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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 2023

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 2023 as follows:

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2023 - unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	2023	2022
		\$'000	\$'000
Revenue	3	447,367	371,856
Direct costs and operating expenses		<u>(402,196)</u>	<u>(323,179)</u>
Gross profit		45,171	48,677
Other income	4	5,856	17,265
Selling and administrative expenses		(42,867)	(56,134)
Reversal of loss allowance of trade and other receivables		500	4,500
Net fair value gains on financial assets at fair value through profit or loss		<u>4,607</u>	<u>1,099</u>
Profit from operations		13,267	15,407
Finance costs	5(a)	<u>(15,866)</u>	<u>(27,459)</u>
Loss before taxation	5	(2,599)	(12,052)
Income tax	6	<u>(406)</u>	<u>(517)</u>
Loss for the period		<u><u>(3,005)</u></u>	<u><u>(12,569)</u></u>
Attributable to:			
Equity shareholders of the Company		(4,107)	(13,632)
Non-controlling interests		<u>1,102</u>	<u>1,063</u>
Loss for the period		<u><u>(3,005)</u></u>	<u><u>(12,569)</u></u>
Basic and diluted losses per share	7	<u><u>(0.11) cent</u></u>	<u><u>(0.35) cent</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2023 - unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2023	2022
	\$'000	\$'000
Loss for the period	(3,005)	(12,569)
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to consolidated income statement:		
Exchange differences on translation of financial statements of subsidiaries	(7,475)	(9,744)
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")	62,045	-
Other comprehensive income for the period	54,570	(9,744)
Total comprehensive income for the period	51,565	(22,313)
Attributable to:		
Equity shareholders of the Company	51,367	(22,501)
Non-controlling interests	198	188
Total comprehensive income for the period	51,565	(22,313)

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2023 – UNAUDITED

(Expressed in Hong Kong dollars)

	<i>Note</i>	At 30 June 2023 \$'000	At 31 December 2022 \$'000
Non-current assets			
Property, plant and equipment		385,320	414,265
Interests in leasehold land and buildings held for own use		176,106	184,754
Investment property		37,461	39,818
Prepayments and other receivables		10,506	11,121
Other investments	8	831,617	761,240
Intangible assets		803	888
Interest in an associate		998	1,119
Interest in a joint venture		1,746	1,959
Goodwill		4,594	4,742
		<u>1,449,151</u>	<u>1,419,906</u>
Current assets			
Inventories		159,317	120,854
Trade and other receivables	9	210,659	273,672
Cash and bank balances		193,335	162,297
		<u>563,311</u>	<u>556,823</u>
Current liabilities			
Trade and other payables and contract liabilities	10	95,983	73,479
Bank loans	11	115,057	164,239
Lease liabilities		4,699	4,752
Current taxation		110	1,705
Amounts due to related parties	12	74,656	77,358
		<u>290,505</u>	<u>321,533</u>
Net current assets		<u>272,806</u>	<u>235,290</u>
Total assets less current liabilities		<u>1,721,957</u>	<u>1,655,196</u>
Non-current liabilities			
Bank loans	11	438,770	420,600
Lease liabilities		24,596	27,570
		<u>463,366</u>	<u>448,170</u>
NET ASSETS		<u>1,258,591</u>	<u>1,207,026</u>
CAPITAL AND RESERVES			
Share capital		395,664	395,664
Reserves		842,744	791,377
Total equity attributable to equity shareholders of the Company		<u>1,238,408</u>	<u>1,187,041</u>
Non-controlling interests		<u>20,183</u>	<u>19,985</u>
TOTAL EQUITY		<u>1,258,591</u>	<u>1,207,026</u>

NOTES :

(Expressed in Hong Kong dollars, unless otherwise indicated)

1. Basis of preparation

The unaudited consolidated interim financial information set out in this announcement does not constitute the unaudited interim financial report of the Group for the six months ended 30 June 2023 but is extracted from that unaudited interim financial report which 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 on 18 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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.

The 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 2022 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.

The financial information relating to the financial year ended 31 December 2022 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.

2. 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 the interim financial report.

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

3. Revenue and segment reporting

The Group manages its businesses by entities, which are organised by a mixture of both 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 People's Republic of China (the "PRC").
- Trading: this segment represents the Group's trading of oil and petrochemical products business carried out in the PRC (including Hong Kong).
- Other: this segment represents other businesses including the operation and leasing of a filling station in Zengcheng, 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 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 profit/(loss) is "profit/(loss) before taxation" i.e. "adjusted profits/(losses) before taxation". To arrive at "profit/(loss) before taxation", the Group's profits/(losses) are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs.

(b) Disaggregation of revenue

	Six months ended 30 June	
	2023	2022
	\$'000	\$'000
Revenue from contracts with customers not within the scope of HKFRS 15		
Storage and warehousing income	53,783	58,517
Rental income from a filling station	2,709	2,900
	<u>56,492</u>	<u>61,417</u>
Revenue from contracts with customers within the scope of HKFRS 15		
Port and transshipment income	18,585	16,343
Sales of oil and petrochemical products	372,290	294,096
	<u>390,875</u>	<u>310,439</u>
	<u>447,367</u>	<u>371,856</u>

3. Revenue and segment reporting (continued)

(c) Information about profit or loss, assets and liabilities

For the six months ended 30 June	Terminal Storage		Trading		Other		Total	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Revenue from external customers	72,368	74,860	372,290	294,096	2,709	2,900	447,367	371,856
Inter-segment revenue	-	-	-	7,620	-	-	-	7,620
Reportable segment revenue	<u>72,368</u>	<u>74,860</u>	<u>372,290</u>	<u>301,716</u>	<u>2,709</u>	<u>2,900</u>	<u>447,367</u>	<u>379,476</u>
Reportable segment profit/(loss) before taxation	<u>9,503</u>	<u>(664)</u>	<u>4,596</u>	<u>15,538</u>	<u>984</u>	<u>1,107</u>	<u>15,083</u>	<u>15,981</u>

	Terminal Storage		Trading		Other		Total		
	At 30 June 2023 \$'000	At 31 December 2022 \$'000	At 30 June 2023 \$'000	At 31 December 2022 \$'000	At 30 June 2023 \$'000	At 31 December 2022 \$'000	At 30 June 2023 \$'000	At 31 December 2022 \$'000	
	Reportable segment assets	<u>718,123</u>	<u>697,400</u>	<u>549,106</u>	<u>538,363</u>	<u>53,954</u>	<u>60,552</u>	<u>1,321,183</u>	<u>1,296,315</u>
	Reportable segment liabilities	<u>531,055</u>	<u>528,676</u>	<u>241,081</u>	<u>231,514</u>	<u>53,662</u>	<u>61,099</u>	<u>825,798</u>	<u>821,289</u>

(d) Reconciliations of reportable segment profit before taxation to consolidated loss before taxation

	Six months ended 30 June	
	2023 \$'000	2022 \$'000
Reportable segment profit before taxation	15,083	15,981
Unallocated other (expenses)/income	(1,612)	9,354
Unallocated head office and corporate expenses	(20,677)	(38,486)
Net fair value gains on financial assets at fair value through profit or loss	4,607	1,099
Consolidated loss before taxation	<u>(2,599)</u>	<u>(12,052)</u>

4. Other income

	Six months ended 30 June	
	2023 \$'000	2022 \$'000
Interest income	2,807	7,232
Net foreign exchange (loss)/gain	(143)	10,715
Gain on disposal of property, plant and equipment	-	19
Others	3,192	(701)
	<u>5,856</u>	<u>17,265</u>

5. Loss before taxation

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2023	2022
	\$'000	\$'000
<i>(a) Finance costs</i>		
Interest on bank loans	14,996	26,627
Interest on lease liabilities	870	832
	<u>15,866</u>	<u>27,459</u>
<i>(b) Staff costs*</i>		
Contributions to defined contribution retirement plan	2,825	3,017
Salaries, wages and other benefits	26,368	25,393
Equity-settled share-based payment expenses	-	15,872
	<u>29,193</u>	<u>44,282</u>
<i>(c) Other items</i>		
Amortisation		
– intangible assets	86	87
Depreciation		
– owned property, plant and equipment	20,434	22,229
– investment property	1,164	1,246
– right-of-use assets*	5,421	6,324
	<u>5,421</u>	<u>6,324</u>

* Staff costs include \$878,000 relating to depreciation of right-of-use assets (six months ended 30 June 2022: \$878,000), which amount is also included in the respective total amount disclosed separately above.

6. Income tax

	Six months ended 30 June	
	2023	2022
	\$'000	\$'000
Current tax – PRC Corporate Income Tax for the period (Note i)	(332)	(1,409)
Over-provision for PRC Corporate Income Tax in previous years	56	1,314
Current tax - Hong Kong Profits Tax for the period (Note ii)	(130)	-
Under-provision for Hong Kong Profits Tax in prior year	-	(422)
	<u>(406)</u>	<u>(517)</u>

Notes:

- (i) The statutory income tax rate applicable to the Company's PRC subsidiaries is 25% for the six months ended 30 June 2023 (six months ended 30 June 2022: 25%).
- (ii) The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the period, 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%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2022.

7. 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 \$4,107,000 (six months ended 30 June 2022: \$13,632,000) and weighted average of 3,878,048,000 ordinary shares (six months ended 30 June 2022: 3,879,042,000 ordinary shares) in issue during the period, calculated as follows:

	Six months ended 30 June	
	2023	2022
	'000	'000
Issued ordinary shares at 1 January	3,956,638	3,956,638
Effect of treasury shares held under share award scheme	(78,590)	(77,596)
Weighted average number of ordinary shares as at 30 June	<u>3,878,048</u>	<u>3,879,042</u>
	Six months ended 30 June	
	2023	2022
	\$'000	\$'000
Loss attributable to ordinary equity shareholders	<u>(4,107)</u>	<u>(13,632)</u>
	Six months ended 30 June	
	2023	2022
Basic and diluted losses per share	<u>(0.11) cent</u>	<u>(0.35) cent</u>

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 six months ended 30 June 2023 and 2022.

8. Other investments

	<i>Note</i>	At 30 June 2023 \$'000	At 31 December 2022 \$'000
Unlisted equity securities at FVOCI (non-recycling)	(i)	700,000	637,955
Financial assets measured at fair value through profit or loss	(ii)	<u>131,617</u>	<u>123,285</u>
		<u>831,617</u>	<u>761,240</u>

Note:

- (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 for the six months ended 30 June 2023 and 2022.

- (ii) The financial assets represent interest in a limited partnership in an investment fund.

9. Trade and other receivables

(a) Ageing analysis

At the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	At 30 June 2023 <i>\$'000</i>	At 31 December 2022 <i>\$'000</i>
Within 1 month or not demanded	64,905	53,478
Over 1 month but within 3 months	8	43,528
Over 3 months but within 6 months	66,281	98,965
Over 6 months	-	42,701
	<hr/>	<hr/>
Trade debtors, net of loss allowance	131,194	238,672
Prepayment and other receivables	79,465	35,000
	<hr/>	<hr/>
	210,659	273,672
	<hr/> <hr/>	<hr/> <hr/>

Subject to negotiation, credit is generally only available to major customers with well-established trading records. The Group allows credit period of 5 - 180 days to its trade customers.

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

	Six months ended 30 June	
	2023 <i>\$'000</i>	2022 <i>\$'000</i>
Balance at 1 January	1,000	5,000
Recognition of loss allowance during the period	500	500
Reversal of loss allowance during the period	(1,000)	(5,000)
	<hr/>	<hr/>
Balance at 30 June	500	500
	<hr/> <hr/>	<hr/> <hr/>

The provision for loss allowance 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.

10. Trade and other payables and contract liabilities

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables and contract liabilities), based on the invoice date, is as follows:

	At 30 June 2023 \$'000	At 31 December 2022 \$'000
Total creditors (within 1 month)	-	42,410
Other creditors and accrued charges	15,450	19,403
Contract liabilities	80,533	11,666
	<u>95,983</u>	<u>73,479</u>

11. Bank loans

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

	At 30 June 2023 \$'000	At 31 December 2022 \$'000
Current liabilities		
Bank loans	115,057	164,239
Non-current liabilities		
Bank loans	438,770	420,600
	<u>553,827</u>	<u>584,839</u>

(b) As at 30 June 2023, the bank loans were repayable as follows:

	At 30 June 2023 \$'000	At 31 December 2022 \$'000
Bank loans (secured)		
Within 1 year or on demand	115,057	164,239
After 1 year but within 2 years	49,860	108,218
After 2 years but within 5 years	201,934	312,382
After 5 years	186,976	-
	<u>438,770</u>	<u>420,600</u>
	<u>553,827</u>	<u>584,839</u>

11. Bank loans (continued)

- (c) At 30 June 2023, the Group had banking facilities totalling \$553,827,000 (31 December 2022: \$584,839,000), which were secured by certain of the Group's property, plant and equipment with net book value of \$275,283,000 as at 30 June 2023 (31 December 2022: \$287,897,000) and interests in leasehold land held for own use with net book value of \$153,200,000 (31 December 2022: \$160,447,000). The banking facilities were utilised to the extent of \$553,827,000 as at 30 June 2023 (31 December 2022: The banking facilities of the Group amounted to \$808,236,000 of which \$584,839,000 were utilised).

12. Amounts due to related parties

The amounts due to related parties are unsecured, interest-free and repayable within one year.

13. Commitments

Capital commitments outstanding at 30 June 2023 not provided for in the interim financial report

At 30 June 2023, the Group had capital expenditure contracted for but not provided in the interim financial report in respect of (i) interest in a limited partnership of approximately \$75 million (31 December 2022: approximately \$78 million) (Note); and (ii) capital expenditure for the development of the first hydrogen refueling station in Hong Kong amounting to approximately \$4 million.

Note: 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.

14. Non-adjustment event after the reporting period

In July 2023, the Group made capital expenditure in a limited partnership in an investment fund of approximately \$36 million.

MANAGEMENT DISCUSSION AND ANALYSIS

(Expressed in Hong Kong dollars, unless otherwise indicated)

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 operation and leasing of a filling station related business (the “other 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, the PRC, 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 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.

The Group is focused on tapping into market potentials and diversifying its terminal storage business to generate more revenue and maximize shareholders’ value by utilizing spare capacity from jetties and vacant land of DZIT. In 2022, the Group actively discussed with different stakeholders on the second phase development of DZIT, including the modification of the existing jetty and construction of a liquefied natural gas (“LNG”) storage tanks and LNG related facilities in the vacant land of approximately 150,000 square meters. The Group is seeking approval from the local government for its proposed second phase development, and as at the reporting date, the application approval is still in progress.

Trading Business

The Group operates in trading of oil and petrochemical products carried out in the People’s Republic of China (the “PRC”) (including Hong Kong) and has established long term cooperative relationships with major energy companies such as CNOOC, Sinopec and Sinochem.

The Group’s strategy for its trading business is to expand its customers base to the end customers of filling stations by prioritizing supply the petrol and diesel to the filling stations through signing of key fuel supply agreements, and providing the brand management services, thereby enhancing the unit profit from the trading business.

By establishing long-term cooperative relationships with key players in the industry and targeting the retail market through key fuel supply agreements and brand management services, the Group is positioning itself for long-term growth and profitability.

Other Business

The Group owns a filling station 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. In August 2021, the Group leased out this filling station to an independent third party for rental income by signing of key fuel supply agreements and providing the brand management. The Group is actively expanding 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, the Group has nine filling stations under the brand “Hans Energy” located across Guangdong Province and Guangxi Province in the PRC.

To diversify the business of the Group and to increase the Group’s source of revenue, the Group has been seeking various development opportunities to broaden the Group’s revenue base. The Group will continue its established business diversification strategies, operating a traditional business while expanding to the other business sectors.

Key Performance Indicators

Terminal Storage Business

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 interim periods are as follows:

Operational statistics	Six months ended 30 June		
	2023	2022	Change %
Liquid product terminal and transshipment services			
Number of vessels visited			
– foreign	32	37	-13.5
– domestic	448	337	+32.9
Number of trucks served to pick up cargoes	30,271	20,090	+50.7
Number of drums filled	4,637	5,622	-17.5
Transshipment volume (metric ton)	40,885	79,727	-48.7
– oil	28,888	35,520	-18.7
– petrochemical products	11,997	44,207	-72.9
Terminal throughput (metric ton)	2,245,000	1,606,000	+39.8
Port jetty throughput (metric ton)	1,471,000	1,110,000	+32.5
Storage services			
Leaseout rate – oil and petrochemical products (%)	95.7	96.5	-0.8 points

Despite that the transshipment volume and number of drums filled decreased in the first half of 2023, the introduction of new customers by DZ International has led to improvements in other operational statistics during the period. The number of domestic vessels visited, the number of trucks served to pick up cargoes, the terminal and port jetty throughput have all increased by 32.9%, 50.7%, 39.8% and 32.5% respectively over the same period of last year. During the six months ended 30 June 2023, the average leaseout rate for oil and petrochemical tanks was 95.7%, slightly dropped by 0.8 percentage points over the same period of last year. DZIT will continue adapting to changes in the market and addressing any challenges in order to maintain its competitiveness and attract more potential business in the future.

Trading Business

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

Operational statistics	Six months ended 30 June		
	2023	2022	Change %
Number of sale contracts entered	252	26	+869.2
Sales volume of oil and petrochemical products (metric ton)	69,000	64,000	+7.8

With the China government has levied consumption tax on some refined oil products such as light cycle oil, mixed aromatics and diluted asphalt since June 2021 and China strengthened the taxation supervision on the upstream and downstream distribution of refined oil products, which may have resulted in greater price transparency and a reduction in price differences between the north and the south shrank. Coupled with the COVID-19 pandemic impact on the trading of oil and petrochemical products globally during the past three years and high volatility of crude oil price since 2022, the Group has reduced the number of sale contracts entered at a certain level by taking a cautious approach to its trading business in last year, as it seeks to minimize the uncertainty of the external environment. However, as the pandemic restrictions coming to an end and global economic activity gradually returning to normal, the Group is now accelerating its trading business from the second quarter of 2023. During the six months ended 30 June 2023, the number of sales contracts entered and the sales volume of oil and petrochemical products increased by 869.2% and 7.8% respectively over the same period of last year.

In order to improve unit profit, the Group has continued to develop and expand the customer base to include the end customers of filling stations, this approach has several potential benefits which not only facilitates the business operations to bring into play the advantages of centralised procurement, which can help to reduce procurement cost and gain a stable profit through the way of centralised procurement, retail and wholesale, but also enhances the market risk resistance and the profit optimization by leveraging market price fluctuation.

SEGMENT REVENUE

During the six months ended 30 June 2023, the Group manages its operations by three existing reportable segment revenue from terminal storage, trading and other business. The breakdown is as follows:

	Six months ended 30 June				
	2023		2022		Change %
	\$'000	%	\$'000	%	
Trading business					
Sales of oil and petrochemical products	372,290	83.2	294,096	79.1	+26.6
Terminal storage business					
Storage income	53,783	12.0	58,517	15.7	-8.1
Handling income and others	17,649	4.0	15,091	4.1	+17.0
Transshipment income	489	0.1	808	0.2	-39.5
Port income	447	0.1	444	0.1	+0.7
Other business					
Revenue from leasing of a filling station	2,709	0.6	2,900	0.8	-6.6
	447,367	100.0	371,856	100.0	+20.3

During the six months ended 30 June 2023, the Group recorded a total revenue of \$447.4 million, an increase of 20.3% as compared to the same period of the last year, and of which revenue from sale of oil and petrochemical products, provision of terminal, storage transshipment activities for liquid chemicals products and rental income from a filling station was \$372.3 million (accounting for 83.2% to the Group's total revenue), \$72.4 million (accounting for 16.2% to the Group's total revenue) and \$2.7 million (accounting for 0.6% to the Group's total revenue) respectively, an increase of 26.6%, a decrease of 3.3% and 6.6% respectively on a half-year basis. The increase of trading revenue was mainly attributable to the increase in the number of sales contracts entered and sales volume of oil and petrochemical products in the first half of 2023 due to the global economy gradually improving and the trading business improving in the first half of 2023. On the other hand, the decrease of revenue from terminal storage business was mainly attributable to the depreciation of average exchange rate in Renminbi against Hong Kong dollar of approximately 6.6% during the period, which, if it had been excluded, would have resulted in an increase in segment revenue from terminal storage business of approximately 3.5% as compared to the same period over the last year. In addition, the rental income from leasing a filling station has continued to contribute part of the Group's revenue. During the six months period ended 30 June 2023, the rental income was \$2.7 million.

OUTLOOK

In the first half of 2023, the Group maintained overall stability in its operations. Despite the slow recovery of the mainland economy following the end of the pandemic, the growth in production and consumption fell short of expectations. However, DZIT still maintained high throughput and leaseout rates, positioning itself at the top among similar enterprises in the local area. It is expected to maintain high operational efficiency in the second half of the year. Nevertheless, due to the depreciation of the Renminbi, the Group's revenue level in Hong Kong dollars will be affected. In the second half of the year, DZ International will continue to actively promote the approval of the second phase development of DZIT, striving to achieve a breakthrough by the end of the year. Additionally, there will be a focus on developing storage business for new energy products such as biodiesel, in order to better tackle the challenges of future developments in the new energy industry. This strategic move aligns with the Group's transformation into the new energy sector.

At the beginning of the year, DZ International effectively refinanced high-interest loans from Guangdong Huaxing Bank with low-interest loans from Bank of China. This move is anticipated to result in a reduction of at least HK\$10 million in the respective finance costs for the whole year.

In the first half of the year, the mainland economy experienced a slow recovery, leading to lower-than-expected volume in the Company's petroleum product trading and supply to filling station retail business. However, there have been positive developments since then. The Company has now successfully entered the supplier list of China Petroleum International Corporation and Sinopec Fuel Oil Company, among others. In the second half of the year, the Company will participate in the bidding and procurement business of these state-owned enterprises, expecting a significant increase in trading volume. The Company is planning to explore new cooperative business models for the filling stations. This involves partnering with major oil companies to achieve more stable income.

In the first half of 2023, there was a notable surge in the number of tourists from Hong Kong compared to the previous three pandemic years. The investment in Citybus Limited (the "Citybus") has started gradually to yield profits. Furthermore, an important development took place on July 1st this year, as New World First Bus Services Limited ("NWFB") and Citybus merged and obtained a new ten-year franchise, this favorable development is expected to greatly benefit the future operations and growth of the bus company. The Group expects to obtain favorable returns from its investment in the bus company.

In the first half of the year, the Hong Kong government approved the trial operation of Hong Kong's first hydrogen fuel cell bus and hydrogen refueling station, both will be operated by Citybus. To support Citybus's hydrogen energy plan and facilitate the Group's transformation into the new energy industry, the Group has decided to provide funding for procurement and construction of Hong Kong's first hydrogen refueling station which will be operated by Citybus. The installation of the refueling station is expected to be completed in October this year, and it is anticipated to commence operation in November, alongside the debut of the first hydrogen fuel cell bus of Citybus. Furthermore, the Company will collaborate with leading domestic and international companies and institutions in the hydrogen energy industry to research and explore technologies suitable for Hong Kong's environmental characteristics, such as hydrogen production, storage, transportation, and application, in order to position the Group favorably in the future development of Hong Kong's hydrogen energy industry.

FINANCIAL REVIEW

RESULTS OF OPERATIONS

During the six months ended 30 June 2023, the Group's financial performance are set out as follows:

	Six months ended 30 June		
	2023 \$'000	2022 \$'000	Changes %
Revenue	447,367	371,856	+20.3
Direct costs and operating expenses	(402,196)	(323,179)	+24.4
Gross profit	45,171	48,677	-7.2
Earnings before interest and tax ("EBIT")	13,267	15,407	-13.9
Depreciation and amortisation	27,105	29,886	-9.3
Finance costs	15,866	27,459	-42.2
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	40,372	45,293	-10.9
Gross profit margin (%)	10.1	13.1	-3.0 points
Net loss margin (%)	-0.7	-3.4	+2.7 points
Basic and diluted losses per share (cent)	(0.11)	(0.35)	+68.6

Revenue and gross profit margin

During the six months ended 30 June 2023, the Group's revenue was approximately \$447.4 million (2022: \$371.9 million), representing an increase of 20.3% over the same period of the last year. The increase was mainly attributable to the increase in revenue from sale of oil and petrochemical products by 26.6% as compared to the same period of the last year. During the six months ended 30 June 2023, the gross profit margin was 10.1%, decreased by 3.0 percentage points on a half-year basis. The decrease was mainly attributable to the increase in cost of inventories from the trading business, which declined the Group's overall gross profit margin during the period.

Direct costs and operating expenses

During the six months ended 30 June 2023, the Group's direct costs and operating expenses were approximately \$402.2 million (2022: \$323.2 million), representing an increase of 24.4% over the same period of the last year, and of which total costs of inventories from refined oil and petrochemical products were approximately \$364.3 million (2022: \$281.3 million), accounting for 90.6% of total direct costs and operating expenses and an increase of 29.5% on a half-year basis. The increase was primarily driven by higher inventory costs during the period.

EBIT and EBITDA

During the six months ended 30 June 2023, EBIT was approximately \$13.3 million, decreased by 13.9% over the same period of the last year. The decrease was mainly attributable to a decrease in gross profit by approximately \$3.5 million, an increase in administrative expenses by approximately \$2.6 million (excluding the equity settled share-based payment expenses decreased by approximately \$15.9 million), a decrease in net foreign exchange gain by approximately \$11.0 million and a decrease in reversal of loss allowance of trade and other receivables of \$4.0 million, which was partially offset by the increase in recognition of net fair value gain on financial assets at fair value through profit or loss of approximately \$3.5 million. Excluding the decrease of depreciation and amortisation during the period, EBITDA recorded as approximately \$40.4 million, decreased by 10.9% over the same period of the last year.

Finance costs

During the six months period ended 30 June 2023, finance costs amounted to approximately \$15.9 million (2022: \$27.5 million) which were mainly incurred on the Group's outstanding bank loans. The decrease was mainly attributable to the decrease in average bank borrowing rate during the period.

Taxation

The provision for Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the period, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. 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 2023 was 25% (2022: 25%).

Basic and diluted losses per share

The basic and diluted losses per share for the six months ended 30 June 2023 were \$0.11 cent (2022: \$0.35 cent).

LIQUIDITY, GEARING AND CAPITAL STRUCTURE

As at 30 June 2023, the Group's total cash and bank balances amounted to approximately \$193.3 million (31 December 2022: \$162.3 million). Most of the funds were held in HK dollars, RMB and US dollars.

As at 30 June 2023, the Group had total assets of approximately \$2,012.5 million (31 December 2022: \$1,976.7 million) and net current assets were approximately \$272.8 million (31 December 2022: \$235.3 million). The current ratio as at 30 June 2023 of the Group was 1.94 (31 December 2022: 1.73). The change was mainly attributable to the decrease in short term bank loans by approximately \$49.2 million.

As at 30 June 2023, the Group had outstanding bank borrowings of approximately \$553.8 million (31 December 2022: \$584.8 million). The total equity of the Group as at 30 June 2023 amounted to approximately \$1,258.6 million (31 December 2022: \$1,207.0 million). The gearing ratio (defined as total liabilities to total assets) as at 30 June 2023 was 37.5% (31 December 2022: 38.9%). The Group will continuously 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 2023, the Group met its working capital requirement principally from its business operation and financed with facilities provided by banks. 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) Unlisted equity securities

The unlisted equity securities are shares in Bravo Transport Holdings Limited (the “BTHL”), a company incorporated in the British Virgin Islands and engaged in investment holding. The principal subsidiaries of BTHL include Bravo Transport Service Limited (“Bravo Transport”) which is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in the provision of public bus and travel related service in Hong Kong, through its subsidiaries Citybus and NWFb.

On 21 August 2020, Glorify Group Limited (“Glorify”), a wholly-owned subsidiary of the Company, entered into a BTHL Share Subscription Agreement with Templewater Bravo Holdings Limited (“TWB Holdings”), Ascendal Bravo Limited (“ABL”) and BTHL, pursuant to which each of Glorify, TWB Holdings and ABL has conditionally agreed to subscribe for shares (the “BTHL Share Subscription”) constituting (in aggregate) approximately 8.56%, 90.85% and 0.59%, respectively of the entire issued share capital of BTHL following the final completion of the issue of such shares for the aggregate consideration of \$119 million (equivalent to US\$15.3 million), \$1,258 million (equivalent to US\$162.3 million) and \$8 million (equivalent to US\$1.1 million), respectively.

On 21 August 2020 (immediately after signing of the BTHL Share Subscription Agreement), BTHL (as purchaser) and NWS Service Management Limited (“NWS Service”) (as seller) entered into the Acquisition Agreement, pursuant to which NWS Service has conditionally agreed to sell, and BTHL has conditionally agreed to purchase entire issued share capital of Bravo Transport for the aggregate consideration of \$3,200 million (the “BTHL Acquisition”). The completion of BTHL Share Subscription and BTHL Acquisition took place on 30 September 2020 and 15 October 2020, respectively. Following the completion of BTHL Acquisition and as at 31 December 2020, Glorify held 855.91 BTHL Shares, representing approximately 8.56% of the entire issued share capital in BTHL. Details of the transaction are set out in the Annual Report 2020 and the announcement of the Company dated 21 August 2020, 28 August 2020 and 21 October 2020.

On 3 December 2021, Glorify further entered into the Sale and Purchase Agreement with TWB Holdings and ABL, pursuant to which Glorify has conditionally agreed to acquire an aggregate of 700 BTHL Shares (“Sale Share”), 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 million (equivalent to US\$44.9 million), of which \$244.5 million for Tranche 1 Sale Shares of 489 BTHL Shares and \$105.5 million for Tranche 2 Sale Shares of 211 BTHL Shares. Tranche 1 Completion and the Tranche 2 Completion took place on 8 December 2021 and 28 March 2022, respectively.

Immediately after Tranche 1 Completion and as at 31 December 2021, Glorify held 1,344.91 BTHL Shares, representing approximately 13.45% of the entire issued share capital in BTHL. Immediately after Tranche 2 Completion and as at 31 December 2022, Glorify held 1,555.91 BTHL Shares, representing approximately 15.56% of the entire issued share capital in BTHL.

Details of the aforementioned transaction are set out in the Annual Report 2021 and the announcements of the Company dated 3 December 2021 and 28 March 2022 and the circular of the Company dated 29 July 2022.

As at 30 June 2023, the Group recorded a fair value of \$700 million (31 December 2022: \$638.0 million) in respect of its holding in about 15.56% (31 December 2022: 15.56%) of such unlisted equity securities. The fair value of such unlisted equity securities represented 34.8% (31 December 2022: 32.3%) of the Group's total assets and 84.2% (31 December 2022: 83.8%) of the aggregate fair value of the Group's investment portfolio. In terms of performance, the investment measured at fair value through other comprehensive income recorded a fair value gain of \$62 million (six months ended 30 June 2022: Nil) in the asset revaluation reserve for the period. During the six months ended 30 June 2023 and 2022, no dividend income was received from such investment.

(ii) Financial assets

The financial assets represent the Group's subscription of limited partnership interest in Templewater I, L.P. ("Templewater") which is an unlisted fund managed by asset manager who applied various investment strategies to accomplish their respective investment objectives 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. The principal business of Templewater is to invest for returns from capital appreciation and investment income, either through the use of special purpose vehicles or by investing directly.

As at 30 June 2023, the total capital contribution into Templewater by the Group was approximately \$81 million (equivalent to approximately US\$10.4 million) and the Group had committed a maximum capital commitment of \$156 million (equivalent to US\$20 million) in Templewater which had total committed capital of approximately US\$187 million in respect of its holding in about 10.7% (31 December 2022: 10.7%) of such financial assets. As at 30 June 2023, the Group recorded a fair value of \$131.6 million (31 December 2022: \$123.3 million) of such investment. The fair value of the financial assets exceeded the purchase cost for such investment and represented 6.5% (31 December 2022: 6.2%) of the Group's total assets and 15.8% (31 December 2022: 16.2%) of the aggregate fair value of the Group's investment portfolio.

During the six months ended 30 June 2023, the Group invested the amount of approximately \$3 million (including advisory fee) into Templewater (six months ended 30 June 2022: Nil). In terms of performance, net fair value gains of \$4.6 million (six months ended 30 June 2022: net gains of \$1.1 million) on such financial assets was recognised in profit or loss for the period. During the period, no distribution was received from such investment (six months ended 30 June 2022: \$8.8 million).

As at 30 June 2023, the subscription for the limited partnership interest has not been completed.

Save for the above disclosed, there was no other significant investments, nor there was no any other material acquisitions or disposals during the period. 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 bank balances 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 six months ended 30 June 2023.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2023, the Group had a workforce of approximately 170 employees (31 December 2022: 172), 144 (31 December 2022: 146) of which worked for the terminals. The Group remunerates its employees based on industry practices and individual performance and experience. 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. The Group has adopted the share option scheme and share award scheme under which eligible participants may be granted options to subscribe for shares in the Company or awards in the Company's shares respectively. Details are set out in the Other Information under the paragraph headed "Share Option Scheme" and "Share Award Scheme".

CHARGE ON GROUP'S ASSETS

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

COMMITMENTS

Details of commitments are set out in note 13.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group has no material contingent liabilities (31 December 2022: Nil).

EVENT AFTER BALANCE SHEET DATE

Details of events after the end of the reporting period are set out in note 14.

INTERIM DIVIDEND

The directors do not recommend any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

OTHER INFORMATION

REVIEW OF THE INTERIM FINANCIAL REPORT

The Group's unaudited interim financial report for the six months ended 30 June 2023 is prepared in accordance with HKAS 34, *Interim financial reporting*. It has been reviewed by the Company's independent auditor KPMG, in accordance with Hong Kong Standard on Review Engagement 2410, *Review of interim financial information performed by the independent auditor of the entity*. The interim financial report has been reviewed by the Audit Committee of the Company.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on 28 December 2012, the Company adopted a share option scheme (the "2012 Share Option Scheme") which would expire on 27 December 2022.

In order to enable the continuity of the share option scheme of the Company, the termination of the 2012 Share Option Scheme and the adoption of 2022 share option scheme (the "2022 Share Option Scheme") were approved by the Company's shareholders on 15 June 2022. The 2022 Share Option Scheme would expire on 14 June 2032.

In view of the recent amendments to Chapter 17 of the Listing Rules which took effect on 1 January 2023, the termination of the 2022 Share Option Scheme and the adoption of a new share option scheme (the "2023 Share Option Scheme") were approved by the Company's shareholders at the general meeting on 31 May 2023. The 2023 Share Option Scheme will be valid for 10 years from the adoption date and is due to expire on 30 May 2033. Details of the adoption of 2023 Share Option Scheme and the termination of 2022 Share Option Scheme were set out in the circular of the Company dated 28 April 2023.

Details of the 2012 Share Option Scheme and 2022 Share Option Scheme are set out in the Annual Report 2022, and details of the 2023 Share Option Scheme are set out in the Company's circular dated 28 April 2023. Information in relation to options granted under the 2012 Share Option Scheme, 2022 Share Option Scheme and 2023 Share Option Scheme are set out below:

2012 Share Option Scheme

Details of the share options granted under the 2012 Share Option Scheme and their movements during the period ended 30 June 2023 are set out below:

Eligible participants	Date of grant	Vesting period	Exercise period	Exercise price HK\$	Outstanding	During the period			Outstanding
					at 1 January 2023	Granted/ Exercised/	Cancelled/ Forfeited	Lapsed	at 30 June 2023
Executive Directors									
Mr. An	23/12/2020	-	25/01/2021 - 22/12/2025 ⁽¹⁾	0.400	243,763,800	-	-	-	243,763,800
	14/4/2021	02/06/2021 - 13/04/2022	14/04/2022 - 13/04/2027 ⁽²⁾	0.340	392,663,800	-	-	-	392,663,800
Mr. Yang Dong	30/8/2018	30/08/2018 - 30/05/2019	30/08/2019 - 29/08/2028 ⁽³⁾	0.236	20,000,000	-	-	-	20,000,000
Mr. Zhang Lei	23/12/2020	-	23/12/2020 - 22/12/2025 ⁽⁴⁾	0.400	5,000,000	-	-	-	5,000,000
Independent non-executive Directors									
Mr. Li Wai Keung	30/8/2018	30/08/2018 - 30/05/2019	30/08/2019 - 29/08/2028 ⁽³⁾	0.236	3,000,000	-	-	-	3,000,000
Mr. Chan Chun Wai, Tony	30/8/2018	30/08/2018 - 30/05/2019	30/08/2019 - 29/08/2028 ⁽³⁾	0.236	3,000,000	-	-	-	3,000,000
					667,427,600	-	-	-	667,427,600
Employees									
	30/8/2018	30/08/2018 - 30/05/2019	30/08/2019 - 29/08/2028 ⁽³⁾	0.236	34,000,000	-	-	-	34,000,000
Consultant									
	30/8/2018	30/08/2018 - 30/05/2019	30/08/2019 - 29/08/2028 ⁽³⁾	0.236	10,000,000	-	-	-	10,000,000
					711,427,600	-	-	-	711,427,600

Note:

1. The relevant options became valid upon obtaining the independent shareholders' approval at the general meeting held on 25 January 2021 and the relevant options were vested on 25 January 2021 and exercisable from 25 January 2021 to 22 December 2025.
2. The relevant options became valid upon obtaining the independent shareholders' approval at the general meeting held on 2 June 2021 and the relevant options were vested on 14 April 2022 and exercisable from 14 April 2022 to 13 April 2027.
3. The relevant options were vested on 31 May 2019 and would be exercisable from 30 August 2019 to 29 August 2028.
4. The relevant options were vested on 23 December 2020 and would be exercisable from 23 December 2020 to 22 December 2025.
5. The closing price of the shares immediately before the date on which the relevant share options were granted on 29 August 2018, 22 December 2020 and 13 April 2021 was HK\$0.225, HK\$0.390 and HK\$0.340 respectively.
6. The options granted above are not subject to any performance targets.

As at the reporting date, the total number of shares which may fall to be issued upon exercise of all outstanding options granted under the 2012 Share Option Scheme was 711,427,600 shares, being 18.0% of the issued share of the Company as at the reporting date.

2022 Share Option Scheme

During the six months period ended 30 June 2023 and 2022, no share options were granted, exercised, lapsed or cancelled under the 2022 Share Option Scheme. There were no outstanding share options granted under the 2022 Share Option Scheme as at 31 December 2022 and 30 June 2023.

2023 Share Option Scheme

The maximum number of shares in respect of all options to be granted under 2023 Share Option Scheme and all options and awards to be granted under other share schemes of the Company were 395,663,800 shares, representing 10% of the issued share capital of the Company at the adoption date of the 2023 Share Option Scheme. The maximum number of shares in respect of all options to be granted under the 2023 Share Option Scheme and all options and awards to be granted to the service providers under other share schemes of the Company were 39,566,380 shares, representing 1% of the total number of shares in issue as at the adoption date of the 2023 Share Option Scheme.

As at 30 June 2023, the total number of shares which may be fall to be issued in respect of share options and awards available for grant under the scheme mandate and the service provider sublimit are 395,663,800 shares and 39,566,380 shares respectively (31 December 2022: N/A).

During the six months period ended 30 June 2023, no share options were granted, lapsed, exercised or cancelled by the Company (six months period ended 30 June 2022: N/A) under the 2023 Share Option Scheme. There were no outstanding share options granted under the 2023 Share Option Scheme as at 30 June 2023 (31 December 2022: N/A).

SHARE AWARD SCHEME

The Company adopted a share award scheme (the “2019 Share Award Scheme”) on 15 April 2019, which would expire on 14 April 2029. In view of the recent amendments to Chapter 17 of the Listing Rules which took effect on 1 January 2023, the termination of 2019 Share Award Scheme and the adoption of the Hans Energy Share Award Scheme II, being a new share award scheme of the Company (the “2023 Share Award Scheme”) were approved by the Company’s shareholders at the general meeting on 31 May 2023. The 2023 Share Award Scheme will be valid for 10 years from the adoption date. Details of the adoption of 2023 Share Award Scheme and the termination of 2019 Share Award Scheme were set out in the circular of the Company dated 28 April 2023. Information in relation to the awards granted under the 2019 Share Award Scheme and 2023 Share Award Scheme are set out below:

2019 Share Award Scheme

As at the reporting date, no grant of awards has been made under the 2019 Share Award Scheme.

As at 30 June 2023, no shares were held by the Trustee under the 2019 Share Award Scheme. The 78,590,000 shares purchased for the purpose of the 2019 Share Award Scheme were transferred to the 2023 Share Award Scheme.

2023 Share Award Scheme

The maximum number of shares in respect of all awards to be granted under 2023 Share Award Scheme and all options and awards to be granted under other share schemes of the Company were 395,663,800 shares, representing 10% of the issued share capital of the Company at the adoption date of the 2023 Share Award Scheme. The maximum number of shares in respect of all awards to be granted under the 2023 Share Award Scheme and all options and awards to be granted to the service providers under other share schemes of the Company were 39,566,380 shares, representing 1% of the total number of shares in issue as at the adoption date of the 2023 Share Award Scheme.

As at 30 June 2023, the total number of shares which may fall to be issued in respect of share options and awards available for grant under the scheme mandate and the service provider sublimit are 395,663,800 shares and 39,566,380 shares respectively (31 December 2022: N/A).

As at 30 June 2023, the number of the Company’s shares purchased for the purpose of the 2023 Share Award Scheme was 78,590,000 shares (31 December 2022: 78,590,000 shares under the 2019 Share Award Scheme). As at the reporting date, no grant of awards has been made under the 2023 Share Award Scheme since its adoption.

No options or awards have been granted by the Company during the six months period ended 30 June 2023. Accordingly, there were no shares of the Company that might be issued in respect of share options or awards granted under all share option schemes and share award scheme of the Company during the said period.

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

Save for above disclosed, 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 (the “Stock Exchange”) (the “Listing Rules”). The Board has complied with the CG Code except for the deviations from Code Provisions F.2.2 as disclosed in the Annual Report 2022.

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 2023.

CONSTITUTIONAL DOCUMENTS

During the period ended 30 June 2023, a special resolution has been passed on 31 May 2023 at the general meeting of the Company to approve the adoption of the amended and restated memorandum and articles of association of the Company (the “Amended and Restated Memorandum and Articles of Association”). Details of the adoption of Amended and Restated Memorandum and Articles of Association was set out in the circular of the Company dated 28 April 2023. A copy of the Amended and Restated Memorandum and Articles of Association is available at the website of the Hong Kong Exchanges and Clearing Limited (“HKEX”) and the Company.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement of the interim results for the six months ended 30 June 2023 is published in the websites of the HKEX (www.hkexnews.hk) and the Company (www.hansenergy.com). The 2023 interim 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, 18 August 2023

As at the date of this announcement, the Board 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