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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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 as follows:

### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in Hong Kong dollars)

|  | <i>Note</i> | <b>2022</b><br><b>\$'000</b> | 2021<br>\$'000      |
|--|-------------|------------------------------|---------------------|
| <b>Revenue</b>   | 2           | <b>694,851</b>               | 1,974,767           |
| Direct costs and operating expenses  |             | <u><b>(601,234)</b></u>      | <u>(1,867,945)</u>  |
| <b>Gross profit</b>  |             | <b>93,617</b>                | 106,822             |
| Other income   | 3           | <b>55,479</b>                | 26,236              |
| Selling and administrative expenses  |             | <b>(85,672)</b>              | (156,309)           |
| Net fair value (losses)/gains on financial assets at fair value through profit or loss |             | <u><b>(8,066)</b></u>        | <u>70,031</u>       |
| <b>Profit from operations</b>  |             | <b>55,358</b>                | 46,780              |
| Finance costs  | 4(a)        | <u><b>(51,924)</b></u>       | <u>(54,934)</u>     |
| <b>Profit/(loss) before taxation</b>   | 4           | <b>3,434</b>                 | (8,154)             |
| Income tax   | 5           | <u><b>(1,762)</b></u>        | <u>(5,364)</u>      |
| <b>Profit/(loss) for the year</b>  |             | <u><b>1,672</b></u>          | <u>(13,518)</u>     |
| <b>Attributable to:</b>  |             |                              |                     |
| Equity shareholders of the Company   |             | <b>207</b>                   | (16,047)            |
| Non-controlling interests  |             | <u><b>1,465</b></u>          | <u>2,529</u>        |
| <b>Profit/(loss) for the year</b>  |             | <u><b>1,672</b></u>          | <u>(13,518)</u>     |
| <b>Basic and diluted earnings/(losses) per share</b>                                   | 6           | <u><b>0.01 cents</b></u>     | <u>(0.41) cents</u> |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022**

*(Expressed in Hong Kong dollars)*

|   | <b>2022</b><br><b>\$'000</b> | 2021<br>\$'000 |
|---|------------------------------|----------------|
| <b>Profit/(loss) for the year</b>   | <b>1,672</b>                 | (13,518)       |
| <b>Other comprehensive income for the year:</b>   |                              |                |
| Item that may be reclassified subsequently to consolidated income statement:                                  |                              |                |
| – Exchange differences on translation of financial statements of subsidiaries                                 | <b>(19,642)</b>              | 13,743         |
| Item that will not be reclassified subsequently to consolidated income statement:                             |                              |                |
| – (Decrease)/increase in fair value of investments at fair value through other comprehensive income (“FVOCI”) | <b>(140,000)</b>             | 309,336        |
| <b>Other comprehensive income for the year</b>  | <b>(159,642)</b>             | 323,079        |
| <b>Total comprehensive income for the year</b>  | <b>(157,970)</b>             | 309,561        |
| <b>Attributable to:</b>   |                              |                |
| Equity shareholders of the Company  | <b>(157,712)</b>             | 306,430        |
| Non-controlling interests   | <b>(258)</b>                 | 3,131          |
| <b>Total comprehensive income for the year</b>  | <b>(157,970)</b>             | 309,561        |

**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2022***(Expressed in Hong Kong dollars)*

|  | <i>Note</i> | <b>2022</b><br><i>\$'000</i> | 2021<br><i>\$'000</i> |
|--|-------------|------------------------------|-----------------------|
| <b>Non-current assets</b>  |             |                              |                       |
| Property, plant and equipment  |             | <b>414,265</b>               | 487,267               |
| Interests in leasehold land and buildings held for own use             |             | <b>184,754</b>               | 208,380               |
| Investment property  |             | <b>39,818</b>                | 46,027                |
| Prepayments and other receivables                                      |             | <b>11,121</b>                | 15,645                |
| Other investments  | 7           | <b>761,240</b>               | 816,844               |
| Intangible assets  |             | <b>888</b>                   | 1,062                 |
| Interest in an associate   |             | <b>1,119</b>                 | 1,223                 |
| Interest in a joint venture  |             | <b>1,959</b>                 | 2,140                 |
| Goodwill   |             | <b>4,742</b>                 | 5,181                 |
|  |             | <b>1,419,906</b>             | 1,583,769             |
| <b>Current assets</b>  |             |                              |                       |
| Inventories  | 8           | <b>120,854</b>               | 144,336               |
| Trade and other receivables  | 9           | <b>273,672</b>               | 440,451               |
| Cash and bank balances   |             | <b>162,297</b>               | 118,160               |
|  |             | <b>556,823</b>               | 702,947               |
| <b>Current liabilities</b>   |             |                              |                       |
| Trade and other payables and contract liabilities                      | 10          | <b>73,479</b>                | 53,741                |
| Bank loans   | 11          | <b>164,239</b>               | 206,066               |
| Lease liabilities  |             | <b>4,752</b>                 | 4,430                 |
| Current taxation   |             | <b>1,705</b>                 | 1,639                 |
| Amounts due to related parties   | 12          | <b>77,358</b>                | 82,802                |
|  |             | <b>321,533</b>               | 348,678               |
| <b>Net current assets</b>  |             | <b>235,290</b>               | 354,269               |
| <b>Total assets less current liabilities</b>                           |             | <b>1,655,196</b>             | 1,938,038             |
| <b>Non-current liabilities</b>   |             |                              |                       |
| Bank loans   | 11          | <b>420,600</b>               | 562,109               |
| Lease liabilities  |             | <b>27,570</b>                | 23,564                |
|  |             | <b>448,170</b>               | 585,673               |
| <b>Net assets</b>  |             | <b>1,207,026</b>             | 1,352,365             |
| <b>Capital and reserves</b>  |             |                              |                       |
| Share capital  |             | <b>395,664</b>               | 395,664               |
| Reserves   |             | <b>791,377</b>               | 936,458               |
| <b>Total equity attributable to equity shareholders of the Company</b> |             | <b>1,187,041</b>             | 1,332,122             |
| <b>Non-controlling interests</b>                                       |             | <b>19,985</b>                | 20,243                |
| <b>Total equity</b>  |             | <b>1,207,026</b>             | 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 2022 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 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.

#### ***(b) Basis of preparation of the financial statements***

The consolidated financial statements for the year ended 31 December 2022 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 and leasing of a filling station.

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

|   | 2022<br>\$'000 | 2021<br>\$'000   |
|---|----------------|------------------|
| <b>Revenue from contracts with customers not within the scope of HKFRS 15</b> |                |                  |
| Storage and warehousing income  | 113,588        | 128,011          |
| Rental income from a filling station  | 5,595          | 2,409            |
|   | <u>119,183</u> | <u>130,420</u>   |
| <b>Revenue from contracts with customers within the scope of HKFRS 15</b>     |                |                  |
| Port and transshipment income   | 32,043         | 39,967           |
| Sales of oil and petrochemical products                                       | 543,625        | 1,791,052        |
| Revenue from operating a filling station                                      | -              | 13,328           |
|   | <u>575,668</u> | <u>1,844,347</u> |
|   | <u>694,851</u> | <u>1,974,767</u> |

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 contracts with customers in existence at the balance sheet date

As at 31 December 2022, 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 2022, the Group has three customers (2021: two) 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 \$495,779,000 (2021: \$1,324,000,000).

## 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 (including Hong Kong).
- Other: this segment represents other businesses including the operation and leasing of a filling station 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 profit/(loss) is "profit/(loss) before taxation", i.e. "adjusted earnings/(losses) before taxes". To arrive at "profit/(loss) before taxation", the Group's earnings/(losses) are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs.

In addition to receiving segment information concerning profit/(loss) before taxation, management is provided with segment information concerning revenue, interest income, finance costs, depreciation and amortisation and (reversal)/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 2022 and 2021 is set out below.

|   | <i>Terminal storage</i> |                | <i>Trading</i> |                  | <i>Other</i>  |               | <i>Total</i>     |                  |
|---|-------------------------|----------------|----------------|------------------|---------------|---------------|------------------|------------------|
|   | 2022                    | 2021           | 2022           | 2021             | 2022          | 2021          | 2022             | 2021             |
|   | \$'000                  | \$'000         | \$'000         | \$'000           | \$'000        | \$'000        | \$'000           | \$'000           |
| Revenue from external customers   | 145,631                 | 167,978        | 543,625        | 1,791,052        | 5,595         | 15,737        | 694,851          | 1,974,767        |
| Inter-segment revenue   | 3,076                   | 4,564          | -              | 26,103           | -             | -             | 3,076            | 30,667           |
| Reportable segment revenue  | <u>148,707</u>          | <u>172,542</u> | <u>543,625</u> | <u>1,817,155</u> | <u>5,595</u>  | <u>15,737</u> | <u>697,927</u>   | <u>2,005,434</u> |
| Reportable segment profit/(loss) before taxation  | <u>8,857</u>            | <u>(1,159)</u> | <u>11,692</u>  | <u>12,315</u>    | <u>2,244</u>  | <u>2,019</u>  | <u>22,793</u>    | <u>13,175</u>    |
| Interest income   | 248                     | 336            | 7,982          | 1,063            | 11            | 5             | 8,241            | 1,404            |
| Finance costs   | 39,761                  | 45,180         | 10,510         | 7,998            | 1,523         | 1,584         | 51,794           | 54,762           |
| Depreciation and amortisation (Reversal)/recognition of loss allowance on trade and other receivables | 45,570                  | 64,197         | 2,259          | 2,601            | 2,913         | 3,025         | 50,742           | 69,823           |
|   | <u>-</u>                | <u>-</u>       | <u>(4,000)</u> | <u>13,788</u>    | <u>-</u>      | <u>-</u>      | <u>(4,000)</u>   | <u>13,788</u>    |
| Reportable segment assets   | <u>697,400</u>          | <u>901,077</u> | <u>538,363</u> | <u>597,365</u>   | <u>60,552</u> | <u>66,797</u> | <u>1,296,315</u> | <u>1,565,239</u> |
| Reportable segment liabilities  | <u>528,676</u>          | <u>789,208</u> | <u>231,514</u> | <u>154,225</u>   | <u>61,099</u> | <u>68,832</u> | <u>821,289</u>   | <u>1,012,265</u> |

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

|  | 2022           | 2021             |
|--|----------------|------------------|
|  | \$'000         | \$'000           |
| <b>Revenue</b>   |                |                  |
| Reportable segment revenue   | 697,927        | 2,005,434        |
| Elimination of inter-segment revenue   | <u>(3,076)</u> | <u>(30,667)</u>  |
| Consolidated revenue   | <u>694,851</u> | <u>1,974,767</u> |
| <b>Profit</b>  |                |                  |
| Reportable segment profit  | 22,793         | 13,175           |
| Unallocated other income less other expenses   | 43,245         | 10,741           |
| Unallocated head office and corporate expenses   | (54,538)       | (102,101)        |
| Net fair value (losses)/gains on financial assets at fair value through profit or loss | <u>(8,066)</u> | <u>70,031</u>    |
| Consolidated profit/(loss) before taxation   | <u>3,434</u>   | <u>(8,154)</u>   |

## 2. Revenue and segment reporting (continued)

|   | 2022<br>\$'000          | 2021<br>\$'000          |
|---|-------------------------|-------------------------|
| <b>Assets</b>                                     |                         |                         |
| Reportable segment assets                         | 1,296,315               | 1,565,239               |
| Elimination of inter-segment receivables          | <u>(142,227)</u>        | <u>(168,579)</u>        |
|   | 1,154,088               | 1,396,660               |
| Other investments                                 | 761,240                 | 816,844                 |
| Unallocated head office and corporate assets      | <u>61,401</u>           | <u>73,212</u>           |
| Consolidated total assets                         | <u><b>1,976,729</b></u> | <u><b>2,286,716</b></u> |
| <b>Liabilities</b>                                |                         |                         |
| Reportable segment liabilities                    | 821,289                 | 1,012,265               |
| Elimination of inter-segment payables             | <u>(142,227)</u>        | <u>(168,579)</u>        |
|   | 679,062                 | 843,686                 |
| Unallocated head office and corporate liabilities | <u>90,641</u>           | <u>90,665</u>           |
| Consolidated total liabilities                    | <u><b>769,703</b></u>   | <u><b>934,351</b></u>   |

### (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, investment property, 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.

|                               | <i>Revenues from<br/>external customers</i> |                         |
|-------------------------------|---|-------------------------|
|                               | 2022<br>\$'000                              | 2021<br>\$'000          |
| The PRC (including Hong Kong) | <u><b>694,851</b></u>                       | <u><b>1,974,767</b></u> |
|                               | <i>Specified<br/>non-current assets</i>     |                         |
|                               | 2022<br>\$'000                              | 2021<br>\$'000          |
| Hong Kong                     | 11,691                                      | 6,075                   |
| The PRC (excluding Hong Kong) | <u>646,975</u>                              | <u>760,849</u>          |
|                               | <u><b>658,666</b></u>                       | <u><b>766,924</b></u>   |



### 3. Other income

|   | 2022                 | 2021                 |
|---|----------------------|----------------------|
|   | <i>\$'000</i>        | <i>\$'000</i>        |
| Interest income                                   | <b>8,381</b>         | 1,512                |
| Net foreign exchange gain                         | <b>14,326</b>        | 1,267                |
| Loss on disposal of property, plant and equipment | <b>(128)</b>         | (1)                  |
| Government grants (note (i))                      | -                    | 13,809               |
| Rental income from investment property            | <b>1,410</b>         | 1,236                |
| Dividend income                                   | <b>31,118</b>        | -                    |
| Others  | <b>372</b>           | 8,413                |
|   | <b><u>55,479</u></b> | <b><u>26,236</u></b> |

Note:

- (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.

#### 4. Profit/(loss) before taxation

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

|  | 2022<br>\$'000        | 2021<br>\$'000          |
|--|-----------------------|-------------------------|
| <i>(a) Finance costs</i>   |                       |                         |
| Interest on bank loans   | 50,260                | 53,139                  |
| Interest on lease liabilities  | <u>1,664</u>          | <u>1,795</u>            |
|  | <u><b>51,924</b></u>  | <u><b>54,934</b></u>    |
| <i>(b) Staff costs*</i>  |                       |                         |
| Contributions to defined contribution retirement plans                     | 5,688                 | 5,991                   |
| Salaries, wages and other benefits   | 45,437                | 56,416                  |
| Equity-settled share-based payment expenses                                | <u>15,872</u>         | <u>56,575</u>           |
|  | <u><b>66,997</b></u>  | <u><b>118,982</b></u>   |
| <i>(c) Other items</i>   |                       |                         |
| Amortisation of intangible assets  | 170                   | 171                     |
| Depreciation   |                       |                         |
| – owned property, plant and equipment                                      | 41,983                | 60,543                  |
| – investment property  | 2,403                 | 1,303                   |
| – right-of-use assets*   | 12,374                | 14,210                  |
| (Reversal)/recognition of loss allowance of<br>trade and other receivables | (4,000)               | 13,723                  |
| Auditor's remuneration   |                       |                         |
| – audit services   | 1,750                 | 1,848                   |
| – review services  | 500                   | 450                     |
| – other services   | 650                   | -                       |
| Cost of inventories (note 8(b))  | <u><b>522,784</b></u> | <u><b>1,759,483</b></u> |

\* Staff costs include \$1,756,000 relating to depreciation of right-of-use assets (2021: \$1,756,000), which amount is also included in the respective total amount disclosed separately above.

## 5. Income tax in the consolidated income statement

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

|  | <b>2022</b>         | 2021         |
|--|---------------------|--------------|
|  | <b>\$'000</b>       | \$'000       |
| Current tax – Hong Kong Profits Tax (note (i))     |                     |              |
| Provision for the year                             | <b>200</b>          | 37           |
| Under-provision in respect of prior year           | <b>422</b>          | -            |
|  | <u><b>622</b></u>   | <u>37</u>    |
| Current tax – PRC Corporate Income Tax (note (ii)) |                     |              |
| Provision for the year                             | <b>2,407</b>        | 5,929        |
| Over-provision in respect of prior years           | <b>(1,267)</b>      | (602)        |
|  | <u><b>1,140</b></u> | <u>5,327</u> |
|  | <u><b>1,762</b></u> | <u>5,364</u> |

Notes:

- (i) The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 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%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

- (ii) The applicable PRC Corporate Income Tax rate of the PRC subsidiaries for the year ended 31 December 2022 was 25% (2021: 25%).

(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

|  | <b>2022</b>         | 2021           |
|--|---------------------|----------------|
|  | <b>\$'000</b>       | \$'000         |
| Profit/(loss) before taxation  | <u><b>3,434</b></u> | <u>(8,154)</u> |
| Notional tax on profit/(loss) before taxation, calculated at the rates applicable in the tax jurisdictions concerned | <b>1,204</b>        | 1,022          |
| Tax effect of non-deductible expenses  | <b>5,521</b>        | 11,319         |
| Tax effect of non-taxable income   | <b>(7,903)</b>      | (13,357)       |
| Tax effect of unused tax losses not recognised   | <b>5,273</b>        | 7,572          |
| Utilisation of tax loss previously not recognised  | <b>(3,186)</b>      | (930)          |
| Over-provision in prior years  | <b>(845)</b>        | (602)          |
| Others   | <b>1,698</b>        | 340            |
| Actual tax expense   | <u><b>1,762</b></u> | <u>5,364</u>   |

## 6. Earnings/(losses) per share

### Basic and diluted earnings/(losses) per share

The calculation of basic and diluted earnings/(losses) per share is based on the profit attributable to ordinary equity shareholders of the Company of \$207,000 (2021: loss attributable to ordinary equity shareholders of the Company of \$16,047,000) and the weighted average of 3,878,322,000 ordinary shares (2021: 3,898,048,000 ordinary shares) in issue during the year, calculated as follows:

|   | 2022<br>'000             | 2021<br>'000               |
|---|--------------------------|----------------------------|
| <b>Weighted average number of ordinary shares</b>                   |                          |                            |
| Issued ordinary shares at 1 January                                 | 3,956,638                | 3,956,638                  |
| Effect of treasury shares held under share award scheme             | <u>(78,316)</u>          | <u>(58,590)</u>            |
| <b>Weighted average number of ordinary shares as at 31 December</b> | <b><u>3,878,322</u></b>  | <b><u>3,898,048</u></b>    |
|   | 2022<br>\$'000           | 2021<br>\$'000             |
| <b>Profit/(loss) attributable to ordinary equity shareholders</b>   | <b><u>207</u></b>        | <b><u>(16,047)</u></b>     |
|   | 2022                     | 2021                       |
| <b>Basic and diluted earnings/(losses) per share</b>                | <b><u>0.01 cents</u></b> | <b><u>(0.41) cents</u></b> |

The diluted earnings/(losses) per share is the same as the basic earnings/(losses) per share as there were no dilutive potential ordinary shares in existence during the years ended 31 December 2022 and 2021.

## 7. Other investments

|   | <i>Note</i> | 2022<br>\$'000        | 2021<br>\$'000        |
|---|-------------|-----------------------|-----------------------|
| Unlisted equity securities at FVOCI (non-recycling) | (i)         | 637,955               | 672,455               |
| Financial assets measured at FVPL                   | (ii)        | <u>123,285</u>        | <u>144,389</u>        |
|   |             | <b><u>761,240</u></b> | <b><u>816,844</u></b> |

- (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. Dividends of \$31,118,000 were received on this investment during the year (2021: \$Nil).

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

## 8. Inventories

### (a) Inventories in the consolidated balance sheet comprise:

|                            | 2022<br>\$'000        | 2021<br>\$'000        |
|----------------------------|-----------------------|-----------------------|
| Oil and petroleum products | 117,475               | 140,298               |
| Consumable parts           | <u>3,379</u>          | <u>4,038</u>          |
|                            | <u><b>120,854</b></u> | <u><b>144,336</b></u> |

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

|                                     | Note | 2022<br>\$'000        | 2021<br>\$'000          |
|-------------------------------------|------|-----------------------|-------------------------|
| Carrying amount of inventories sold | 4(c) | <u><b>522,784</b></u> | <u><b>1,759,483</b></u> |

## 9. Trade and other receivables

|   | 2022<br>\$'000        | 2021<br>\$'000        |
|---|-----------------------|-----------------------|
| Trade debtors, net of loss allowance (note (i)) | 238,672               | 359,291               |
| Prepayments and other receivables (note (ii))   | <u>35,000</u>         | <u>81,160</u>         |
|   | <u><b>273,672</b></u> | <u><b>440,451</b></u> |

### Notes:

- (i) 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 \$1,202,000 (2021: \$1,389,000). 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 was 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.

## 9. Trade and other receivables (continued)

### (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:

|                                   | 2022<br>\$'000 | 2021<br>\$'000 |
|-----------------------------------|----------------|----------------|
| Within 1 month                    | 53,478         | 10,424         |
| Over 1 month but within 2 months  | 43,528         | -              |
| Over 2 months but within 3 months | -              | 9,785          |
| Over 3 months but within 6 months | 98,965         | 186,008        |
| Over 6 months                     | 42,701         | 153,074        |
|                                   | <u>238,672</u> | <u>359,291</u> |

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:

|   | 2022<br>\$'000 | 2021<br>\$'000 |
|---|----------------|----------------|
| Balance at 1 January                          | 5,000          | 64             |
| Recognition of loss allowance during the year | 1,000          | 4,936          |
| Reversal of loss allowance during the year    | (5,000)        | -              |
| Balance at 31 December                        | <u>1,000</u>   | <u>5,000</u>   |

The significant decrease in the long-aged balance of trade receivables contributed to the decrease in the loss allowance.

## 10. Trade and other payables and contract liabilities

|                              | 2022<br>\$'000 | 2021<br>\$'000 |
|------------------------------|----------------|----------------|
| Trade creditors              | 42,410         | 12,999         |
| Contract liabilities         | 11,666         | 12,246         |
| Other creditors and accruals | 19,403         | 28,496         |
|                              | <u>73,479</u>  | <u>53,741</u>  |

At 31 December 2022 and 2021, all the trade and other payables are expected to be settled or recognised as income within one year.

## 10. Trade and other payables and contract liabilities (continued)

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:

|                | 2022<br>\$'000 | 2021<br>\$'000 |
|----------------|----------------|----------------|
| Within 1 month | 42,410         | 3,258          |
| Over 3 months  | -              | 9,741          |
|                | <u>42,410</u>  | <u>12,999</u>  |

### *Contract liabilities*

The Group receives part of the contract 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*

|  | 2022<br>\$'000 | 2021<br>\$'000 |
|--|----------------|----------------|
| At 1 January   | 12,246         | 27,606         |
| 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 | (12,246)       | (27,606)       |
| Increase in contract liabilities as a result of receiving deposits from customers  | <u>11,666</u>  | <u>12,246</u>  |
| At 31 December   | <u>11,666</u>  | <u>12,246</u>  |

All contract liabilities are expected to be recognised as income within one year.

## 11. Bank loans

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

|                                | 2022<br>\$'000 | 2021<br>\$'000 |
|--------------------------------|----------------|----------------|
| <b>Current liabilities</b>     |                |                |
| Bank loans                     | 164,239        | 206,066        |
| <b>Non-current liabilities</b> |                |                |
| Bank loans                     | 420,600        | 562,109        |
|                                | <u>584,839</u> | <u>768,175</u> |

## 11. Bank loans (continued)

(b) At 31 December 2022, the bank loans were repayable as follows:

|                                  | 2022<br>\$'000 | 2021<br>\$'000 |
|----------------------------------|----------------|----------------|
| <b>Bank loans (secured)</b>      |                |                |
| Within 1 year or on demand       | 164,239        | 206,066        |
| After 1 year but within 2 years  | 108,218        | 102,448        |
| After 2 years but within 5 years | 312,382        | 418,532        |
| After 5 years                    | -              | 41,129         |
|                                  | <u>420,600</u> | <u>562,109</u> |
|                                  | <u>584,839</u> | <u>768,175</u> |

(c) At 31 December 2022, the Group had bank loans totalling \$584,839,000 (2021: \$768,175,000) which were secured by certain of the Group's property, plant and equipment with net book value of \$287,897,000 (2021: \$332,032,000) and interests in leasehold land and buildings held for own use with net book value of \$160,447,000 (2021: \$180,384,000). The aggregate banking facilities of the Group amounted to \$808,236,000 (2021: \$928,325,000) of which \$584,839,000 (2021: \$768,175,000) were utilised.

## 12. Amounts due to related parties

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

## 13. Capital commitments

At 31 December 2022, 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 2021: \$78 million and the purchase of additional shares in BTHL of approximately \$106 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.

## 14. Non-adjusting events after the balance sheet date

Subsequent to the end of reporting period, the Group has repaid bank loans of \$584,191,000 and obtained a new bank facility amounting to \$683,978,000.

## 15. Comparative figures

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



## **MANAGEMENT DISCUSSION AND ANALYSIS**

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

### **BUSINESS REVIEW**

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 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 tried its best to tap into market potentials and to diversify its terminal storage business to generate more revenue and maximize shareholders’ value with utilisation of spare capacity from jetties and vacant land of DZIT. In 2022, the Group actively discussed with the different stakeholders on DZIT second phase development about 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, in order to expedite the approval progress from the local government. As at the reporting date, the application approval is still in progress.

#### **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. We provide convenience to our customers to move their products in and out of the terminal during their production cycle.

#### **Revenue from Terminal Storage Business**

The terminal earns storage income by leasing its storage tanks to customers based on the storage tank size and category engaged. Furthermore, the terminal collects handling charges when providing services in moving cargoes in and out from the terminal for customers, either by water in the jetties or by road from the loading stations. Apart from these, the terminal provides ancillary services such as tank cleaning and charges related 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:

| <b>Operational statistics</b>                             | <b>2022</b>      | <b>2021</b> | <b>Change %</b> |
|---|------------------|-------------|-----------------|
| <b>Liquid product terminal and transshipment services</b> |                  |             |                 |
| Number of vessels visited                                 |                  |             |                 |
| – foreign   | <b>69</b>        | 95          | -27.4           |
| – domestic  | <b>705</b>       | 666         | +5.9            |
| Number of trucks served to pick up cargoes                | <b>41,512</b>    | 64,634      | -35.8           |
| Number of drums filled                                    | <b>11,919</b>    | 16,462      | -27.6           |
| Transshipment volume (metric ton)                         |                  |             |                 |
| – oil   | <b>54,557</b>    | 25,071      | +117.6          |
| – petrochemicals  | <b>91,663</b>    | 49,777      | +84.1           |
| Terminal throughput (metric ton)                          | <b>3,295,000</b> | 4,165,000   | -20.9           |
| – port jetty throughput                                   | <b>2,257,000</b> | 2,632,000   | -14.2           |
| – loading station throughput                              | <b>1,038,000</b> | 1,533,000   | -32.3           |
| <b>Storage services</b>                                   |                  |             |                 |
| Leaseout rate – oil and petrochemical products (%)        | <b>97.5</b>      | 97.8        | -0.3 points     |

The major operational statistics of DZIT was challenged by some external factors, including the consumption tax on some oil and petrochemical products imposed by China government since 2021, temporary closures of workplaces and lockdowns in several cities across China in early 2022 due to continued pandemic and high volatility of oil price during the year that caused the certain customers of DZIT to reduce its production and operating capacity. As a result, the number of foreign vessels visited, number of trucks served to pick up cargoes and terminal throughput decreased by 27.4%, 35.8% and 20.9% respectively over the last year. Nevertheless, the average leaseout rate for oil and petrochemical tanks still achieved as high as 97.5% during the year, slightly dropped by 0.3 percentage points over last year. As the epidemic gradually stabilised, anti-Covid measures for isolation requirement have been removed across the world. We do believe that our terminal storage business will gradually return to normal track.

## Trading Business

The Group operates in trading of oil and petrochemical products carried out in the PRC (including Hong Kong) and has long term cooperative relationship with major energy companies such as CNOOC, Sinopec and Sinochem etc.

The strategy of the Group's trading business is to expand the 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.

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

| <b>Operational statistics</b>                               | <b>2022</b>    | <b>2021</b> | <b>Change %</b> |
|---|----------------|-------------|-----------------|
| Number of sale contracts entered                            | <b>58</b>      | 93          | -37.6           |
| Sales volume of oil and petrochemical products (metric ton) | <b>116,000</b> | 447,452     | -74.1           |

The pandemic has lasted for more than three years and has a certain impact on the Group's trading business. Coupled with China government has levied consumption tax on some refined oil products such as light cycle oil, mixed aromatics and diluted asphalt since June 2021, on top of that, as China strengthened the supervision of taxation on the upstream and downstream distribution of refined oil products, the market price became more transparent, the price difference between the north and the south shrank and high volatility of crude oil price during the year, prompting the Group to reduce the number of sale contracts entered and sale volume in order to minimize the uncertainty of external environment towards our trading business. During the year, number of sales contracts entered and sales volume of oil and petrochemical products dropped by 37.6% and 74.1% respectively as compared to last year. In order to improve unit profit, the Group has taken proactive measures to vigorously develop and expand the customer base to the end customers of filling stations, which not only facilitated the business operations to bring into play the advantages of centralized procurement, reduced procurement cost and gained stable profit through the way of centralized procurement, retail and wholesale, but also helped to enhance the market risk resistance and obtain higher profit by leveraging on market price fluctuation. As the pandemic slows down, the Group will actively expand the customer's base and business scale, and increase the volume of trading activities to enhance the Group's profits.

### **Other Business**

The Group owns a filling station which is 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. 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 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 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.

## 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) other business. The breakdown is as follows:

|  | 2022           |              | 2021             |              | Change %     |
|--|----------------|--------------|------------------|--------------|--------------|
|  | \$'000         | %            | \$'000           | %            |              |
| <b>Trading business</b>  |                |              |                  |              |              |
| Sales of oil and petrochemical products                                  | 543,625        | 78.2         | 1,791,052        | 90.7         | -69.6        |
| <b>Terminal storage business</b>   |                |              |                  |              |              |
| Storage income   | 113,588        | 16.4         | 128,011          | 6.5          | -11.3        |
| Handling income and others   | 29,901         | 4.3          | 37,627           | 1.9          | -20.5        |
| Transshipment income   | 1,368          | 0.2          | 762              | 0.0          | +79.5        |
| Port income  | 774            | 0.1          | 1,578            | 0.1          | -51.0        |
| <b>Other business</b>  |                |              |                  |              |              |
| Revenue from operating and leasing of a filling station related business | 5,595          | 0.8          | 15,737           | 0.8          | -64.4        |
|  | <b>694,851</b> | <b>100.0</b> | <b>1,974,767</b> | <b>100.0</b> | <b>-64.8</b> |

During the year ended 31 December 2022, the Group recorded a total revenue of \$694.9 million, a significant decrease of 64.8% as compared to 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 \$543.6 million (accounting for 78.2% to the Group's total revenue), \$145.6 million (accounting for 21.0% to the Group's total revenue) and \$5.6 million (accounting for 0.8% to the Group's total revenue) respectively, a decrease of 69.6%, 13.3% and 64.4% respectively on an annual basis. The decrease of trading revenue was mainly attributable to the decrease in the number of sales contracts entered and sales volume of oil and petrochemical products during the year as a result from the consumption tax on some refined oil and petrochemical products imposed by China government since June 2021 that increased the costs and dampened the customer demand. In addition to the impact of the consumption tax on the trading business, temporary closures of workplaces and lockdowns in some cities across China at the beginning of the year due to pandemic not only hindered the volume of trading activities, but also affected the financial performance of terminal storage business in 2022. The Directors believe that, as the global is gradually returning to normal, the Group's financial performance will be recovered with various proactive measures being taken such as introduction of new customers and initiation the DZIT second phase development. On top of that, the Group's filling station was leased out to an independent third party for rental income instead of revenue from operating a filling station from August 2021, the rental income from a filling station for the year ended 31 December 2022 was \$5.6 million while the revenue from operating and leasing a filling station was totally \$15.7 million for the year ended 31 December 2021.

## OUTLOOK

Looking forward to 2023, as China lifts its stringent control measures, the world basically emerged from the shadow of the pandemic, bringing a stable social environment for business operations. However, internationally, the ongoing impact of the Russia-Ukraine war and global inflation have brought many uncertainties to the development of the Company. In 2022, the Group continued to implement the business development strategy from last year by stabilizing the terminal storage business, controlling trade risks and actively seeking the approval of DZIT second phase development, while allocating more resources to tap into the new energy industry.

Building on its stable existing customers and product varieties, DZ International will focus on attracting customers engaged in new energy products (such as biodiesel) business to better face the challenges in the future development of new energy industry and complement the Group's transformation to the new energy industry.

In 2023, the Group's refined oil trading will make better use of the resources of DZIT to drive trading activities by storage business. It brings more customers to use oil terminals through trading activities. Regarding the filling stations retail business, the Group strives to increase franchised filling stations under the brand "Hans Energy" to expand its share in the retail market.

Shaking off the constraint of the three-year pandemic and stringent control measures, it is expected that the DZIT second phase development regarding construction of the LNG tanks and modification of terminal will have a substantial progress in terms of approval in 2023. DZ International will definitely step into a new stage of development.

In 2023, the Group will continue to pursue a diversified investment strategy. At the beginning of 2022, the Company increased its holdings in Bravo Transport Holdings Limited ("BTHL") (with Citybus Limited ("Citybus") and New World First Bus Services Limited ("NWFB") as its subsidiaries) and had achieved good returns as at the year end, it indicates that the Group's diversified investment strategy is getting positive sign of success. The Group will keep an eye on local and overseas investment projects with strong cash flows and relatively high returns.

As a traditional energy company, the Group attaches great importance to emission reduction and environmental issues and has pioneered the investment of the hydrogen energy industry chain in Hong Kong. In combination with the introduction of hydrogen fuel cell buses by Citybus, the Group will invest in the construction of a hydrogen filling station in Hong Kong to support the operation of its hydrogen fuel cell buses. In addition, the Company will cooperate with local and overseas leading companies and institutions in the hydrogen energy industry to study and explore various technologies applicable to the environment in Hong Kong, such as hydrogen energy production, storage, transportation and application, thereby ensuring an advantageous position for the Group in the future development of the hydrogen energy industry chain in Hong Kong.

## FINANCIAL REVIEW

During the year ended 31 December 2022, the Group's financial performance are set out as below:

|   | <b>2022</b>      | 2021        |             |
|---|------------------|-------------|-------------|
|   | <b>\$'000</b>    | \$'000      | Change %    |
| Revenue   | <b>694,851</b>   | 1,974,767   | -64.8       |
| Direct costs and operating expenses                                     | <b>(601,234)</b> | (1,867,945) | -67.8       |
| Gross profit  | <b>93,617</b>    | 106,822     | -12.4       |
| Earnings before interest and tax ("EBIT")                               | <b>55,358</b>    | 46,780      | +18.3       |
| Depreciation and amortisation   | <b>56,930</b>    | 76,227      | -25.3       |
| Finance costs   | <b>51,924</b>    | 54,934      | -5.5        |
| Earnings before interest, tax, depreciation and amortisation ("EBITDA") | <b>112,288</b>   | 123,007     | -8.7        |
| Gross profit margin (%)   | <b>13.5</b>      | 5.4         | +8.1 points |
| Net profit/(loss) margin (%)  | <b>0.2</b>       | -0.7        | +0.9 points |
| Basic and diluted earnings/(loss) per share (cents)                     | <b>0.01</b>      | (0.41)      | +102.4      |

### Revenue and gross profit margin

During the year, the Group's revenue was approximately \$694.9 million (2021: \$1,974.8 million), representing a decrease of 64.8% over the last year. The decrease was mainly attributable to the decrease in revenue from trading of oil and petrochemical products by 69.6%. During the year, the gross profit was approximately \$93.6 million (2021: \$106.8 million), a decrease of 12.4% over the last year but gross profit margin was 13.5%, increased by 8.1 percentage points on a yearly basis. The decrease in gross profit was mainly attributable to the reducing trading activities during the year. Nevertheless, the terminal storage business strictly implemented cost control in 2022, which uplifted the Group's overall gross margin during the year.

### Direct costs and operating expenses

During the year, the Group's direct costs and operating expenses were approximately \$601.2 million (2021: \$1,867.9 million), representing a decrease of 67.8% over the last year, of which cost of inventories from oil and petrochemical products were \$522.8 million (2021: \$1,759.5 million), accounting for 87.0% (2021: 94.2%) of total direct costs and operating expenses. The decrease of direct costs and operating expenses was mainly due to the decrease of revenue during the year.

### EBIT and EBITDA

During the year, the Group's EBIT was approximately \$55.4 million (2021: \$46.8 million), increased by 18.3% over the last year. The increase was mainly attributable to the increase in other income which was mainly due to dividend income from unlisted equity securities of approximately \$31.1 million and on the other hand, the reduction in Group's selling and administrative expenses which was mainly due to decrease of equity settled share-based payment expenses by approximately \$40.7 million, decrease of depreciation and amortisation by approximately \$19.3 million and reversal of loss allowance of trade and other receivables by \$4.0 million (2021: recognition of loss allowance of trade and other receivables of \$13.7 million), partially offsetting the decrease of gross profit by approximately \$13.2 million and recognition of net fair value losses on financial assets at fair value through profit or loss by approximately \$8.1 million (2021: gains of \$70.0 million) during the year. Excluding the decrease of depreciation and amortisation, EBITDA recorded as approximately \$112.3 million (2021: \$123.0 million) for the year, decreased by 8.7% over the last year.

## **Finance costs**

During the year, finance costs amounted to \$51.9 million (2021: \$54.9 million) which were mainly incurred on the Group's outstanding bank loans. The decrease was mainly attributable to the decrease in average bank loan balance arising from repayment of bank loans during the year.

## **Taxation**

The provision for Hong Kong Profits Tax for the year ended 31 December 2022 is calculated at 16.5% (2021: 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. The applicable tax rate of the Group's PRC subsidiaries for the year ended 31 December 2022 was 25% (2021: 25%).

## **Basic and diluted earnings/(loss) per share**

During the year ended 31 December 2022, the basic and diluted earnings per share was \$0.01 cents (2021: losses per share of \$0.41 cents). The basic and diluted earnings per share turnaround from loss indicates that the Group's earnings are improving.

## **LIQUIDITY, GEARING AND CAPITAL STRUCTURE**

As at 31 December 2022, the Group's total cash and bank balances amounted to approximately \$162.3 million (2021: \$118.2 million). The increase was mainly attributable to cash inflow generated from operating activities during the year. Most of the funds were held in HK dollars, RMB and US dollars.

As at 31 December 2022, the Group had total assets of approximately \$1,976.7 million (2021: \$2,286.7 million) and net current assets of approximately \$235.3 million (2021: \$354.3 million). The current ratio as at 31 December 2022 of the Group was 1.73 (2021: 2.02). The decrease was primarily attributable to the completion of purchase in BTHL shares during the year.

As at 31 December 2022, the Group had outstanding bank borrowings of \$584.8 million (2021: \$768.2 million). The total equity of the Group as at 31 December 2022 amounted to approximately \$1,207.0 million (2021: \$1,352.4 million). The decrease of total equity of the Group was mainly attributable to the decrease in shareholders' equity in respect of decrease in assets revaluation reserve during the year. The gearing ratio (defined as total liabilities to total assets) as at 31 December 2022 was 38.9% (2021: 40.9%). The Group continuously considers various financial methods to improve our existing financial position and reduce the degree of leverage of the Group. Subsequent to the balance sheet date, the Group has successfully refinanced bank loan with more favorable borrowing rate to replace the existing bank facilities. For details, please refer to note 14.

## **FINANCIAL RESOURCES**

During the year ended 31 December 2022, 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**

As at 31 December 2022, the Group's significant investments comprised unlisted equity securities and financial assets set out as below.

### **(i) Unlisted equity securities**

The unlisted equity securities are shares in 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 2020 annual report 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 2021 annual report 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 31 December 2022, the Group recorded a fair value of \$638.0 million (2021: \$672.5 million) in respect of its holding in about 15.56% (2021: 13.45%) of such unlisted equity securities. The fair value of such unlisted equity securities represented 32.3% (2021: 29.4%) of the Group's total assets and 83.8% (2021: 82.3%) 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 loss of \$140.0 million (2021: gain of \$309.3 million) in the asset revaluation reserve for the year ended 31 December 2022. During the year, dividend distribution of \$31.1 million (2021: \$Nil) 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 31 December 2022, the total capital contribution into Templewater by the Group was approximately \$78 million (equivalent to approximately US\$10 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% (2021: 10.7%) of such financial assets. As at 31 December 2022, the Group recorded a fair value of \$123.3 million (2021: \$144.4 million) of such investment. The fair value of the financial assets exceeded the purchase cost for such investment and represented 6.2% (2021: 6.3%) of the Group's total assets and 16.2% (2021: 17.7%) of the aggregate fair value of the Group's investment portfolio.

During the year ended 31 December 2022, the Group did not invest (including advisory fee) into Templewater (2021: \$25.0 million). In terms of performance, net fair value loss of \$8.1 million (2021: gain of \$70.0 million) on such financial assets was recognised in profit or loss for the year. During the year, distribution of \$13.0 million (2021: \$0.2 million) was received from such investment.

As at 31 December 2022, 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 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 2022.

## **EMPLOYEE AND REMUNERATION POLICY**

As at 31 December 2022, the Group had a total of approximately 172 employees (2021: 230), 146 (2021: 187) 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. 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.

## **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 2022, the Group has no material contingent liabilities.

## **EVENTS AFTER BALANCE SHEET DATE**

Details of events after balance sheet date are set out in note 14.

## **FINAL DIVIDEND**

The Directors do not recommend any final dividend for the year ended 31 December 2022 (2021: 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 “Listing Rules”). The Board is of the view that throughout the year, the Company has complied with the CG Code except for the deviations from Code Provision F.2.2 as the Chairman and one of the Directors were unable to attend the last annual general meeting held on 15 June 2022 due to business engagements. They will use their best endeavours to attend all future shareholders’ meetings of the Company.

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and all of them have confirmed that they have complied with the Model Code throughout the year ended 31 December 2022.

## **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 2022, 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 2022 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 and the related notes thereto for the year ended 31 December 2022 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 2022 is published on the websites of the Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.hansenergy.com](http://www.hansenergy.com)). The 2022 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, 22 March 2023

*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](http://www.hansenergy.com)*