of revenue from contracts with customers by business lines and by geographic markets is disclosed in notes 2(b)(i) and 2(b)(iii) respectively.

(ii) Revenue expected to be recognised in the future arising from contacts with customers in existence at the balance sheet date.

As at 31 December 2021, all sales contracts have original expected durations of one year or less. The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts such that the performance obligations that are unsatisfied (or partially unsatisfied) as of the balance sheet date are not disclosed.

(iii) In 2021, the Group has two customers (2020: One) with whom transactions have exceeded 10% of the Group's revenues. Revenues from sales of oil and petroleum products to these customers arose in the People's Republic of China (the "PRC") and amounted to approximately $1,324,000,000 (2020: $734,276,000).

2. Revenue and segment reporting (continued)

(b) Segment reporting

The Group manages its businesses by entities, which are organised by business lines and 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 three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Terminal Storage: this segment represents the Group's provision of terminal, storage and transshipment activities carried out in Dongguan, the PRC.

- Trading: this segment represents the Group's trading of oil and petrochemical products business carried out in the PRC and Hong Kong.

- Retail: this segment represents the Group's filling station related business in Zengcheng, the PRC.

Reportable segments are aligned with financial information provided regularly to the Group's most senior executive management for the purpose of resources allocation and performance assessment.

(i) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets with the exception of investments in subsidiaries and other corporate assets. Segment liabilities include trade and other payables and contract liabilities and lease liabilities attributable to the individual segments and bank loans 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 (loss)/profit is "(loss)/profit before taxation", i.e. "adjusted (losses)/earnings before taxes". To arrive at "(loss)/profit before taxation", the Group's (losses)/earnings are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs.

In addition to receiving segment information concerning (loss)/profit before taxation, management is provided with segment information concerning revenue, interest income, finance costs, depreciation and amortisation and recognition of loss allowance on trade and other receivables.

2. Revenue and segment reporting (continued)

Information regarding the Group's reportable segments provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below.

	Terminal storage		*Trading*		*Retail*		*Total*	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**167,978**	164,353	**1,791,052**	2,299,128	**13,328**	18,425	**1,972,358**	2,481,906
Inter-segment revenue	**4,564**	84,146	**26,103**	9,279	**-**	-	**30,667**	93,425
Reportable segment revenue	**172,542**	248,499	**1,817,155**	2,308,407	**13,328**	18,425	**2,003,025**	2,575,331
Reportable segment (loss)/profit before taxation	**(1,159)**	(3,470)	**12,315**	8,829	**2,019**	(2,329)	**13,175**	3,030
Interest income	**336**	528	**1,063**	341	**5**	3	**1,404**	872
Finance costs	**45,180**	48,448	**7,998**	57	**1,584**	1,114	**54,762**	49,619
Depreciation and amortisation	**64,197**	64,530	**2,601**	1,305	**3,025**	1,873	**69,823**	67,708
Recognition of loss allowance on trade and other receivables	**-**	-	**13,788**	60	**-**	-	**13,788**	60
Reportable segment assets	**901,077**	979,497	**597,365**	753,129	**66,797**	61,888	**1,565,239**	1,794,514
Reportable segment liabilities	**789,208**	806,894	**154,225**	268,199	**68,832**	65,013	**1,012,265**	1,140,106

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

	2021	2020
	$'000	*$'000*
Revenue		
Reportable segment revenue	**2,003,025**	2,575,331
Elimination of inter-segment revenue	**(30,667)**	(93,425)
Consolidated revenue	**1,972,358**	2,481,906
Profit		
Reportable segment profit	**13,175**	3,030
Unallocated other income less other expenses	**10,741**	21,394
Unallocated head office and corporate expenses	**(102,101)**	(59,412)
Net fair value gains/(losses) on financial assets at fair value through profit or loss	**70,031**	(3,354)
Consolidated loss before taxation	**(8,154)**	(38,342)

2. Revenue and segment reporting (continued)

	2021	2020
	$'000	*$'000*
Assets		
Reportable segment assets	**1,565,239**	1,794,514
Elimination of inter-segment receivables	**(168,579)**	(205,512)
	1,396,660	1,589,002
Other investments	**816,844**	167,959
Unallocated head office and corporate assets	**73,212**	263,519
Consolidated total assets	**2,286,716**	2,020,480
Liabilities		
Reportable segment liabilities	**1,012,265**	1,140,106
Elimination of inter-segment payables	**(168,579)**	(205,512)
	843,686	934,594
Unallocated head office and corporate liabilities	**90,665**	99,657
Consolidated total liabilities	**934,351**	1,034,251

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, interests in leasehold land and buildings held for own use, intangible assets, non-current prepayments, interest in an associate, interest in a joint venture and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset.

	Revenues from external customers	
	2021	2020
	$'000	*$'000*
The PRC (including Hong Kong)	**1,972,358**	2,481,906

	Specified non-current assets	
	2021	2020
	$'000	*$'000*
Hong Kong	**6,075**	12,126
The PRC (excluding Hong Kong)	**760,849**	795,624
	766,924	807,750

3. Other income

	2021	2020
	$'000	*$'000*
Interest income	**1,512**	5,857
Net foreign exchange gain	**1,267**	15,371
Loss on disposal of property, plant and equipment	**(1)**	(54)
Government grants (note (i))	**13,809**	552
Rental income from investment property	**3,645**	133
Others (note (ii))	**8,413**	15,829
	28,645	37,688

(i) During the year ended 31 December 2021, the Group successfully applied for funding support from a scheme in relation with the promotion of high-quality economic development in Guangdong from the provincial government of Guangzhou. The purpose of the funding is to support the foreign investment of foreign-invested enterprise in Guangzhou.

During the year ended 31 December 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by The Government of The Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

(ii) During the year ended 31 December 2021, the amount included a net gain of $2,269,000 (2020: $11,825,000) earned from the facilitation of the execution of two (2020: three) filling stations lease agreements by the Group.

4. Loss before taxation

Loss before taxation is arrived at after charging:

	2021	2020
	$'000	*$'000*
(a) Finance costs		
Interest on bank loans	**53,139**	48,423
Interest on lease liabilities	**1,795**	1,472
	54,934	49,895
(b) Staff costs*		
Contributions to defined contribution retirement plans	**5,991**	3,043
Salaries, wages and other benefits	**56,416**	57,549
Equity-settled share-based payment expenses	**56,575**	596
	118,982	61,188
(c) Other items		
Amortisation of intangible assets	**171**	169
Depreciation		
– owned property, plant and equipment	**60,543**	60,922
– investment property	**1,303**	-
– right-of-use assets*	**14,210**	13,212
Recognition of loss allowance of trade and other receivables	**13,723**	60
Auditor's remuneration		
– audit services	**1,848**	1,578
– review services	**450**	450
Cost of inventories (note 8(b))	**1,759,483**	2,309,313

* Staff costs include $1,756,000 relating to depreciation of right-of-use assets (2020: $1,762,000), which amount is also included in the respective total amount disclosed separately above.

5. Income tax in the consolidated income statement

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

	2021	2020
	$'000	*$'000*
Current tax – Hong Kong Profits Tax (note i)	**37**	-
Current tax – PRC Corporate Income Tax (note ii)	**5,929**	994
Over-provision in respect of prior years	**(602)**	-
	5,327	994
	5,364	994

Notes:

(i) The provision for Hong Kong Profits Tax for the year ended 31 December 2021 is calculated at 16.5% of the estimated assessable profits of the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first $2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

No Hong Kong Profits Tax was provided for the year ended 31 December 2020 as the Group sustained a loss for Hong Kong Profits Tax purposes for the year.

(ii) The applicable PRC Corporate Income Tax rate of the PRC subsidiaries for the year ended 31 December 2021 was 25% (2020: 25%).

(ii) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2021	2020
	$'000	*$'000*
Loss before taxation	**(8,154)**	(38,342)
Notional tax on loss before taxation, calculated at the rates applicable in the tax jurisdictions concerned	**1,022**	(4,721)
Tax effect of non-deductible expenses	**11,319**	5,454
Tax effect of non-taxable income	**(13,357)**	(5,231)
Tax effect of unused tax losses not recognised	**7,572**	7,782
Utilisation of tax loss previously not recognised	**(930)**	-
Over-provision in prior years	**(602)**	-
Others	**340**	(2,290)
Actual tax expense	**5,364**	994

6. Losses per share

Basic and diluted losses per share

The calculation of basic and diluted losses per share is based on the loss attributable to ordinary equity shareholders of the Company of $16,047,000 (2020: $40,095,000) and the weighted average of 3,898,048,000 ordinary shares (2020: 3,742,116,000 ordinary shares) in issue during the year, calculated as follows:

	2021	2020
	$'000	*$'000*
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**3,956,638**	3,732,638
Effect of treasury shares held under share award scheme	**(58,590)**	(58,590)
Effect of ordinary shares issued in placement	**-**	59,768
Effect of share options exercised	**-**	8,300
Weighted average number of ordinary shares as at 31 December	**3,898,048**	3,742,116

	2021	2020
	$'000	*$'000*
Loss attributable to ordinary equity shareholders	**(16,047)**	(40,095)

	2021	2020
Basic and diluted losses per share	**(0.41) cents**	(1.07) cents

The diluted losses per share is the same as the basic losses per share as there were no dilutive potential ordinary shares in existence during the years ended 31 December 2021 and 2020.

7. Other investments

	Note	**2021** **$'000**	2020 *$'000*
Unlisted equity securities designated at FVOCI (non-recycling)	(i)	**672,455**	118,557
Financial assets measured at fair value through profit or loss	(ii)	**144,389**	49,402
		816,844	167,959

(i) The unlisted equity securities are shares in Bravo Transport Holdings Limited ("BTHL"), a company incorporated in the British Virgin Islands and engaged in investment holding. The Group designated its investment in BTHL at FVOCI (non-recycling), as the investment is held for strategic purposes. No dividends were received on this investment during the year (2020: Nil).

(ii) The financial assets represent interests in a limited partnership. Dividends of $167,000 were received on this investment during the year (2020: Nil).

8. Inventories

(a) Inventories in the consolidated balance sheet comprise:

	2021 **$'000**	2020 *$'000*
Oil and petroleum products	**140,298**	171,269
Consumable parts	**4,038**	3,419
	144,336	174,688

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Note	**2021** **$'000**	2020 *$'000*
Carrying amount of inventories sold	4(c)	**1,759,483**	2,309,313

9. Trade and other receivables

	2021	2020
	$'000	*$'000*
Trade debtors, net of loss allowance (note i)	**358,157**	80,116
Prepayments and other receivables (note ii)	**82,294**	436,748
	440,451	516,864

Notes :

(i) The trade debtors, net of loss allowance are financial assets measured at amortised cost.

(ii) The amounts of the prepayments and other receivables expected to be recovered or recognised as expense after more than one year are $1,389,000 (2020: $1,667,000). Apart from these, all the other trade and other receivables are expected to be recovered or recognised as expense within one year.

During the year ended 31 December 2021, certain other receivables amounting to $8,787,000 due from a debtor that was in financial difficulty. The directors are of the opinion that expected credit loss allowance amounting to $8,787,000 as at 31 December 2021 was necessary to be recognised.

(a) Ageing analysis

As at balance sheet date, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date or date of revenue recognition and net of allowance, is as follows:

	2021	2020
	$'000	*$'000*
Within 1 month	**9,290**	80,116
Over 1 month but within 2 months	**-**	-
Over 2 months but within 3 months	**9,785**	-
Over 3 months but within 6 months	**186,008**	-
Over 6 months	**153,074**	-
	358,157	80,116

The Group allows an average credit period of 30-180 days to its trade customers.

(b) Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2021	2020
	$'000	*$'000*
Balance at 1 January	**64**	-
Recognition of loss allowance during the year	**4,936**	60
Exchange difference	**-**	4
Balance at 31 December	**5,000**	64

The significant increase in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance.

10. Trade and other payables and contract liabilities

	2021	2020
	$'000	*$'000*
Trade creditors	**12,999**	73,382
Contract liabilities	**12,246**	27,606
Other creditors and accruals	**28,496**	26,873
	53,741	127,861

At 31 December 2021 and 2020, all the trade and other payables are expected to be settled or recognised as income within one year.

As at balance sheet date, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	2021	2020
	$'000	*$'000*
Within 1 month	**3,258**	73,382
Over 1 month but within 3 months	**-**	-
Over 3 months	**9,741**	-
	12,999	73,382

Contract liabilities

The Group receives part of the contact value as a deposit from customers when they sign the oil and petroleum product trade agreement. This deposit is recognised as a contract liability until the customer takes possession of and accepts the products. The rest of the consideration is typically paid according to the credit terms granted to the customer. The amount of the deposit was negotiated on a case by case basis with customers.

Movement in contract liabilities

	2021	2020
	$'000	*$'000*
At 1 January	**27,606**	31,333
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(27,606)**	(31,333)
Increase in contract liabilities as a result of receiving deposits from customers	**12,246**	27,606
At 31 December	**12,246**	27,606

11. Bank loans

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

	2021	2020
	$'000	*$'000*
Current liabilities		
Bank loans	**206,066**	162,218
Non-current liabilities		
Bank loans	**562,109**	627,560
	768,175	789,778

(b) At 31 December 2021, the bank loans were repayable as follows:

	2021	2020
	$'000	*$'000*
Bank loans (secured)		
Within 1 year or on demand	**206,066**	162,218
After 1 year but within 2 years	**102,448**	81,960
After 2 years but within 5 years	**418,532**	350,320
After 5 years	**41,129**	195,280
	562,109	627,560
	768,175	789,778

(c) At 31 December 2021, the Group had banking facilities totalling $768,175,000 (2020: $789,778,000) which were secured by certain of the Group's property, plant and equipment with net book value of $332,032,000 (2020: $365,765,000) and interests in leasehold land and buildings held for own use with net book value of $180,384,000 (2020: $180,176,000). The banking facilities of the Group amounted to $928,325,000 (2020: $813,542,000) of which $768,175,000 (2020: $789,778,000) were utilised.

12. Amounts due to related parties

As at 31 December 2021 and 2020, the amounts due to related parties are unsecured, interest-free and repayable within one year.

13. Capital commitments

At 31 December 2021, the Group had capital expenditure contracted for but not provided in the financial statements in respect of interests in a limited partnership of $78 million (31 December 2020: $103 million) (note 1) and the shares in BTHL of $106 million (31 December 2020: $Nil) (note 2).

Note 1: At 31 December 2021, the Group had capital expenditure contracted for but not provided in the annual financial report in respect of interest in a limited partnership of approximately $78 million (31 December 2020: approximately $103 million). The purpose of the limited partnership is primarily achieving capital appreciation and participating primarily through investments in equity and equity-related securities, mainly in companies based in Asia-Pacific and Europe and portfolio funds with a similar investment focus.

Note 2: The amount represented $106 million for subscription for unlisted equity securities in BTHL. Details of this transaction were set out in the Company's announcement dated 3 December 2021. On 28 March 2022, the Group's subscription for the shares in BTHL has been completed.

14. Non-adjusting events after the balance sheet date

(i) On 6 January 2022, the Company remitted in total of $6,000,000 to the trustee for the purchase of shares of the Company pursuant to the Share Award Scheme. On 6 January 2022, the trustee purchased a total number of 20,000,000 shares on the market at a total consideration of approximately $3,234,000 for the purpose of the Share Award Scheme.

(ii) On 28 March 2022, the Group completed the $106 million Tranche 2 subscription for 211 shares of unlisted equity securities in BTHL.

15. Comparative figures

Certain comparative figures have been adjusted to conform with the current year's presentation of the financial information.

BUSINESS REVIEW

Company Profile

Hans Energy Company Limited (the "Company") and its subsidiaries (the "Group") is a leading operator in providing integrated facilities of jetties, storage tanks, warehousing and logistic services in south China for petroleum and liquid chemicals products, offering value-added services in its own ports and storage tank farms (the "terminal storage business"), trading of oil and petrochemical products (the "trading business") and operating of a filling station (the "retail business").

Terminal Storage Business

The Group owns and operates a liquid product terminal, namely Dongzhou Petrochemical Terminal ("DZIT") carried out by Dongguan Dongzhou International Petrochemical Storage Limited ("DZ International"), an indirect subsidiary of the Company. DZIT is situated in Lisha Island, Humen Harbour district, Shatian county, Dongguan city, Guangdong province, with a site area of approximately 516,000 square metres. It was built with berths ranging from 500 to 100,000 dwt and is installed with 94 oil and petrochemical tanks of a total storage capacity of approximately 260,000 cubic metres, out of which 180,000 cubic metres are specialised for gasoline, diesel and similar petroleum products commonly available in trading and consumption markets. Storage tanks with capacity of 80,000 cubic metres were built for petrochemical products. In addition, the Group has reserved approximately 150,000 square meters of land for the construction of various storage facilities in the future.

Strategic Location

The liquid product terminal of the Group is located in the Greater Bay Area. As Guangdong province is the pioneer in economic development of China and our terminal situates in the centre of the economic circle of the province, such location edge attracts customers to engage with our terminal for their distribution of refined oils. Apart from oil products customers, there are customers who have manufacturing plants in the Greater Bay Area. In their business cycle, there are requirements to temporarily store their dangerous, poisonous and hazardous goods in designated controlled facilities with proper licences in accordance with governmental regulations for safety and environment reasons. The customers may store their hazardous raw materials, work-in-progress and finished goods in our storage facilities. Our terminal employs experienced, professional and skillful management teams with well-equipped features storage hardware. The Group persistently maintain high standards in safety and environment protection. Our terminal is fully and properly licensed to handle wide range of dangerous and hazardous goods. They provide convenience to our customers to move their products in and out of the terminal during their production cycle.

Revenue

The terminals earn storage income by leasing their storage tanks to customers based on the storage tank size and category engaged. Apart from this, they collect handling charges when providing services in moving cargoes in and out from the terminals for customers, either by water in the jetties or by road from the loading stations. Furthermore, the terminals provide ancillary services such as tank cleaning and waste treatment to customers and earn respective fees for the services rendered.

Key Performance Indicators

The leaseout rates and cargo throughput are the major key performance indicators of the terminals. Assume that the unit rate remains the same, higher leaseout rate should return with higher storage income. More cargoes flows mean more works in the terminals thus more handling fee income. The leaseout rates and cargo throughput of DZIT during the last two years are as follows:

Operational statistics	**2021**	**2020**	Change %
Liquid product terminal and transshipment services			
Number of vessels visited			
– foreign	**95**	180	-47.2
– domestic	**666**	434	+53.5
Number of trucks served to pick up cargoes	**64,634**	67,517	-4.3
Number of drums filled	**16,462**	16,250	+1.3
Transshipment volume (metric ton)			
– oil	**25,071**	84,470	-70.3
– petrochemicals	**49,777**	96,805	-48.6
Terminal throughput (metric ton)	**4,165,000**	4,718,000	-11.7
– port jetty throughput	**2,632,000**	2,551,000	+3.2
– loading station throughput	**1,533,000**	2,167,000	-29.3
Storage services			
Leaseout rate − oil and petrochemical products (%)	**97.8**	98.5	-0.7 points

The major operational statistics of DZIT in 2021 declined were mainly affected by the impact of the consumption tax on some oil and petrochemical products and the pressure of the relocation of factories by the customers. Despite that the Group introduced some high-quality new customers in some local state-owned enterprises at the beginning of the year which mainly store refined oil products and pick up cargos by vessels that drove the number of domestic vessels visited increased by 53.5% as compared to last year, China government began to levy consumption tax on some products during the year, that resulted in the reduction in the number of trucks served to pick up cargoes. Coupled with certain customers plan to relocate factories and reduce the production, the Group's overall transshipment volume and terminal throughput decreased by 58.7% and 11.7% respectively as compared to the last year. During the year, the average leaseout rate for both oil and petrochemical tanks maintain was 97.8%, representing a slight decrease of 0.7 percentage points over the last year.

Trading Business

The Group operates in trading of oil and petrochemical products carried out in the PRC and Hong Kong. Shanghai Diyou Industry Co., Ltd. ("SHDY"), an indirect subsidiary of the Company, is principally engaged in trading of oil and petrochemical products and holds a refined oil wholesale operating licence issued by the Ministry of Commerce of the PRC and is also a qualified supplier for major energy companies such as CNOOC, Sinopec etc. Besides, SHDY actively develops and expands the end customers of filling stations and provides petrol and diesel supplies to third party filling stations during the year. The Group has further expanded the trading business carried out by the Group's subsidiary in Hong Kong to increase the Group's customer base and business scale during the year.

The operational statistics of trading business during the last two years are as follows:

Operational statistics	**2021**	**2020**	Change %
Number of sale contracts entered	**93**	118	-21.2
Sales volume of oil and petrochemicals products (metric ton)	**447,452**	472,049	-5.2

During the year, China government began to levy consumption tax on some refined oil products such as light cycle oil, mixed aromatics and diluted asphalt, which hindered the Group's expansion of light cycle oil trade business. In addition, as China strengthened the supervision of taxation on the upstream and downstream distribution of refined oil products, the market price became more transparent and the price difference between the north and the south shrank. As a result, SHDY reduced its back-to-back orders considerably during the year, leading to a decrease of over 25% and 50% in the number of sales contracts entered into and sales volume respectively during the year. In order to improve unit profit and minimize the impact of the consumption tax on the sale volumes, the Group changed its business strategies, and vigorously expanded and developed the end customers of filling stations, which not only facilitated SHDY's business operations to bring into play the advantages of centralised procurement, reduced procurement cost and gained stable profit through the way of centralised procurement, retail and wholesale, but also helped to enhance the market risk resistance and obtain higher profit by leveraging on market price fluctuation. Besides, the Group actively expanded its import trade to drive the trading business carried out by the Group's subsidiary in Hong Kong. During the year, the Group entered into 93 sales contracts with a total sales volume of approximately 447,000 metric ton.

Retail Business

The Group owns a filling station, which was situated in Zengcheng district, Guangzhou city, the PRC with a site area of approximately 12,500 square metres. Its floor area, fuel island configuration, equipment level and construction standards all meet the standards of local flagship filling stations. The filling station has commenced its operations since April 2020 and in order improve the operational efficiency, during the year was leased out to an independent third party by the Group for rental income. The Group actively expands its share of the refined oil retail market by increasing its business segments through various means, including but not limited to leasing, signing of key fuel supply agreement and providing brand management services. Currently, there are eight filling stations under the brand "Hans Energy" located across Guangdong Province and Guangxi Province in the PRC.

SEGMENT REVENUE

During the year, the Group manages its operations by three existing reportable segment revenue from the business of (i) trading, (ii) terminal storage and (iii) retail. The breakdown is as follows:

	Trading				Terminal Storage				Retail				Total			
	2021		2020		**2021**		2020		**2021**		2020		**2021**		2020	
	$'000	***%***	*$'000*	*%*	***$'000***	***%***	*$'000*	*%*	***$'000***	***%***	*$'000*	*%*	***$'000***	***%***	*$'000*	*%*
Sales of oil and petrochemical products	**1,791,052**	**100.0**	2,299,128	100.0	**-**	**-**	-	-	**-**	**-**	-	-	**1,791,052**	**90.8**	2,299,128	92.6
Storage income	**-**	**-**	-	-	**128,011**	**76.2**	119,999	73.0	**-**	**-**	-	-	**128,011**	**6.5**	119,999	4.8
Transshipment and other handling income	**-**	**-**	-	-	**35,710**	**21.3**	42,522	25.9	**-**	**-**	-	-	**35,710**	**1.8**	42,522	1.7
Port income	**-**	**-**	-	-	**1,578**	**0.9**	1,832	1.1	**-**	**-**	-	-	**1,578**	**0.1**	1,832	0.1
Interconnection income	**-**	**-**	-	-	**2,679**	**1.6**	-	-	**-**	**-**	-	-	**2,679**	**0.1**	-	-
Retail revenue from operating a filling station	**-**	**-**	-	-	**-**	**-**	-	-	**13,328**	**100.0**	18,425	100.0	**13,328**	**0.7**	18,425	0.8
	1,791,052	**100.0**	2,299,128	100.0	**167,978**	**100.0**	164,353	100.0	**13,328**	**100.0**	18,425	100.0	**1,972,358**	**100.0**	2,481,906	100.0

During the year ended 31 December 2021, the Group's total revenue decreased from $2,481.9 million to $1,972.4 million, a decrease by 20.5% as compared to the last year. During the year, total revenue from sales of oil and petrochemical products was $1,791.1 million, accounting for 90.8% of the Group's total revenue, decreased by 22.1% as compared to the last year. The decrease was mainly attributable to the decrease in the number of sales contracts entered and sale volume in SHDY as a result from the consumption tax on some refined oil products imposed by China government at the beginning of the year. During the year, revenue from the provision of terminal, storage and transshipment activities for liquid chemicals products in DZIT was $168.0 million, a slightly increase by 2.2% on a year basis. The increase was mainly attributable to the appreciation of average exchange rate in Renminbi yuan ("RMB") during the year. Excluding the appreciation effect, revenue from the provision of terminal, storage and transshipment activities for liquid chemicals products in DZIT decreased by about 4.7% during the year. The decrease was mainly attributable to the impact of the consumption tax on some oil and petrochemical products by China government and the relocation factories by some customers that reduced the Group's overall transshipment volume and terminal throughput during the year. Revenue from operating a filling station decreased from $18.4 million to $13.3 million, a decrease by 27.7% on a year basis. The decrease was mainly attributable that the Group leased out the filling station to an independent third party for rental income from August 2021, resulting that retail revenue from operating a filling station only accounted for seven months during the year.

OUTLOOK

The Group's overall operating profit continued to improve in 2021. While net assets of the Company increased significantly as a result of appreciation of financial investments. This reflects that the Group's diversification has begun to play a positive role. On this basis, it is expected that the Group will achieve better operating results and greater profitability in the coming year.

Actively promoting new terminal storage construction projects

In 2022, the Dongzhou Petrochemical storage facilities will continue to maintain a high leaseout rate to ensure the continued stability and growth of revenue from the terminal storage business. The new structure of project companies and the shareholding allocation plan have been agreed with corresponding parties for the second phase of the Dongzhou Petrochemical project in 2021, namely, the construction of liquefied natural gas ("LNG") contingency peak adjustment storage, gasification and transmission facilities on the existing reserve land and corresponding modifications to ancillary facilities to the terminal. We are now making the every effort to push the process of the project approval works from the local government to complete as soon as possible. Since the handling and storage charges for LNG and other liquefied gases are several times higher than those for oil and liquid chemicals, the completion of this project will significantly increase the revenue and profitability of Dongzhou Petrochemical.

Continuing to develop the trading and retail business

In 2021, the international trading business operated by the Group's Hong Kong subsidiary commenced, which compensated for the decline in trading volume of the domestic refined oil products due to the influence of China's policies and market price fluctuations, leading to an increase in the overall trading volume and gross profit of the Group. In 2022, the Group will continue to expand its scale of operation by exploring new trading customers and product categories. For the filling station business, the Company adjusted its business model by leasing out its self-operated filling station assets to an independent third party, which freed itself from the tedious daily management and operation of the retail segment, and focused on expanding its market share through the signing of fuel supply agreements and providing brand licensing franchises. Through this approach, the number of franchised filling stations under the brand "Hans Energy" reached eight as of the end of 2021. In 2022, the Group will continue to sign new franchising agreements to expand its share in the refined oil retail market.

New energy industry is an important investment direction for the Group

At the end of 2021, the Group completed the Tranche 1 subscription of the shares in BTHL, the parent company of New World First Bus Services Limited ("NWFB") and Citybus Limited ("Citybus"). The Tranche 2 Completion took place on 28 March 2022, and immediately after the Tranche 2 Completion, the Group acquired a total of 7% of the entire issued share capital of BTHL. Thereafter, the Group holds approximately 15.56% of the entire issued share capital of BTHL. The principal considerations for the increased investment in BTHL are as follows: on the one hand, the bus companies are good investment targets because of their stable cash income and huge appreciation potential. On the other hand, to act in concert with the HKSAR government's goal of achieving carbon neutrality, NWFB and Citybus propose to develop hydrogen fuel cell buses plan. This is highly consistent with the strategic intent underlying one of Hans Energy's future development directions of exploring new energies (especially hydrogen energy) supply chain related business, which will enable realization of mutual benefits and synergized development. In 2022, the Group will increase its research and investment in the hydrogen energy supply chain field and strive to screen out hydrogen energy supply and storage projects that can be used in Hong Kong, and provide fuel supply solutions for the introduction and promotion of the use of hydrogen fuel cell buses and other hydrogen fuel vehicles in Hong Kong, thereby contributing to the achievement of the goal of "Carbon Neutral" in Hong Kong.

FINANCIAL REVIEW

During the year ended 31 December 2021, the Group's financial performance are set out as below:

	2021	2020	Changes
	$'000	*$'000*	*%*
Revenue	**1,972,358**	2,481,906	-20.5
Direct costs and operating expenses	**(1,867,945)**	(2,415,509)	-22.7
Gross profit	**104,413**	66,397	+57.3
Earnings before interest and tax ("EBIT")	**46,780**	11,553	+304.9
Depreciation and amortisation	**76,227**	74,303	+2.6
Finance costs	**54,934**	49,895	+10.1
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**123,007**	85,856	+43.3
Gross profit margin (%)	**5.3**	2.7	+2.6 points
Net loss margin (%)	**-0.7**	-1.6	-0.9 points
Basic and diluted losses per share (cents)	**(0.41)**	(1.07)	-61.7

Revenue and gross profit margin

During the year, the Group's revenue was approximately $1,972.4 million (2020: $2,481.9 million), representing a decrease of 20.5% over the last year. The decrease was mainly attributable to the decrease in revenue from sale of oil and petrochemical products carried out by SHDY by 22.3% over the last year. During the year, total revenue from trading of oil and petrochemical products was $1,791.1 million, accounting for 90.8% of the Group's total revenue. During the year, the gross profit was approximately $104.4 million (2020: $66.4 million), an increase of 57.3% over the last year and gross profit margin was 5.3%, increased by 2.6 percentage points on a yearly basis. The increase was mainly attributable to the increase of trading activities to the end customers of filling stations with higher gross profit margin.

Direct costs and operating expenses

During the year, the Group's direct costs and operating expenses were approximately $1,867.9 million (2020: $2,415.5 million), representing a decrease of 22.7% over the last year, of which cost of inventories from oil and petrochemical products were $1,759.5 million (2020: $2,309.3 million), accounting for 94.2% of total direct costs and operating expenses. The decrease of direct costs and operating expenses was consistent to the decrease of revenue during the year.

EBIT and EBITDA

During the year, the Group's EBIT was approximately $46.8 million (2020: $11.6 million), increased by 304.9% over the last year. The increase was mainly attributable to the increase in net fair value gains on financial assets at fair value through profit or loss ("FVPL") by approximately $73.4 million, and increase of gross profit by approximately $38.0 million offset by the increase in loss allowance of trade and other receivables of approximately $13.7 million and increase of equity settled share-based payment expenses by approximately $56.0 million. As a result of the increase of EBIT, EDITDA also increased to $123.0 million (2020: $85.9 million) for the year, increased by 43.3% over the last year.

Finance costs

During the year, finance costs amounted to $54.9 million (2020: $49.9 million) which were mainly incurred on the Group's outstanding bank loans. The increase was mainly attributable to the increase of bank borrowing interest rate during the year and the appreciation of average exchange rate in RMB as compared to last year.

Taxation

The provision for Hong Kong Profits Tax for the year ended 31 December 2021 is calculated at 16.5% of the estimated assessable profits of the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. No Hong Kong Profits Tax was provided for the year ended 31 December 2020 as the Group sustained a loss for Hong Kong Profits Tax purposes for the year. The applicable tax rate of the Group's PRC subsidiaries for the year ended 31 December 2021 was 25% (2020: 25%).

Basic and diluted losses per share

During the year ended 31 December 2021, the basic and diluted loss per share was $0.41 cents (2020: $1.07 cents).

LIQUIDITY, GEARING AND CAPITAL STRUCTURE

As at 31 December 2021, the Group's total cash and cash equivalents amounted to approximately $118.2 million (2020: $353.2 million). Most of the funds were held in HK dollars, RMB and US dollars.

As at 31 December 2021, the Group had total assets of approximately $2,286.7 million (2020: $2,020.5 million) and net current assets of approximately $354.3 million (2020: $665.4 million). The change was mainly attributable to the subscription of shares in BTHL with an amount of $244.6 million settled by cash and bank balances, the net fair value gains on financial assets at FVPL approximately $70.0 million and the fair value gains on unlisted equity securities at fair value through other comprehensive income approximately $309.3 million during the year. The current ratio as at 31 December 2021 of the Group was 2.02 (2020: 2.75). The change was mainly attributable to the decrease in cash and bank balances and the increase in short-term bank borrowing.

As at 31 December 2021, the Group had outstanding bank borrowings of $768.2 million (2020: $789.8 million). The total equity of the Group as at 31 December 2021 amounted to approximately $1,352.4 million (2020: $986.2 million). The increase was mainly attributable to the increase of investment revaluation reserve by approximately $309.3 million. The gearing ratio (defined as total liabilities to total assets) as at 31 December 2021 was 40.9% (2020: 51.2%). The Group will continuously consider various financial methods to improve our existing financial position and reduce the degree of leverage of the Group.

FINANCIAL RESOURCES

During the year ended 31 December 2021, the Group met its working capital requirement principally from its business operation and financed with facilities provided by bank. Management is confident that the Group should have adequate financial resources to meet its future debt repayment and support its working capital and future expansion requirements. 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.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

(i) Subscription of shares in Bravo Transport Holdings Limited

Reference is made to the announcement of the Company dated 21 August 2020 in relation to, among others, the previous subscription of shareholding interests in Bravo Transport Holdings Limited ("BTHL") by Templewater Bravo Holdings Limited ("TWB Holdings"), Glorify Group Limited ("Glorify") (a wholly-owned subsidiary of the Company) and Ascendal Bravo Limited ("ABL") pursuant to the BTHL Share Subscription Agreement. Following the completion of the issue of such BTHL Shares pursuant to the BTHL Share Subscription Agreement, BTHL is held as to approximately 90.85%, approximately 8.56% and approximately 0.59% by TWB Holdings, Glorify and ABL, respectively.

On 3 December 2021, Glorify entered into the Sale and Purchase Agreement with TWB Holdings and ABL, pursuant to which Glorify has conditionally agreed to acquire, and TWB Holdings and ABL have conditionally agreed to sell, an aggregate of 700 BTHL Shares, being 695 BTHL Shares from TWB Holdings and 5 BTHL Shares from ABL, respectively and together representing 7% of the entire issued share capital of BTHL at the total consideration of $350,000,000 (equivalent to US$44,929,397).

Upon Tranche 1 Completion, BTHL will be owned as to approximately 85.99%, approximately 13.45% and approximately 0.56% by TWB Holdings, Glorify and ABL, respectively. Upon Tranche 2 Completion, BTHL will be held as to approximately 83.90%, approximately 15.56% and approximately 0.54% by TWB Holdings, Glorify and ABL, respectively.

The Tranche 1 and the Tranche 2 Completion took place on 8 December 2021 and 28 March 2022, respectively. As at 31 December 2021, Glorify holds 1,344.91 BTHL Shares, representing approximately 13.45% of the entire issued share capital in BTHL. As at the date of this result announcement, Glorify holds 1,555.91 BTHL Shares, representing approximately 15.56% of the entire issued share capital in BTHL.

Further details of the aforementioned transaction are set out in the announcements of the Company dated 3 December 2021 and 28 March 2022.

(ii) Provision of financial assistance

Pursuant to the BTHL Shareholders' Agreement, each of Glorify and ABL has agreed to pledge 51% of the BTHL Shares held by each of them from time to time, to TWB Holdings as a back-to-back arrangement for TWB Holdings' granting of a share charge over a total of 5,100 BTHL Shares held by TWB Holdings in favour of the vendor under the acquisition agreement referred to in the announcement of the Company dated 21 August 2020.

Accordingly, upon each of Tranche 1 Completion and Tranche 2 Completion, Glorify shall deposit with TWB Holdings, share certificates representing 51% of the Sale Shares acquired by Glorify at each of Tranche 1 Completion and Tranche 2 Completion, for the purpose of topping up Glorify's obligations to pledge 51% of the BTHL Shares held by it.

(iii) Subscription of limited partnership interest

As at 31 December 2021, total capital contribution into the limited partnership was approximately $22 million (equivalent to approximately US$2.8 million) as set out in note 13.

Save for the above disclosed, there was no other significant investments, nor there was no any other material acquisitions or disposals during the year. The Group did not have any future plans for materials investments nor addition of capital assets as at the reporting date.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND PRICES AND RELATED HEDGE

The Group's cash and cash equivalents are held predominately in HK dollars, RMB and US dollars. 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 considers that the Group exposed to fluctuation in exchange rates are not significant. Prices of oil products are affected by a wide range of global and domestic factors which are beyond the control of the Group. The fluctuations in such prices may have favourable or unfavourable impacts on the Group. However, the Group mainly operated on a back-to-back sale and purchase model and has been vigorously developing the establishment of end customers of filling stations (including branded filling stations) to reduce procurement costs by centralising procurement, retail and wholesale, which not only prevents risk of oil price fluctuations but also enhances profitability. Accordingly, management is in the opinion that the Group's exposure to foreign exchange rate and price risks are not significant, and hedging by means of derivative instruments is considered unnecessary.

Save for the above disclosed, there was no other significant risks of exchange rates and price during the year ended 31 December 2021.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2021, the Group had a total of approximately 230 employees (2020: 230), 187 (2020: 205) of which worked for the terminals. The Group remunerates its employees based on industry practices and individual performance and experience. Every year, the Group devises a budget which states total salary and bonus plan for the year to encourage the Group's employees to contribute their best efforts and to make maximum economic benefits to the Group. In accordance with the relevant government regulations in the PRC, the Group is required to cover social insurance, including but not limited to retirement, medical, workman compensation and unemployment insurance as well as housing fund for every qualified employee in the PRC. With these insurance policies and staff benefits, the Group hopes to provide a reasonable welfare for each qualified employee. On top of the basic remuneration, discretionary award or bonus (in cash or other forms in kind) as may be determined by the Board may be granted to selected employees by reference to the Group's as well as individual's performances.

CHARGE ON GROUP'S ASSETS

The Group has provided the lender with certain of the Group's property, plant and equipment and interests in leasehold land and buildings held for own use as collaterals for the banking facilities granted. Details are set out in note 11.

COMMITMENT

Details of commitments are set out in note 13.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group has no material contingent liabilities.

FINAL DIVIDEND

The Directors do not recommend any final dividend for the year ended 31 December 2021 (2020: Nil).

CORPORATE GOVERNANCE

The Company is committed to a high standard of corporate governance practices appropriate to the conduct and growth of its business in compliance with the principles and code provisions (the "Code Provisions") set out in the corporate governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Board is of the view that throughout the year, the Company has complied with the CG Code except for the deviations explained below.

(i) Under the Code Provision F.2.2, the chairman of the Board should attend the annual general meeting. The Chairman of the Board and some of the Directors were unable to attend the last annual general meeting held on 2 June 2021 due to business engagement. They will use their best endeavour to attend all future shareholders' meetings of the Company.

(ii) Pursuant to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three INEDs. Pursuant to Rule 3.11 of the Listing Rules, the issuer shall appoint a sufficient number of INEDs to meet the minimum number required under Rule 3.10(1) and Rule 3.10A of the Listing Rules within three months after failing to meet the requirements. Pursuant to Rule 3.21 of the Listing Rules, the audit committee shall comprise non-executive directors only and must comprise a minimum of three members.

    Following the resignation of Mr. Woo King Hang on 22 December 2021, the Board comprises five members, including three executive Directors and two INEDs. This falls below the minimum number of INEDs and members of the Audit Committee requirement under Rules 3.10(1) and 3.21 of the Listing Rules.

    Following the appointment of Mr. Chung Chak Man, William as an INED and a member of each of the Audit Committee, Nomination Committee and Remuneration Committee with effect from 15 March 2022, the Board has six directors, three of whom are INEDs. Accordingly, the Company is in compliance with the requirements of Rule 3.10(1) and Rule 3.10A of the Listing Rules. The Audit Committee comprises three members, all of whom are INEDs. Accordingly, the Company is in compliance with the requirements of Rule 3.21 of the Listing Rules.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and all of them have confirmed that they have complied with the Model Code throughout the year ended 31 December 2021.

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

Except as disclosed in elsewhere in this results announcement, during the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2021 has been reviewed by the audit committee of the Company.

Scope of work of KPMG

The financial figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement of the annual results for the year ended 31 December 2021 is published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.hansenergy.com). The 2021 annual report of the Company will be dispatched to shareholders of the Company and published on the aforesaid websites in due course.

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

Hong Kong, 31 March 2022

As at the date of this announcement, the Board of the Company comprises three executive Directors, namely Mr. David An (Chairman), Mr. Yang Dong and Mr. Zhang Lei and three independent non-executive Directors, namely Mr. Li Wai Keung, Mr. Chan Chun Wai, Tony and Mr. Chung Chak Man, William.

website : www.hansenergy.com