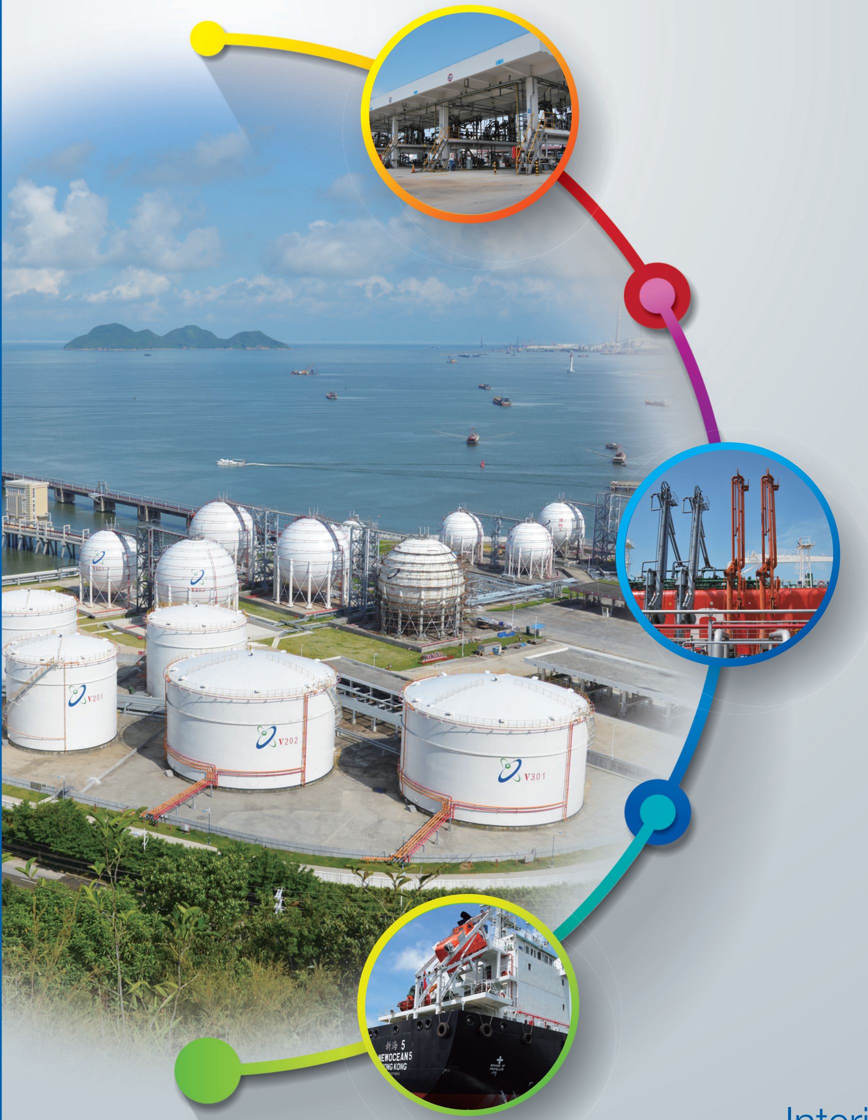
NewOcean Energy Holdings Limited

新海能源集團有限公司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

Stock Code 股份代號：342



2016

Interim Report

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Report on Review of Condensed Consolidated Financial Statements

Deloitte.
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TO THE BOARD OF DIRECTORS OF
NEWOCEAN ENERGY HOLDINGS LIMITED

Introduction

We have reviewed the condensed consolidated financial statements of NewOcean Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 4 to 28, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Report on Review of Condensed Consolidated Financial Statements

(Continued)

Scope of Review

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that caused us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

19 August 2016

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Six Months Ended 30 June 2016

	Notes	Six months ended 30 June 2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
Revenue	3	**7,296,024**	7,558,252
Cost of sales		**(6,413,015)**	(6,629,833)
Gross profit		**883,009**	928,419
Other gains and losses	4	**(60,124)**	(97,322)
Other income	5	**36,126**	73,627
Selling and distribution expenses		**(185,269)**	(182,168)
Administrative expenses		**(134,353)**	(136,263)
Finance costs		**(86,773)**	(99,851)
Share of profits of joint ventures		**1,553**	1,909
Share of (losses) profits of associates		**(802)**	220
Profit before taxation	6	**453,367**	488,571
Taxation	7	**(17,839)**	(36,617)
Profit for the period		**435,528**	451,954
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(76,467)**	1,043
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on available for sale investment		**1,848**	6,144
Reclassified to profit or loss upon the disposal of certain amount of available for sale investment		**—**	4,138
		(74,619)	11,325
Total comprehensive income for the period		**360,909**	463,279

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income *(Continued)*

For the Six Months Ended 30 June 2016

		Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Profit (loss) for the period attributable to:			
Owners of the Company		**434,464**	453,014
Non-controlling interests		**1,064**	(1,060)
		435,528	451,954
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**360,682**	464,333
Non-controlling interests		**227**	(1,054)
		360,909	463,279
Earnings per share	*8*		
Basic		**HK$0.294**	HK$0.306
Diluted		**N/A**	HK$0.302

Condensed Consolidated Statement of Financial Position

At 30 June 2016

	Notes	As at 30 June 2016 (Unaudited) HK$'000	As at 31 December 2015 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	10	2,074,903	1,506,653
Land use rights	11	256,367	266,611
Prepaid lease payments for coast		6,662	7,214
Goodwill		651,714	658,648
Other intangible assets		330,862	357,310
Interests in associates		14,862	15,960
Interests in joint ventures		22,413	21,332
Available for sale investment		39,630	37,770
Deposits paid	12	434,519	663,005
Deferred tax assets		368	3,197
		3,832,300	3,537,700
Current assets			
Inventories		358,087	260,285
Trade debtors and bills receivable	13	3,565,278	2,518,348
Other debtors, deposits and prepayments	13	1,748,215	1,890,558
Amounts due from associates	13	21,737	124,303
Amount due from a joint venture		—	1,078
Derivative financial instruments		8,034	12,378
Land use rights	11	11,468	11,701
Prepaid lease payments for coast		805	822
Properties held for sales		154,480	157,754
Properties under development for sales		394,684	211,959
Pledged bank deposits	14	691,354	1,108,142
Bank balances and cash		1,237,807	1,569,937
		8,191,949	7,867,265

Condensed Consolidated Statement of Financial Position *(Continued)*

At 30 June 2016

	Notes	As at 30 June 2016 (Unaudited) HK$'000	As at 31 December 2015 (Audited) HK$'000
Current liabilities			
Trade creditors and bills payable	15	**815,079**	641,816
Other creditors and accrued charges		**258,184**	214,952
Amount due to an associate		**9,833**	8,706
Amount due to a joint venture		**3,050**	479
Derivative financial instruments		**5,266**	25,785
Tax liabilities		**62,030**	60,031
Borrowings secured by pledged bank deposits – repayable within one year	16	**632,141**	1,370,614
Borrowings secured by other assets – repayable within one year	16	**11,227**	11,227
Borrowings unsecured – repayable within one year	16	**2,563,526**	1,532,972
		4,360,336	3,866,582
Net current assets		**3,831,613**	4,000,683
Total assets less current liabilities		**7,663,913**	7,538,383
Capital and reserves			
Share capital	17	**148,040**	148,040
Share premium and other reserves		**5,526,055**	5,202,383
Equity attributable to owners of the Company		**5,674,095**	5,350,423
Non-controlling interests		**38,420**	38,193
Total equity		**5,712,515**	5,388,616
Non-current liabilities			
Deferred tax liabilities		**108,031**	116,012
Borrowings secured by other assets – repayable over one year	16	**24,792**	30,404
Borrowings unsecured – repayable over one year	16	**1,818,575**	2,003,351
		1,951,398	2,149,767
		7,663,913	7,538,383

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2016

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 *(Note i)*	Statutory surplus reserves HK$'000 *(Note ii)*	Exchange reserve HK$'000	Share options reserve HK$'000	Investment revaluation reserve HK$'000	Contributed surplus accounts HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016 (Audited)	148,040	1,439,717	122,085	48,507	2,915	–	(22,743)	1,667	(127)	3,610,362	5,350,423	38,193	5,388,616
Profit for the period	–	–	–	–	–	–	–	–	–	434,464	434,464	1,064	435,528
Exchange difference arising on translation to presentation currency	–	–	–	–	(75,630)	–	–	–	–	–	(75,630)	(837)	(76,467)
Fair value gain on available for sale investment	–	–	–	–	–	–	1,848	–	–	–	1,848	–	1,848
Total comprehensive (expense) income for the period	–	–	–	–	(75,630)	–	1,848	–	–	434,464	360,682	227	360,909
Appropriations	–	–	–	5,139	–	–	–	–	–	(5,139)	–	–	–
Dividend paid *(note 9)*	–	–	–	–	–	–	–	–	–	(37,010)	(37,010)	–	(37,010)
At 30 June 2016 (Unaudited)	148,040	1,439,717	122,085	53,646	(72,715)	–	(20,895)	1,667	(127)	4,002,677	5,674,095	38,420	5,712,515
At 1 January 2015 (Audited)	148,040	1,439,717	122,085	46,650	212,859	3,743	(49,573)	1,667	(127)	2,949,539	4,874,600	31,184	4,905,784
Profit (loss) for the period	–	–	–	–	–	–	–	–	–	453,014	453,014	(1,060)	451,954
Exchange difference arising on translation to presentation currency	–	–	–	–	1,037	–	–	–	–	–	1,037	6	1,043
Fair value gain on available for sale investment	–	–	–	–	–	–	6,144	–	–	–	6,144	–	6,144
Reclassified to profit and loss upon the disposal of certain amount of available for sale investment	–	–	–	–	–	–	4,138	–	–	–	4,138	–	4,138
Total comprehensive income (expense) for the period	–	–	–	–	1,037	–	10,282	–	–	453,014	464,333	(1,054)	463,279
Appropriations	–	–	–	794	–	–	–	–	–	(794)	–	–	–
Dividend paid *(note 9)*	–	–	–	–	–	–	–	–	–	(97,706)	(97,706)	–	(97,706)
At 30 June 2015 (Unaudited)	148,040	1,439,717	122,085	47,444	213,896	3,743	(39,291)	1,667	(127)	3,304,053	5,241,227	30,130	5,271,357

Notes:

(i) The special reserve of the Group represents the difference between the share capital, share premium and capital redemption reserve of the Group's former ultimate holding company whose shares were exchanged for the Company's shares and the nominal amount of the share capital issued by the Company pursuant to a scheme of arrangement dated 14 April 1999.

(ii) The statutory surplus reserves represent enterprise development and general reserve funds appropriated from the profit after taxation of subsidiaries established in the People's Republic of China (the "PRC") in accordance with the PRC laws and regulations.

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2016

	Note	Six months ended 30 June 2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
Net cash (used in) from operating activities			
Operating cash flows before movements in working capital		**591,942**	594,761
Increase in inventories		**(98,133)**	(108,284)
(Increase) decrease in trade debtors and bills receivable		**(1,050,100)**	371,778
Decrease (increase) in other debtors, deposits and prepayments		**35,118**	(46,493)
Decrease in amounts due from associates		**102,566**	39,518
Increase in trade creditors and bills payable		**175,131**	60,911
Other operating cash flows (net)		**(79,599)**	(56,541)
		(323,075)	855,650
Net cash from investing activities			
Interest received		**47,533**	42,956
Purchase of property, plant and equipment	*10*	**(224,806)**	(12,805)
Withdrawal of pledged bank deposits		**907,737**	3,599,256
Placement of pledged bank deposits		**(501,454)**	(2,411,526)
Cash consideration paid for acquisition of subsidiaries in prior year		**—**	(100,000)
Deposits paid for investment projects		**(205,505)**	(190,887)
Other investing cash flows (net)		**190**	(17,944)
		23,695	909,050
Net cash used in financing activities			
New borrowings raised		**5,076,350**	5,959,334
Repayments of borrowings		**(4,974,723)**	(7,645,814)
Dividend paid		**(37,010)**	(97,706)
Other financing cash flows (net)		**(94,211)**	(57,982)
		(29,594)	(1,842,168)
Net decrease in cash and cash equivalents		**(328,974)**	(77,468)
Cash and cash equivalents at beginning of the period		**1,569,937**	1,738,621
Effect of foreign exchange rate changes		**(3,156)**	9,669
Cash and cash equivalents at end of the period, represented by bank balances and cash		**1,237,807**	1,670,822

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2016

1. General Information and Basis of Preparation

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate and immediate holding company is Uniocean Investments Limited, a company incorporated in the British Virgin Islands. The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business is 23rd Floor, The Sun's Group Centre, 200 Gloucester Road, Wanchai, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Group are sales and distribution of liquefied petroleum gas ("LPG") and natural gas ("NG"), oil products business and sales of electronic products.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The functional currency of the Company is Renminbi ("RMB"), the currency of the primary economic environment in which the Group operates. For the purpose of the condensed consolidated financial statements and convenience of the financial statements users, the results and financial position of the Group are expressed in Hong Kong dollars ("HK$"), the presentation currency for the condensed consolidated financial statements.

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the accounting period beginning on or after 1 January 2016.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. Segment Information

Information reported to the Chairman of the Company, being the chief operating decision maker ("CODM"), for the purpose of resources allocation and assessment of segment performance focuses on nature and location of the goods being sold. These revenue streams and the basis of the internal reports about components of the Group are regularly reviewed by the CODM in order to allocate resources to segments and to assess their performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group currently organised into the following major operating segments, each of which represents an operating and reportable segment of the Group:

1. Sales and distribution of LPG — This segment derives its revenue from selling of LPG to various customers including industrial customers, auto-gas operators, overseas wholesaler customers, bottled LPG end-users, auto-gas end-users etc. The operation is carried out in Hong Kong, the PRC and Macau for both onshore and offshore customers.

2. Oil products business — This segment derives its revenue from selling of oil products to both wholesale and retail customers and leasing of oil vessels.

3. Sales of electronic products — This segment derives its revenue from trading of electronic products such as integrated circuit and mobile phones etc.

During the year of 2014, the Group began to venture into sale and distribution of NG business but still in preliminary stage, the segment information reported below includes assets related to the sales and distribution of NG business.

3. Segment Information *(Continued)*

Information regarding the above segments is presented below.

Six months ended 30 June 2016 (Unaudited)

	Sales and distribution of LPG	Oil products business	Sales of electronic products	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	3,920,337	3,339,956	35,731	7,296,024
Segment profit (loss)	437,408	104,695	(702)	541,401
Share of losses of associates	(802)	—	—	(802)
Share of profits of joint ventures	1,553	—	—	1,553
	438,159	104,695	(702)	542,152
Other income				26,815
Central administration costs				(25,998)
Directors' emoluments				(5,121)
Changes in fair values of derivative financial instruments				2,292
Finance costs				(86,773)
Profit before taxation				453,367

3. Segment Information *(Continued)*

Six months ended 30 June 2015 (Unaudited)

	Sales and distribution of LPG *HK$'000*	Oil products business *HK$'000*	Sales of electronic products *HK$'000*	Consolidated *HK$'000*
Segment revenue	4,544,997	2,648,930	364,325	7,558,252
Segment profit	483,296	62,523	9,236	555,055
Share of profit of an associate	220	—	—	220
Share of profits of joint ventures	1,909	—	—	1,909
	485,425	62,523	9,236	557,184
Other income				67,200
Central administration costs				(25,328)
Directors' emoluments				(3,856)
Loss on disposal of available for sale investment				(4,138)
Changes in fair values of derivative financial instruments				(2,640)
Finance costs				(99,851)
Profit before taxation				488,571

All of the segment revenue reported above is from external customers, associates or joint ventures. Segment profit represents the profit earned by each segment without allocation of certain other income, central administration costs, directors' emoluments, loss on disposal of available for sale investment, changes in fair values of derivative financial instruments and finance costs.

3. Segment Information *(Continued)*

The Group has a subsidiary engages in the property investment and development in the PRC which is considered as ordinary course of business. The operating results and other financial information of this subsidiary are not reviewed by the CODM for the purpose of resources allocation and performance assessments.

The following is an analysis of the Group's assets and liabilities by operating segment:

Segment assets

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
	HK$'000	*HK$'000*
Sales and distribution of LPG	**4,526,261**	4,333,157
Sales and distribution of NG	**165,514**	148,626
Oil products business	**4,183,337**	3,177,649
Sales of electronic products	**169,875**	98,660
Total segment assets	**9,044,987**	7,758,092
Available for sale investment	**39,630**	37,770
Deferred tax assets	**368**	3,197
Derivative financial instruments	**8,034**	12,378
Properties held for sales	**154,480**	157,754
Properties under development for sales	**394,684**	211,959
Pledged bank deposits	**691,354**	1,108,142
Bank balances and cash	**1,237,807**	1,569,937
Other unallocated assets	**452,905**	545,736
Consolidated assets	**12,024,249**	11,404,965

3. Segment Information *(Continued)*

Segment liabilities

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
	HK$'000	*HK$'000*
Sales and distribution of LPG	519,120	462,493
Oil products business	545,743	384,021
Sales of electronic products	120	120
Total segment liabilities	1,064,983	846,634
Derivative financial instruments	5,266	25,785
Tax liabilities	62,030	60,031
Deferred tax liabilities	108,031	116,012
Borrowings	5,050,261	4,948,568
Other unallocated liabilities	21,163	19,319
Consolidated liabilities	6,311,734	6,016,349

4. Other Gains and Losses

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
	HK$'000	*HK$'000*
Changes in fair values of derivative financial instruments	2,292	(2,640)
Loss on disposal of available for sale investment	—	(4,138)
Net exchange loss	(62,416)	(90,544)
	(60,124)	(97,322)

During the period, the amount included net exchange loss arising from pledged RMB bank deposits for United States Dollars ("USD") borrowings amounted to approximately HK$10,508,000 (six months ended 30 June 2015: HK$59,420,000).

5. Other Income

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
	HK$'000	*HK$'000*
Interest income on pledged RMB bank deposits	**11,062**	58,132
Other interest income	**17,052**	9,668
Others	**8,012**	5,827
	36,126	73,627

6. Profit Before Taxation

	Six month ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Amortisation of land use rights (included in administrative expenses)	**5,332**	5,433
Amortisation of prepaid lease payments for coast (included in cost of sales)	**409**	434
Amortisation of other intangible assets (included in selling and distribution expenses)	**21,024**	21,871
Depreciation of property, plant and equipment	**50,244**	44,990
Total depreciation and amortisation	**77,009**	72,728
Gross rental income from leasing of oil vessels, office premises, leasehold lands, warehouses and motor vehicles	**1,017**	2,246
Less: Direct operating expenses	**(190)**	(144)
	827	2,102

7. Taxation

	Six months ended 30 June	
	2016 **(Unaudited)** ***HK$'000***	2015 (Unaudited) *HK$'000*
Other regions in the PRC		
Current tax	**20,353**	37,008
Deferred tax		
Current period	**(2,514)**	(391)
	17,839	36,617

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Company's subsidiaries operating in Hong Kong incurred tax losses or the assessable profits are wholly absorbed by tax losses brought forward for the six months periods ended 30 June 2016 and 30 June 2015.

PRC enterprise income tax is calculated at the rates prevailing in the PRC.

No deferred tax liability has been recognised in respect of temporary differences associated with undistributed earnings of subsidiaries operating in the PRC because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

8. Earnings per Share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2016 **(Unaudited)** ***HK$'000***	2015 (Unaudited) *HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to the owners of the Company)	**434,464**	453,014

8. Earnings per Share *(Continued)*

	Six months ended 30 June	
	2016 **(Unaudited)**	2015 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,480,398,216**	1,480,398,216
Effect of dilutive ordinary shares		
Share options	**N/A**	17,651,501
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**N/A**	1,498,049,717

No diluted earnings per share is presented as there are no potential ordinary shares in issue during the six months ended 30 June 2016.

9. Dividend

	Six months ended 30 June	
	2016 **(Unaudited)**	2015 (Unaudited)
	HK$'000	*HK$'000*
Final dividend of HK2.50 cents per share for the year ended 31 December 2015 paid during the interim period (2015: Final dividend of HK6.60 cents per share for year ended 31 December 2014)	**37, 010**	97,706

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

10. Movements in Property, Plant and Equipment

During the period, the Group paid approximately HK$224,806,000 (six months ended 30 June 2015: HK$12,805,000) to acquire property, plant and equipment.

11. Land Use Rights

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
	HK$'000	*HK$'000*
The Group's land use rights comprise:		
Land use rights in Hong Kong	**25,895**	26,345
Land use rights outside Hong Kong, in the PRC	**241,940**	251,967
	267,835	278,312
Analysed for reporting purpose as:		
Non-current asset	**256,367**	266,611
Current asset	**11,468**	11,701
	267,835	278,312

12. Deposits Paid

The amount included deposits of approximately RMB347,087,000 (equivalent of approximately HK$407,216,000) (31 December 2015: RMB181,887,000 (equivalent of approximately HK$217,920,000)) paid for several potential acquisition of investment projects. For the potential acquisition of investment projects, the Group has not entered into any formal sale and purchase agreement as at 30 June 2016 and 31 December 2015. The remaining amount mainly represent the deposits paid for purchase of property, plant and equipment.

13. Trade Debtors, Bills Receivable, Other Debtors, Deposits, Prepayments and Amounts Due From Associates

The Group allows an average credit period of 90 days to its trade debtors. The bills receivable are matured within the range of 30 days to 180 days for the period ended 30 June 2016 and the year ended 31 December 2015. The following is an aged analysis of trade debtors and bills receivable at the end of the reporting period presented based on the invoice date, which approximated the respective revenue recognition dates:

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
	HK$'000	*HK$'000*
0 to 30 days	**1,257,981**	1,263,989
31 to 60 days	**682,749**	316,609
61 to 90 days	**593,238**	297,171
91 to 180 days	**825,629**	584,914
Over 180 days	**205,681**	55,665
	3,565,278	2,518,348

Included in deposits, there are trade deposits paid to suppliers of approximately HK$1,527,051,000 (31 December 2015: HK$1,530,080,000) in relation to the purchase of LPG and oil products which will be delivered within one year commencing from the date of the signed purchase contract.

As at 31 December 2015, the other debtors included a loan advance to an independent third party of approximately RMB82,319,000 (equivalent to approximately HK$98,627,000). The loan advance was carried at fixed interest rate of 5% per annum and the loan advance was fully settled during the six months ended 30 June 2016.

The amounts due from associates are in trade nature aged within 90 days based on invoice date at 30 June 2016 and 31 December 2015. A credit period of average 90 days is granted to associates.

14. Pledged Bank Deposits

The amounts represent deposits pledged to banks to secure banking facilities granted to the Group.

15. Trade Creditors and Bills Payable

The aged analysis of trade creditors and bills payable presented based on invoice date is as follows:

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
	HK$'000	*HK$'000*
0 to 30 days	545,467	430,564
31 to 60 days	153,691	72,582
61 to 90 days	49,612	884
91 to 180 days	63,668	136,584
Over 180 days	2,641	1,202
	815,079	641,816

The trade creditors and bills payable are mainly matured within 90 and 180 days respectively.

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the Six Months Ended 30 June 2016

16. Borrowings

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
	HK$'000	*HK$'000*
Bank trust receipts loans	1,853,601	844,442
Other loans (pledged with RMB bank deposits)	408,562	1,370,614
Other loans (pledged with HK$/USD bank deposits or other assets)	259,598	41,631
Other loans	2,528,500	2,691,881
	5,050,261	4,948,568
Repayable within one year shown under current liabilities		
Borrowings secured by pledged bank deposits	632,141	1,370,614
Borrowings secured by other assets	11,227	11,227
Borrowings unsecured	2,563,526	1,532,972
	3,206,894	2,914,813
Repayable over one year shown under non-current liabilities		
Borrowings secured – more than one year, but not exceeding two years	11,227	11,227
Borrowings unsecured – more than one year, but not exceeding two years	1,038,630	1,032,795
Borrowings secured – more than two years, but not exceeding five years	13,565	19,177
Borrowings unsecured – more than two years, but not exceeding five years	779,945	970,556
	1,843,367	2,033,755
	5,050,261	4,948,568

16. Borrowings *(Continued)*

Bank borrowings include approximately HK$661,946,000 (31 December 2015: HK$859,109,000) fixed-rate borrowings which are due within one year. They carry average interest at 2.53% (31 December 2015: 2.61%) per annum. The remaining bank borrowings are variable-rate borrowings which carry interest at 1 month London Interbank Offered Rate plus certain basis points and Hong Kong Interbank Offered Rate plus certain basis points per annum ranging from 0.32% to 3.44% (31 December 2015: 0.37% to 3.23%) per annum. Included in total borrowings of the Group, approximately HK$3,833,468,000 (31 December 2015: HK$4,628,597,000) is guaranteed by the Company and/or its subsidiaries. As at 30 June 2016, other bank loans of approximately HK$36,019,000 (31 December 2015: HK$41,631,000) are secured by two oil vessels owned by the Group and guaranteed by the Company.

17. Share Capital

	Number of shares	**Amount** *HK$'000*
Ordinary shares of HK$0.10 each (2015: HK$0.10 each)		
Authorised share capital:		
At 1 January 2015, 31 December 2015 and 30 June 2016	20,000,000,000	2,000,000
Issued and fully paid share capital:		
At 1 January 2015, 31 December 2015 and 30 June 2016	1,480,398,216	148,040

18. Lease Commitments

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases for offices, oil vessels, leasehold land and LPG stations which fall due as follows:

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
	HK$'000	*HK$'000*
Within one year	40,061	27,870
In the second to fifth year inclusive	88,033	68,199
Over five years	72,317	65,573
	200,411	161,642

As at 30 June 2016, rentals are fixed for an average of 5 years (31 December 2015: 7 years).

The Group as lessor

At the end of the reporting period, the Group had contracted with independent parties for the following future subcontracting payments under non-cancellable operating leases for leasehold lands and motor vehicles:

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
	HK$'000	*HK$'000*
Within one year	4,910	3,085
In the second to fifth year inclusive	1,297	719
	6,207	3,804

19. Other Commitments

	As at 30 June 2016 (Unaudited) HK$'000	As at 31 December 2015 (Audited) HK$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of purchase of gas plant and machinery and oil vessels	**315,514**	354,802
Capital expenditure authorised for but not contracted and provided in the condensed consolidated financial statements in respect of acquisition of investment projects	**437,497**	331,277

20. Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2016 and 31 December 2015.

21. Fair Value Measurements of Financial Instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

21. Fair Value Measurements of Financial Instruments *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/ financial liabilities	Fair value as at 30 June 2016	Fair value hierarchy	Valuation techniques and key inputs
Equity securities classified as available for sale investment in the condensed consolidated statement of financial position	Listed equity securities in Korea — HK$39,630,000 (As at 31 December 2015: HK$37,770,000)	Level 1	Quoted bid prices in an active market
Interest rate swaps contracts classified as derivative financial instruments in the condensed consolidated statement of financial position	Liabilities — HK$1,248,000 (As at 31 December 2015: Liabilities — HK$1,480,000)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties
Deliverable forward contracts classified as derivative financial instruments in the condensed consolidated statement of financial position	Assets — HK$8,034,000 and liabilities — HK$4,018,000 (As at 31 December 2015: Assets — HK$12,254,000 and liabilities — HK$7,398,000)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rate at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties
Commodities swaps contracts classified as derivative financial instruments in the condensed consolidated statement of financial position	Assets — HK$nil and liabilities — HK$nil (As at 31 December 2015: Assets — HK$124,000 and liabilities — HK$16,907,000)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward commodities price (from observable forward commodities price at the end of the reporting period) and contracted price, discounted at a rate that reflects the credit risk of various counterparties

21. Fair Value Measurements of Financial Instruments *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

There were no transfer between level 1 and 2 for the year ended 31 December 2015 and six months period ended 30 June 2016.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

22. Related Party Transactions

During the period, the Group entered into the following transactions with related parties:

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
	HK$'000	*HK$'000*
Sales to a joint venture	**930**	1,324
Rental expenses paid to Shum Ho, Neo *(Note)*	**2,280**	2,280
Sales to associates	**—**	783,583
Management charges received from an associate	**813**	—
Rental income for warehouse received from an associate	**—**	2,246
Subcontracting fee received from an associate	**—**	6,343
Information and technical fees received from an associate	**—**	3,806

22. Related Party Transactions *(Continued)*

Note: Shum Ho, Neo is the employee of the Group and also the son of Shum Siu Hung and Tong Shiu Ming. Shum Siu Hung is the executive director of the Company.

On 18 December 2013, Sound Management Service Limited ("Sound Management") entered into an office tenancy agreement with Ever Lucky Limited ("Ever Lucky"), a company incorporated in Hong Kong and wholly owned by Shum Ho, Neo, for the use of office premises owned by Ever Lucky located on 23rd Floor, The Sun's Group Centre, 200 Gloucester Road, Wanchai, Hong Kong at HK$380,000 per calendar month for a period of one year commencing on 1 January 2014. On 30 December 2014, Sound Management and Ever Lucky entered into another office tenancy agreement to extend the rental period for one more year to 31 December 2015. On 29 December 2015, Sound Management and Ever Lucky entered into another office tenancy agreement to extend the rental period for another one year to 31 December 2016 with the same monthly rental fee. The details of the transaction were set out in the announcement issued by the Company on 29 December 2015.

Compensation of key management personnel

The remuneration of executive directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
	HK$'000	*HK$'000*
Salaries and allowances	**5,067**	3,803
Contribution to retirement benefit schemes	**54**	53
	5,121	3,856

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

Management Discussion and Analysis

1. Overview

The movement of international crude oil price and the depreciation of Renminbi ("RMB") were the two major factors that exerted the greatest influence to the activities of the energy market in Southern China.

At the beginning of the year 2016, the oil price was approximately USD37.28 per barrel. It shortly dropped to the lowest level of USD27.88 per barrel on 20 January 2016. Although the price subsequently picked up, and gradually rebounded to USD52.51 per barrel on 7 June 2016, in the wake of the United Kingdom's decision to exit the European Union where the market was hit by a certain degree of pressure, the oil price slightly declined to USD49.68 per barrel before 30 June 2016. As a whole, the oil price showed an upbeat trend during most of the time in the first half of the year. The difference between the lowest and the highest prices per barrel in this period was USD24.63, an increase of almost 88%, which represented the longest recovery period with the largest extent over the past few years. Currently, the industry is generally of the view that oil price is very unlikely to plummet, but due to the fact that individual oil producing countries are not inclined to reduce or freeze their oil production, and there is not any emerging economy that has the capacity to pump significant oil demand, the oil price is indeed lacking fundamental requisites for a big upturn in the near future. Taking these factors into account, the trend of the oil price in the second half of the year is believed to remain stable, or will at best climb up slightly and slowly in line with the general market expectation.

1. Overview *(Continued)*

In the first half of 2016, the poor performance of RMB aroused much concern in the market. Within the first week of the year, the exchange rate of RMB to United States Dollars ("USD") dropped from 6.4683 to 6.5948, representing a devaluation of almost 2%. Such a drop has triggered massive capital outflow and the serious drain-out of the national foreign exchange reserves. Despite of the crisis, the exchange rate of RMB stabilized subsequently, and revived gradually with a rebound to 6.4536 as of 31 March. However, the trend of this slight appreciation was no longer sustainable; RMB weakened again thereafter. At the end of June, the exchange rate dropped to 6.6480 (it even dropped below 6.7 on 18 July 2016). All in all, RMB recorded a depreciation of approximately 2.78% in the first half of the year. As for the movement of RMB exchange rate in the second half of the year, the financial industry is generally quite pessimistic. Market envisages that RMB will continue to depreciate. The exchange rate is expected to decline to the new low of 6.8 to 7.0, meaning that a depreciation of about 5% to 8% will incur for the whole year. With respect to the trading of commodities (such as energy products) which can only produce relatively low profit margin, the depreciation of RMB has already raised substantially the procurement cost of the importers and increased extensively the operational risks of the wholesalers, discouraging highly the importation activities of nearly all energy products.

In the first half of 2016, China has shown obvious economic slow-down. The trading of energy products in the South China market was inactive. During this period, demand was maintained without any abnormal change; supply showed no remarkable increase or decrease; and there was not any frequent fluctuation in price. In February, as the international crude oil price has already dropped below USD28 per barrel, most of the wholesalers in the market considered that the oil price was quite unlikely to further slump, making it a good time for them to purchase, and as a result, the volume of import in that month grew substantially. Other than that, there was nothing but a calm market in these six months. Furthermore, as RMB is expected to further depreciate and the market as a whole is inactive for the import of energy products, it is highly likely that such a quiet trading atmosphere will linger over the entire period in the second half of the year in 2016.

1. Overview *(Continued)*

In the first half of 2016, NewOcean Energy Holdings Limited and its subsidiaries (the "Group") continued to adopt its development strategies of taking the end-users driven approach for its assets building. In its operation, the Group continued to adhere to the principles of minimizing inventories and maximizing logistic efficiency. In respect of sales, the Group always endeavors to fix prices on cost plus or back to back basis in order that price fluctuation risks will be avoided or highly mitigated.

China's energy policy has long been focusing on the promotion of environmental proficiency. Currently, liquefied petroleum gas ("LPG"), natural gas ("NG") and electricity are the main clean energies for civilian, automotive and industrial uses. End-users are free to choose the fuel that is suitable for them in accordance with their own affordability. In the first half of the year, the demand of LPG increased as LPG price still stayed at relatively low level. Given the comparative advantage in price, LPG was more preferred than other clean energies in the market. During the period, the Group's sales volume of bottled LPG, re-exportation and sales to industrial customers recorded significant growth. Nevertheless, its auto-gas refueling business in Guangzhou had recorded certain reduction as some buses have already switched to use natural gas as their single fuel and that the taxi industry was seriously affected by the improper on-line car hiring services.

Management Discussion and Analysis

(Continued)

1. Overview *(Continued)*

The Group continued to expand its oil products business in both Hong Kong and China. The sales in Hong Kong covered mainly marine bunkering and trading of oil products/chemical products, whereas the sales in the Guangdong Province were mainly marine bunkering and wholesaling of oil products/chemical products for the use of automobiles and ships. In February, given that the international oil price has come to a new lowest, the Group increased its purchases of oil products/chemical products, resulting in the continual expansion of the sales volume of oil products and safeguarding the profitability of the oil products business. In the first half of the year in 2016, the Group continued to propel the construction of NG auto-gas refueling stations. However, after the incident of serious explosion in Tianjin in last year, governmental authorities in China have become very cautious in handling the applications of dangerous goods related projects. In general, government officers are quite reluctant to be involved in these projects and many obstacles therefore may be created during the approval process, all of which have significantly lengthened the time for implementing these projects. We foresee that such passive attitude of the officials will last for a considerably long time, thereby causing significant delay to the auto-gas refueling stations project that is now in the way of application. As for the plan in which the Group is preparing to build the LNG receiving terminal, it is expected that such construction will also be delayed given the same reasons. Nonetheless, this project is planned for the long-term development of the Group, and a short delay will not bring any negative and substantial impact on the Group's business performance.

The business environment in the first half of 2016 was in fact not favorable. Although the Group was able to perform stably; the decline in prices of the energy products inevitably narrowed our profit margin. Gross profit decreased notwithstanding a substantial increase in the sales volume. Because of RMB depreciation, we continued to have net exchange loss, but it has been substantially reduced compared with the same period of last year. The operational costs were well controlled, and the profitability of the Group in this half year was able to remain roughly the same as in the same period of last year (only slightly less than the same period of last year).

2. Overall performance of the Group

In the first half of the year in 2016, all the businesses of the Group had a total revenue of approximately HK$7,296,024,000 (among which, the revenue of energy products was approximately HK$7,260,293,000, representing approximately 99.51% of the total revenue), a decrease of 3.47% as compared with the total revenue of approximately HK$7,558,252,000 (among which, the revenue of energy products was approximately HK$7,193,927,000, representing approximately 95.18% of the total revenue) for the same period in 2015. The slight decrease in the total revenue was due to (1) the electronics business only recording a revenue of approximately HK$35,731,000 in the first half of the year in 2016, a substantial decrease of 90% as compared with the HK$364,325,000 for the same period of last year. This is one of the main reasons that led to the decrease in the total revenue; (2) the prices of the energy products in the first half of the year was roughly 30% lower than those of the same period in 2015, and the prices of the chemical products were also 20% to 25% lower than the prices of LPG and fuel oil/ diesel oil. As such, despite of the fact that the sales volume of energy products have increased significantly during the period, the revenue recorded a mild increase. Leading to a slight decrease in the total revenue, if based on the prices of the energy products of the same period in 2015 to determine the revenue for the first six months of this year, there should be a significant growth in the total revenue.

During the period, the Group recorded a net profit of approximately HK$435,528,000 in total, representing a slight decrease of 3.63% over the net profit of approximately HK$451,954,000 for the same period in 2015. The decrease in net profit was mainly due to the fact that gross profit obtained from the energy products reduced by approximately HK$45,410,000 as compared with the same period of last year. Meanwhile, other expenses, other income and operational cost remained roughly the same with only a slight reduction. Therefore, net profit decreased by approximately HK$16,426,000.

2. Overall performance of the Group *(Continued)*

In the first half of the year in 2016, the Group did not conduct any fund raising activities in the capital market in the forms of share placement or rights issue, nor did it conduct any share repurchasing activities. For the six months ended 30 June 2016, the weighted average number of the Company's issued ordinary shares was 1,480,398,216, which was the same (no increase or decrease) as the number of shares for the six months ended 30 June 2015. The basic earnings per share in the first half of the year were HK$0.294, representing a drop of approximately 3.92% over the basic earnings per share of HK$0.306 for the same period of last year.

In the first half of the year, the Group recorded a total gross profit of approximately HK$883,009,000, representing a decrease of approximately HK$45,410,000 (approximately 4.89%) as compared with the total gross profit of approximately HK$928,419,000 for the same period in 2015. The overall gross margin slightly decreased from approximately 12.28% for the same period of last year to approximately 12.10%.

During the period, the Group recorded a net exchange loss of approximately HK$62,416,000, representing a reduction of approximately HK$28,128,000 as compared with that of HK$90,544,000 for the same period in 2015. Meanwhile, the net gain from interest spread (mainly the interest income from RMB bank deposits less interest expenses for USD bank borrowings) of the Group decreased to a net gain from interest spread of approximately HK$716,000 due to the substantial decrease in the RMB deposits related to the structured matching arrangements, representing a decrease of approximately HK$23,967,000 as compared with the net gain from interest spread of approximately HK$24,683,000 for the same period of last year. The extent of the decrease in net exchange loss was roughly the same as that of decrease in net gain from interest spread, thus roughly off-setting each other and bringing no impact to the overall net profit of the Group.

2. Overall performance of the Group *(Continued)*

In order to attract more customers (mainly the customers of the oil products business) under the unfavorable operational environment, the Group largely increased sales on credit for the customers after taking very cautious credit checking. As a result, the trade debtors receivable increased substantially leading to the incurrence of negative operational net cash flow in the first half of the year. Worth noting is that all these trade debtors receivable were gradually being collected, and we have already strived for reasonable credit terms from oil products suppliers in order to improve the operational net cash flow position of the Group in the second half of the year.

2.1 Segment performance

Period	Sales volume of LPG — tons	Sales volume of oil products — tons	Total sales volume — tons
First half of the year in 2016	1,080,000 (43.12%)	1,424,500 (56.88%)	2,504,500 (100%)
First half of the year in 2015	884,300 (53.01%)	784,000 (46.99%)	1,668,300 (100%)

The total sales volume of energy products (including LPG and oil products) in the first half of the year in 2016 was approximately 2,504,500 tons, representing an increase of approximately 50.12% (i.e. an increase of approximately 836,200 tons) as compared with the 1,668,300 tons for the same period in 2015. The increase in sales volume in the period was mostly contributed by the oil products business (an increase of up to 81.70%), while the sales volume of LPG had an increase of approximately 22.13% only.

2. Overall performance of the Group *(Continued)*

2.1 Segment performance *(Continued)*

LPG Business

The sales volume of the LPG business in the first half of the year was approximately 1,080,000 tons, representing an increase of approximately 22.13% as compared with the sales volume of approximately 884,300 tons for the same period in 2015. During the period, the average price of LPG indeed was lower than that of the same period of last year. Therefore, despite an increase of approximately 22.13% in the sales volume, the revenue of the period (approximately HK$3,920,337,000) was still lower than that of the same period of last year (approximately HK$4,544,997,000).

In the first half of the year, the LPG business recorded a gross profit of approximately HK$691,275,000, representing a decrease of approximately HK$79,095,000 (i.e. a decrease of 10.27%) as compared with approximately HK$770,370,000 for the same period in 2015. The gross profits dropped, yet, the gross margin increased to 17.63% (the same period in 2015: 16.95%) due to the downward adjustment in the sales prices. During the period, the profitability of the retail business (bottled LPG and auto-gas refueling) did not have any significant change; however, the substantial addition of wholesale business had its profitability weakened due to the downward movement in prices, resulting in a decrease in contribution of the gross profit despite an increase in the sales volume.

As oil product business continued to grow significantly, but LPG business only increased moderately, the portion of LPG business accounting for the Group's total revenue continued to drop to 53.73% (same period in 2015: 60.13%; same period in 2014: 61.31%).

2. Overall performance of the Group *(Continued)*

2.1 Segment performance *(Continued)*

Oil products business

In the first half of the year in 2016, the sales volume of the oil products business was approximately 1,424,500 tons, representing an increase of 81.70% as compared with the sales volume of approximately 784,000 tons in the same period in 2015. During the period, the oil products of the Group included fuel oil, diesel and chemical products which had the largest increase. The prices of fuel oil and diesel decreased approximately 30% as compared with those of the same period of last year. Meanwhile, the prices of chemical products were approximately 20% to 25% lower than those of the average oil products. For these reasons, even though the sales volume increased significantly during the period, the revenue of the oil products business could only reach approximately HK$3,339,956,000, representing an increase of only 26.09% as compared with approximately HK$2,648,930,000 for the same period of last year.

In the first half of the year, the oil products business recorded a gross profit of approximately HK$190,033,000, representing an increase of 27.89% as compared with the gross profit of approximately HK$148,593,000 for the same period in 2015; the gross margin was 5.69%, which was roughly the same as compared with the gross margin of 5.61% for the same period in 2015. Similar to the situation of the LPG business, the profitability of direct sales (e.g. the business of marine bunkering) was not affected by the downward movement in prices, however, the gross profit of the wholesale or trading businesses has narrowed, resulting in an increment in the gross profit of merely 27.89% against an increase of 81.70% in the sales volume. The absence of significant changes in gross margin was mainly due to the downward movement in prices.

Due to the ongoing expansion in the oil products business, its portion accounting for the Group's total revenue in the first half of the year reached 45.78% (same period in 2015: 35.05%; same period in 2014: 26.85%).

2. Overall performance of the Group *(Continued)*

2.1 Segment performance *(Continued)*

Electronics business

In the first half of the year in 2016, the Group had a material drop in the sales volume of the electronics business. During the period, the Group only sold a small amount of smartphones to the customers in Thailand, with the revenue amounting to merely around HK$35,731,000, representing a substantial decrease of 90.19% as compared with the revenue of approximately HK$364,325,000 for the same period of last year. The gross profit amounted to approximately HK$1,701,000, representing a decrease of 82.01% as compared with the gross profit of approximately HK$9,456,000 for the same period of last year; the gross margin increased from 2.60% for the same period of last year to 4.76%. At present, the Group still has inventories (mainly the integrated circuits related to smartphones) amounting approximately HK$100 million. It is expected that these inventories will be sold in the second half of the year and the revenue of the electronics business will rebound since then. However, it is expected that the revenue electronics business in this year will continue to drop substantially compared to that of last year.

Due to the ongoing diminishing in sales volume, the portion of the electronics business accounting for the Group's total revenue in the first half of the year has decreased to 0.49% (same period in 2015: 4.82%; same period in 2014: 11.48%).

2. Overall performance of the Group *(Continued)*

2.2 Net exchange loss

At the end of 2015, in order to reduce as much as possible the exchange loss of the Group arising from the depreciation of the RMB, the Group has reduced the RMB deposits and the USD loans that related to the structured matching arrangements to the lowest level among the years. However, the fact was that the RMB has sustained a depreciation of approximately 2.8% to 3.0% in the first half of the year in 2016, therefore the Group recorded a net exchange loss of approximately HK$62,416,000, among which:

(1) In relation to trading of imported LPG, a net exchange loss of approximately HK$22,482,000 was recorded;

(2) In relation to the Group's intercompany current accounts and some current assets that denoted in RMB, a net exchange loss of approximately HK$29,426,000 was recorded;

(3) As we have already substantially decreased the RMB assets related to the structured matching arrangements, the net exchange loss in this respect amounted to approximately HK$10,508,000 only.

2. Overall performance of the Group *(Continued)*

2.3 Operating cost control

Finance costs

In the first half of the year in 2016, the Group focused on using the short-term loans of the banks to satisfy its working capital requirements based on the financing strategies implemented at the end of last year. Besides, the Group has endeavored to finance RMB assets by RMB borrowing, and USD assets by USD borrowings in order to avoid the risks of exchange loss that may arise from the mismatch of the financing structures. During the period, the Group's finance costs (in relation to the working capital) were approximately HK$76,427,000, representing a slight increase of 15.10% as compared with approximately HK$66,402,000 for the same period in 2015. The main reason was that the Group switched to use a considerable amount of the RMB borrowings to finance its RMB assets. That resulted in an increase in the interest expense as the interest rate of borrowings for the RMB was about 2% to 3% higher than that of the USD for the same period. Given that RMB is anticipated to further depreciate in the second half of the year, the switch from USD borrowing to RMB borrowing although will increase the interest expenditure, it is an effective way to avoid the exchange risks. The Group will continue to take this measure in the second half of the year. Besides, the Group will re-evaluate the pros and cons of raising long-term loans in the second half of the year as we do see the need of funds to capture any mergers and acquisitions opportunities that may rise anytime.

2. Overall performance of the Group *(Continued)*

2.3 Operating cost control (Continued)

Operating costs

The total amount of the selling and distribution expenses plus administrative expenses in the first half of the year in 2016 was approximately HK$319,622,000, which was roughly the same as that of the same period in 2015 (an aggregate amount of approximately HK$318,431,000). During the period, the total amount of the operating costs of the Lianxin Energy has been incorporated into the Group's account. The operating costs of the Group should have shown a larger increase; however, there were a series of infrastructures that were not completed as scheduled or brought into operation. Therefore, not much of the depreciation as expected was incurred. Besides, the Group had not spent too much of the started-up cost on the overseas development projects. All in all, the operating cost of the first half of the year was only approximately HK$1,191,000 higher than that of the same period of last year. (Note: it was approximately HK$3,672,000 higher as compared with the operating costs of approximately HK$315,950,000 for the second half of the year in 2015)

3. Business Conditions

3.1 LPG Business

Procurement

In the first half of the year in 2016, the Group's total procurement of LPG was approximately 1,080,000 tons, representing an increase of 22.13% as compared with approximately 884,300 tons for the same period in 2015. During the period, the total procurement from overseas was approximately 557,300 tons, representing a slight increase of approximately 32,700 tons, or an increment of 6.23% as compared with the approximately 524,600 tons for the same period in 2015. The total procurement of LPG from domestic refineries and NG processing plants was amounted to approximately 522,700 tons, representing an increase of approximately 163,000 tons, or an increment of 45.32% as compared with the 359,700 tons for the same period in 2015.

3. Business Conditions *(Continued)*

3.1 LPG Business *(Continued)*

LPG procured from overseas ("imported LPG")

Imported LPG (approximately 557,300 tons) contributed 51.60% to the total procurement of LPG during the period: (1) almost all of the goods were settled via the letter of credit issued by international banks (including Standard Chartered Bank, The Hong Kong and Shanghai Banking Corporation Limited, Oversea-Chinese Banking Corporation, Rabobank etc.); (2) there were 4 major overseas suppliers, among which the largest supplier supplied approximately 423,600 tons (contributing 76.01% to the total volume), another supplier supplied approximately 93,900 tons (contributing 16.85% to the total volume), and the rest of the volume amounting to 39,800 tons in total (contributing 7.14% to the total volume) was provided by two international trading companies; (3) the places of origin of the goods were still mainly the Middle-East, with a total of 489,300 tons, representing 87.8% of the total volume, while the remaining of 68,000 tons was from Nigeria, Africa. Out of approximately 557,300 tons of the Group's imported LPG procurement, approximately 93,900 tons were directly delivered in the overseas. The remaining of approximately 463,400 tons was first shipped from overseas to the bonded warehouses in the Guangdong Province (including the Group's terminal located in the Gaolan Island of Zhuhai, and the terminals in other ports). Approximately 327,700 tons were then sold in China, and approximately 135,700 tons were re-exported to the overseas markets.

3. Business Conditions *(Continued)*

3.1 LPG Business *(Continued)*

LPG procured from domestic markets ("domestic LPG")

In the first half of the year, the domestic LPG (approximately 522,700 tons) procured from refineries and NG processing plants inside China contributed 48.40% to the total procurement during the period. As the prices of domestic LPG were relatively low, the Group carried on its last year's policy to expand such procurement. In order to satisfy the needs of the industrial customers, bottled LPG customers and other bottling plants, the Group kept on sourcing domestic LPG produced by the refineries of the national oil majors and using tank wagons and pressure vessels for the delivery.

Sales

The LPG business of the Group continued to focus on the Southern China regions, including Guangdong, Guangxi, Hong Kong and Macau. During the period, the sales volume reached approximately 1,080,000 tons, representing an increase of approximately 195,700 tons, or an increment of approximately 22.13% as compared with the sales volume of approximately 884,300 tons for the same period in 2015.

Sales category	Sales volume in the first half of the year in 2016	Sales volume in the first half of the year in 2015	Increase/ (Decrease)
Overseas customers	229,600 tons	154,000 tons	75,600 tons
Industrial customers	420,000 tons	385,000 tons	35,000 tons
Other terminals and bottling plants	183,400 tons	111,500 tons	71,900 tons
Bottled LPG	158,000 tons	123,000 tons	35,000 tons
Autogas refueling	89,000 tons	110,800 tons	(21,800 tons)
Total	**1,080,000 tons**	**884,300 tons**	**195,700 tons**

3. Business Conditions *(Continued)*

3.1 LPG Business (Continued)

Sales (Continued)

Overseas customers – In the first half of the year in 2016, the sales volume regarding the overseas customers reached approximately 229,600 tons, representing an increase of approximately 75,600 tons, or an increment of 49.09% as compared with approximately 154,000 tons for the same period in 2015. Among those, deliveries of approximately 93,900 tons were conducted overseas, which was roughly the same as that of 90,700 tons for the same period in 2015. Such amount however represented a decrease of approximately 38,100 tons as compared with that of approximately 132,000 tons for the second half of the year in 2015. During the period, the re-export from the bonded warehouses in Zhuhai Terminal recorded a considerable growth. Approximately 135,700 tons were sold, representing an increase of approximately 72,400 tons and approximately 70,700 tons as compared with that of approximately 63,300 tons for the first half of 2015 and approximately 65,000 tons for the second half of 2015, or an increase of respectively 114.38% and 108.77%. The construction of the two 5000 tons new jetties in the Group's Zhuhai terminal were completed in year 2015. The two new jetties were fully utilized by the Group in current period to improve our logistical efficiency and at the same time such increase in LPG loading capacity has stimulated a significant growth in the re-export business.

3. Business Conditions *(Continued)*

3.1 LPG Business (Continued)

Sales (Continued)

Industrial customers – in the first half of the year, the Group's sales to the industrial customers was approximately 420,000 tons, representing an increase of approximately 35,000 tons, or an increment of 9.09% as compared with that of approximately 385,000 tons for the same period in 2015. As compared with that of approximately 412,000 tons in the second half of the year in 2015, there was only an increase of around 8,000 tons, and the increment was just 1.94%. During the period, given that the sales price of LPG was lower than that of NG in most of the time, many industrial customers have given up the idea of switching to the use of NG. They chose to continue using LPG in order to enjoy the savings in the fuel costs, and therefore maintained the demand of LPG during the period. Other than these, we profoundly believe that the manufacturers of non-diesel chemical products will definitely continue to opt for LPG as the raw materials for producing chemical products when the oil price continue to slump. Even though the price might rebound, these manufacturers will not consider to change their production mode if the oil price is not able to rebound to USD90 per barrel and remain at this price level for a considerable period of time (1 to 2 years). Therefore, under the current situation, we believe that the demand for LPG of the manufacturers of non-diesel chemical products will still have stable growth in the near future.

3. **Business Conditions** *(Continued)*

3.1 LPG Business *(Continued)*

Sales (Continued)

Other terminals and bottling plants – In the first half of the year in 2016, the sales volume to other terminals and bottling plants were approximately 183,400 tons, representing an increase of respectively 64.48% and 28.70% as compared with that of approximately 111,500 tons for the same period in 2015 and approximately 142,500 tons for the second half of the year. Sales in this category have always been entirely the domestic LPG. In most of the cases, we are playing the role of a trader only, and our customers will send the wagons or vessels directly to the refineries or their affiliated terminals to pick up the goods. Given that the Group has already established very close relationships with the customers in both upstream and downstream of the supply chain, we indeed enjoy the advantages in bridging and enhancing the trading transactions particularly when the price of domestic LPG has fallen to an appropriate level.

3. Business Conditions *(Continued)*

3.1 LPG Business (Continued)

Sales (Continued)

Bottled LPG – In the first half of the year in 2016, the Group's sales volume of the bottled LPG (including Guangdong, Hong Kong and Macau) was approximately 158,000 tons, representing an increase of respectively 28.46% and 1.28% as compared with that of approximately 123,000 tons for the same period in 2015 and approximately 156,000 tons for the second half of the year. During the period, the prices of LPG stood at a relatively low level. NG did not have any price advantage over LPG, and the pace of the customers switching to pipeline NG has slowed down. The demand for LPG has therefore shown signs for recovery since the beginning of the second half of the year in 2015. While we are convinced that the sales should be fairly well in this year, the demand for LPG in the second half of the year may be affected by the exceptionally high temperature in this summer (July, August and September). For this reason, sales of the year might not be able to break through our targeted volume of 300,000 tons even though we have already achieved a sales of more than 150,000 tons in the first half of the year. As for the bottled LPG business in Hong Kong, we are now having 22 distributors in total which are all registered with the Electrical and Mechanical Services Department. We do not expect to have the number of distributors increased significantly within a short period of time for the business expansion. Our current strategy is to encourage distributors to focus on the expansion of household customers. Although we well understand that household customers are not going to contribute huge demand, and as their locations are quite scattered, promotion works are unable to produce immediate effect, household customers have very high degree of loyalty and they are much less demanding in price as compared with the commercial customers. Therefore, the potential economic value of household customers is extremely high, and it is a market that bottled LPG operators in Hong Kong have to strive for.

3. Business Conditions *(Continued)*

3.1 LPG Business (Continued)

Sales (Continued)

Auto-gas refueling – In the first half of the year in 2016, the Group's auto-gas refueling business in Guangzhou only recorded a sales volume of approximately 89,000 tons, representing respectively a fall of 19.68% and 12.06% as compared with that of approximately 110,800 tons in the same period in 2015 and approximately 101,200 tons in the second half of the year in 2015. Indeed, since the beginning of the second half of the year in 2015, there have been signs of decrease of auto-LPG demand in the Guangzhou market. Such drop in demand was caused by two reasons: (1) due to the administrative order by the government, some buses (originally using LPG as the fuel) have switched to the use of LNG. Even so, as the current prices of LNG are higher than that of LPG, it is hard for the government to force the bus companies to quickly switch to LNG buses by using operating costs saving as an excuse. As such, the impact in this respect is believed to be insignificant in the short term; (2) taxis were prone to serious under-utilization as affected by the improper on-line car hiring activities, leading to the substantial decrease of demand for auto-LPG. During the period, the government of the Guangzhou city has repeatedly asserted that illegal operating behaviors such as ride-hailing taxis have to be ratified. The provision of discounts was also prohibited to favor unfair competitions. We believe that the taxi industry in the Guangzhou city will recover and the demand for automotive LPG will increase after the government has properly implemented all the regulatory works. In the first half of the year, the average prices of LPG were still at a low level. Also, the Group was enabled by its self-owned terminal to directly import suitable LPG from the Middle-East. It is therefore able to enjoy all the benefits brought from the downward movement in prices. The profitability of the Group's auto-gas refueling business remained unaffected in face of the problem of demand decrease.

3. Business Conditions *(Continued)*

3.2 Oil Products Business

In the first half of the year, the Group achieved oil products sales of approximately 1,424,500 tons in Hong Kong and the Guangdong Province, representing an increase of approximately 640,500 tons or an increment of 81.70% as compared with the sales volume of approximately 784,000 tons in the same period in 2015. Such significant growth during the period was mainly triggered by the business expansion in China. The business in Hong Kong (especially marine bunkering) however has shown the sign of slow-down.

Oil products business handled in Hong Kong

Procurement

In the first half of the year, the Group procured approximately 656,500 tons of oil products in Hong Kong, representing an increase of 20.24% as compared with that of approximately 546,000 tons for the same period in 2015, among which:

Products	First half of the year in 2016	First half of the year in 2015	Increase/ (Decrease)
Vessel fuel oil (commonly known as "black oil")	274,400 tons	441,000 tons	(166,600 tons)
Vessel diesel (commonly known as "red oil")	81,000 tons	105,000 tons	(24,000 tons)
Other oil products and chemical products	301,100 tons	0 tons	301,100 tons
Total:	**656,500 tons**	**546,000 tons**	**110,500 tons**

3. Business Conditions *(Continued)*

3.2 Oil Products Business *(Continued)*

Oil products business handled in Hong Kong (Continued)

Procurement *(Continued)*

During the period, the majority of black oil was supplied by a terminal (with bonded warehouse) in the Pearl River Delta Region for fixed monthly amount under a term contract while a small portion was chosen to purchase from oil companies in Hong Kong when the customer had special requirements on the quality. As for the red oil, we have no alternative but to purchase it from oil companies in Hong Kong that have oil storage depots located in the Tsing Yi Island. Regarding the other oil products and chemical products, they were mainly originated from the Middle-East, Japan and Malaysia with the supplier located in Singapore.

Logistics

The Group mainly deployed two 4,500 tons oil tankers to bring the black oil from the Chinese terminal (bonded warehouse) into the Hong Kong waters. The major tasks for these oil tankers are (1) to supply oil products to the self-operated small bunker ships; (2) to act as a floating storage to supply to other bunker operators in a model similar to ex-wharf deliveries; (3) to directly sail and stop near to the large vessels and accomplish direct bunkering services when the order exceeds 2,000 tons. During these six months, we added a new 2,500 tons bunker ship named "NewOcean No.2" into the fleet. The old NewOcean No.2 (376 tons) was retired due to its long years of service. The newly added NewOcean No.2 can handle oil transport and bunkering services at the same time. It is prepared for taking up all the tasks of one of our 4,500 tons bunker ship that we are preparing to lease to an operator in Singapore. As for the red oil, we assign small ships to take delivery of the oil from the oil storage in Tsing Yi Island, then hand over to our floating marine bunkering station in the Yau Ma Tei typhoon shelter, which in turn provides refueling services to our customers. Regarding other oil products and chemical products, as we are procuring all on CIF basis, the logistic works are mainly the sole responsibility of the suppliers.

3. Business Conditions *(Continued)*

3.2 Oil Products Business *(Continued)*

Oil products business handled in Hong Kong (Continued)

Sales

In the first half of the year, the total sales volume of the oil products business in Hong Kong was approximately 656,500 tons, representing an increase of approximately 110,500 tons, or an increment of 20.24% as compared with approximately 546,000 tons for the same period in 2015. Such increase was attributable to the expansion of the trading of oil products/chemical products. Marine bunkering actually decreased during the period, but we believe it will be recovered to a certain extent in the second half of the year in 2016.

	First half of the year in 2016	**First half of the year in 2015**	**Increase/ (Decrease)**
Black oil: direct bunkering to ships	147,400 tons	310,900 tons	(163,500 tons)
Black oil: supply to other operators	127,000 tons	130,100 tons	(3,100 tons)
Red oil: direct bunkering to ships	47,600 tons	91,400 tons	(43,800 tons)
Red oil: supply to other operators	33,400 tons	13,600 tons	19,800 tons
Oil products/chemical products	301,100 tons	0 tons	301,100 tons
Total:	**656,500 tons**	**546,000 tons**	**110,500 tons**

3. Business Conditions *(Continued)*

3.2 Oil Products Business *(Continued)*

Oil products business handled in Hong Kong (Continued)

Sales *(Continued)*

The sales of the black oil are mainly targeted at ocean-going liners such as import and export merchant ships, container ships, cruises and bulk carriers. In the second half of the year in 2015, the Group took the initiative to cut the reliance on traders and chose to only work with ship companies for providing bunkering services directly to large vessels. As a result, this business dropped drastically to only around 41,000 tons in the second half of the year in 2015, representing a drop of almost 90% as compared with that of the first half of the year. Stepping into 2016, we successfully expanded our relationship with more ship companies and the business regarding direct bunkering to ships has recovered to the normal level. The sales volume in the first half of 2016 therefore rebounded to approximately 147,400 tons. Besides, we also leveraged on our price competitiveness to provide supply services of fuel oil to other bunker operators. In the second half of the year in 2015, this business has already marked a significant improvement up to approximately 211,300 tons (mainly for disposing the extra goods that we had committed to purchase under the term contract, but had not been sold because of the significant reduction of direct bunkering). In the first half of the year in 2016, as direct bunkering business has rebounded, the supply to other operators had to reduce accordingly under the transportation constraints. To conclude, in the first half of the year in 2016, the sales volume of the black oil (approximately 274,400 tons) was approximately 166,600 tons less than that of the same period in 2015 while the amount was approximately 22,100 tons higher than that for the second half of the year in 2015.

3. Business Conditions *(Continued)*

3.2 Oil Products Business *(Continued)*

Oil products business handled in Hong Kong (Continued)

Sales *(Continued)*

The sales of the red oil are mainly targeted at all kinds of vessels operating within the Hong Kong waters. In order to avoid the operation risks in the market, we have adopted the same strategy as that for the black oil since the beginning of the year. We concentrated on direct dealing with ship companies in medium and large size, and to supply the red oil to their ocean-going vessels when they enter the Hong Kong waters. Besides, we have enhanced the supply service of the red oil for other marine bunker operators. Despite the fact that the sales volume of the red oil in the first half of the year decreased as compared with that for the same period in 2015, the business volume of the red oil will be improved in the second half of the year in 2016 after this business transition. The quality of customers will be improved gradually, and the operation risks will also be minimized.

The sales and purchase of oil products/chemical products are transactions falling into the category of trading only. The major supplier is in Singapore, whereas the major buyers are mainly the state-owned importers in the Mainland China. We deploy ocean-going vessels to take delivery of the goods directly from the places of origin, and ship to sea terminals with sizable storage owned or leased by the importers. As the buyers are domestic importers, they have to take the full responsibilities for the custom clearance, and they have to pay the import customs duties, value added taxes and/ or other related taxes incurred domestically. We, as the trader, only earn the reasonable margin between the purchasing and selling prices.

3. Business Conditions *(Continued)*

3.2 Oil Products Business *(Continued)*

Oil products business handled in China

Procurement of oil products

In the first half of the year in 2016, the Group has purchased approximately 768,000 tons of oil products domestically, representing a substantial growth of approximately 222.69% as compared with approximately 238,000 tons for the same period in 2015. The oil products purchased included:

Product	First half of the year in 2016	First half of the year in 2015	Increase
Marine fuel oil and diesel	366,000 tons	135,000 tons	231,000 tons
Land automotive diesel	130,000 tons	18,000 tons	112,000 tons
Other oil products and chemical products	272,000 tons	85,000 tons	187,000 tons
Total	**768,000 tons**	**238,000 tons**	**530,000 tons**

The oil products purchased by the Group domestically mainly included marine fuel oil, marine diesel, automotive diesel, gasoline, etc.; the suppliers of the oil products are mainly local refineries and state-owned oil companies. As for other oil products and chemical products that included kerosene, bitumen mixtures, aromatics, light cycle oil, and etc., they are mainly purchased from import terminals who own sizeable oil products storages warehouses in the Guangdong Province and the Fujian Province, or are directly imported from overseas by the Group's own subsidiaries in China. The custom clearing works are done through the self-owned or leased oil storage depots.

3. Business Conditions *(Continued)*

3.2 Oil Products Business *(Continued)*

Oil products business handled in China (Continued)

Logistic facilities

During the period, the Group continued to work with operators that had long history in the marine bunkering business in the local market, leveraging on their already established marine and land transportation facilities to achieve efficient deliveries of the products. The 70,000 tons oil storage deport located in the Gaolan Port is currently used for storing different oil products purchased from the Fujian Province; the application regarding the bonded warehouse license is still being processed. We can only wait for the results with patience as for now any applications related to dangerous goods are definitely delayed.

Sales

The total sales volume of the oil products business in China amounted to approximately 768,000 tons, representing a significant increase of 222.69% as compared with approximately 238,000 tons for the same period in 2015; whereas comparing to the sales volume of approximately 750,000 tons for the second half of the year in 2015, the amount only represented an increment of only 2.40%. The sales volume is categorized according different operation modes as follows:

	First half of the year in 2016	First half of the year in 2015	Increase
Sales of marine oil to end-users	366,000 tons	135,000 tons	231,000 tons
Wholesales of land automotive fuel	130,000 tons	18,000 tons	112,000 tons
Trading and wholesales of oil products/chemical products	272,000 tons	85,000 tons	187,000 tons
Total:	**768,000 tons**	**238,000 tons**	**530,000 tons**

3. **Business Conditions** *(Continued)*

3.2 Oil Products Business *(Continued)*

Oil products business handled in China (Continued)

Sales *(Continued)*

During the first half of the year in 2016, the sales of marine oil to end-users was approximately 366,000 tons, representing an increase of 171.11% as compared with approximately 135,000 tons for the same period in 2015; whereas comparing to approximately 264,000 tons for the second half of the year in 2015, the amount only represented an increase of 38.64%. Sales are targeted at mainly the riverboats and long-distanced ships stopped at the ports in the Pearl River Delta.

The wholesale business of land automotive fuel amounted to approximately 130,000 tons, representing a significant increase of over 6 times as compared with approximately 18,000 tons for the same period in 2015; whereas comparing to approximately 112,500 tons for the second half of the year in 2015, the increment has slowed down to 15.56%. The customers for these products were the refueling stations, industrial customers and transportation companies located in the east of the Pearl River.

During the period, the Group had achieved approximately 272,000 tons of trading and wholesaling of other oil/chemical products, representing a decrease of 27.18% as compared with approximately 373,500 tons for the second half of the year in 2015. The sales targets mainly include oil products related operators and traders in Guangdong, Fujian, Guangxi, eastern China and even northern China.

3. Business Conditions *(Continued)*

3.3 NG business

The NG business is still at the stage of network building and we are still focusing on the auto-gas refueling stations. During the period, the serious explosion incident happened in Tianjin in last year has caused serious delay for all the approvals regarding dangerous goods projects. In the past, in the process of applying for the approval of NG auto-gas refueling stations, the most important issue was to get the approval from the National Development and Reform Commission. If there were not too much opposition by the neighboring residents, the implementation of the projects would go smoothly without any significant difficulties. However, in the current situation, the approval by the National Development and Reform Commission can only be viewed as an approval for accepting the project establishment; yet, in the process of implementation, the departments of the municipalities, technical departments, fire service departments, etc. all raise high standards and restrictions in all steps during the construction and inspection process. As a result, the condition of re-doing occurs very often, leading to much longer time (half a year to one year) required for examination. There are even projects in the market that were not given a pass in the examination. Therefore, we expect that more time is needed for realizing the construction of the plan regarding the NG auto-gas refueling network.

Management Discussion and Analysis

(Continued)

4. Business outlook

4.1 LPG business

For the second half of the year in 2016, we expect that the LPG business will be able to maintain its sales volume of the first half of the year and may have the chance to achieve slight increase. Such increase will be stimulated by the re-export, industrial customers and the sales from other terminals and bottling plants. As the market altogether expects to have a moderate picking up in oil prices in the second half of the year in 2016, the operating costs of LPG is unlikely to be able to reduce. The profitability will remain the same, but improvement is not expected. Despite such, we still believe that the LPG business will continue to make the biggest contribution to the profit of the Group in 2016.

In the long run, the Group will continue to take profitability as the judging criteria for the development expansion of its LPG business. Works that require promotion include:

(1) To explore some retailing business of bottled LPG in the second and third tier cities;

(2) To strengthen the cooperation with manufacturers of the non-diesel chemical products;

(3) To keep promoting the bottled LPG business in Hong Kong, especially to focus on exploring the household customers market;

(4) To try its best efforts to combat the illegal operating of online car hiring, and to assist the taxies in Guangzhou city to regain their business;

(5) To explore overseas markets.

4. Business outlook *(Continued)*

4.2 Oil products business

In the second half of the year in 2016, the oil products business will continue to take the raising of sales volume as the key direction for the development. As for the markets, it is expected that there will not be significant growth in the demand of direct bunkering services in Hong Kong. We will definitely keep striving to raise the market shares, but no matter how the growth rate is bounded to slow down, and the trading of oil/chemical products will surge significantly. As for the China market, there are many rooms for development in terms of wholesaling or retailing, and either for cars or for ships. In the second half of the year, the sales volume of marine fuel oil, land automotive diesel, and even the trade and wholesale volume of chemical products will all continue to grow in order to reach the ultimate goal of increasing the volume.

In the long run, the future development of the oil products business will focus on the establishment of a massive retailing network in the Guangdong Province and the enhancement of supply chain integration. In line with the expansion in sales, we also target to improve the profitability of each sales model by leveraging on different modes of logistics.

The business development of Hong Kong will remain to target at marine bunkering. Our goal is to stay as one of the three leading operators in the marine bunkering industry in Hong Kong. Besides, we will try our best efforts to leverage on our advantages in capital, in order to strengthen the communication with overseas customers and to expand the international trading of oil/chemical products. These are to establish a channel with low risks but generating stable income for the oil products business.

4. Business outlook *(Continued)*

4.2 Oil products business *(Continued)*

The promoting works being carried in China include:

(1) To gradually build a relatively sizeable network of refueling in order to stimulate the development of related businesses regarding the storage and delivery of oil products and oil blending;

(2) To construct marine bunkering stations in the Pearl River, the Beijiang River, the Xijiang River in the Guangdong Province and the western shore along the coast in order to expand the vessel refueling businesses along the river and coast in the Southern China region;

(3) To keep promoting and facilitating the wholesale business of oil/chemical products;

(4) To keep expanding the importing business and domestic trading of oil products.

4.3 NG Business

NG represents a key business to be developed in order to secure the long-term benefits of the Group. Despite the fact that the current market environment is not favorable and the Chinese government is tightening the requirements for constructing NG auto-gas refueling stations, we do not expect these projects will bring contribution in substance to the Group in the near future. However, we will still invest ample manpower and resources to tackle all obstacles and strive for the establishment of NG auto-gas refueling stations in the prime locations. Besides, the Group has started to identify suitable partners and desirable locations in the neighboring areas of Guangzhou for the planned construction of a medium sized ultra-low temperature NG receiving terminal. We hope that this terminal will serve as the most efficient logistic back up of the NG auto-gas refueling network which is now being constructed, and we trust that such receiving terminal will also be able to service NG power plants in the Guangdong Province in the long run.

Directors' and Chief Executives' Interests in Shares and Underlying Shares

As at 30 June 2016, the interests of certains directors and chief executives and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions of ordinary shares of HK$0.10 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Shum Siu Hung	Beneficial owner	57,732,358	3.90
	Corporate interest *(note 1)*	490,779,280	33.15
		548,511,638	37.05
Shum Chun, Lawrence	Beneficial owner	57,623,558	3.89
	Other *(note 2)*	73,616,892	4.97
		131,240,450	8.86
Chiu Sing Chung, Raymond	Beneficial owner	2,200,000	0.15

Notes:

1. These represent the block of 490,779,280 shares beneficially owned by Uniocean Investments Limited ("Uniocean") which were held as corporate interest by Mr. Shum Siu Hung, and were the same block of shares as referred to in note 1 in the paragraph headed "Substantial Shareholders' Interest in Shares and Underlying Shares" below. Uniocean is owned as to 70% by Mr. Shum Siu Hung, 15% by Mr. Shum Chun, Lawrence and 15% by Mr. Shum Ho, Neo, both are sons of Mr. Shum Siu Hung.

2. These interests reflect 15% proportional interest of Mr. Shum Chun, Lawrence in the 490,779,280 shares held by Uniocean.

Directors' and Chief Executives' Interests in Shares and Underlying Shares *(Continued)*

Long positions of ordinary shares of HK$0.10 each of the Company *(Continued)*

Other than disclosed above and nominee shares in certain subsidiaries held by certain directors in trust for the Group, none of the directors, chief executives nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2016.

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 30 June 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that other than the interests disclosed above in respect of certain directors and chief executives, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions of ordinary shares of HK$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Uniocean	Beneficial owner	490,779,280	33.15
Tong Shiu Ming	Family interest *(note 1)*	490,779,280	33.15
	Family interest *(note 2)*	57,732,358	3.90
FFMC Holdings Pte. Ltd.	Interest of controlled corporation *(note 3)*	75,706,000	5.11
Fullerton Fund Management Company Ltd.	Investment manager *(note 3)*	75,706,000	5.11

Substantial Shareholders' Interests in Shares and Underlying Shares *(Continued)*

Notes:

1. These represents the same block of 490,779,280 shares held as corporate interest by Shum Siu Hung, spouse of Tong Shiu Ming as referred to in note 1 under section (a) of the paragraph headed "Directors' and Chief Executives' Interests in Shares and Underlying Shares" above, and were deemed to be the family interest of Tong Shiu Ming.

2. These represents the same block of 57,732,358 shares held beneficially by Shum Siu Hung, spouse of Tong Shiu Ming as referred to in the paragraph headed "Directors' and Chief Executives' Interests in Shares and Underlying Shares" above, and were deemed to be the family interest of Tong Shiu Ming.

3. Fullerton Fund Management Company Ltd as investment manager is deemed to own a total of 75,706,000 shares through various funds under its management. Fullerton Fund Management Company Ltd.'s entire interest is indirectly owned by FFMC Holdings Pte. Ltd.

Other than disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 30 June 2016 .

Corporate Governance and Other Information

Compliance with the Corporate Governance Code

In the opinion of the directors, throughout the six months ended 30 June 2016 the Company has complied with the code provisions (the "CG Code") contained in the Code on Corporate Governance Practices and Corporate Governance Report as set out in Appendix 14 of the Listing Rules with the exception that the independent non-executive directors are not appointed for a specific term as provided in the Corporate Governance Code. Under the Bye-laws of the Company, independent non-executive directors of the Company shall retire by rotation and their appointment will be reviewed when they are due for re-election. In the opinion of the directors, this arrangement meets the same objectives as the CG Code.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Securities Transactions Code") as its own code of conduct regarding securities transactions. Having made specific enquiry of all directors, all directors of the Company have complied with the required standards as set out in the Securities Transactions Code during the six months ended 30 June 2016.

Disclosure Pursuant to Rule 13.18 of the Listing Rules

On 15 October 2014, Sound Agents Limited, a wholly owned subsidiary of the Company, entered into a facility agreement for a syndication loan facility of USD105,000,000 for the purpose of financing the general working capital requirements of the Group and refinancing of any existing indebtedness of any member of the Group. The loan to be made to Sound Agents Limited upon utilization of the facility will be repayable in 3 instalments, 10% of the utilized amount is repayable on the date which falls 24 months after the date of first drawdown, 15% of the utilized amount is repayable on the date which falls 30 months after the first drawdown and the remaining 75% of the utilized amount is repayable on the date which falls 36 months from the date of first drawdown.

On 4 September 2015 the Company entered into a facility agreement for a syndication loan facility of USD170,000,000 for the purpose of financing the general working capital requirements of the Group and refinancing of any existing indebtedness of any member of the Group. The loan to be made to the Company upon utilization of the facility will be repayable in five instalments, 10% of the utilized amount is repayable on the date which falls 12 months after the date of first drawdown, 10% of the utilized amount is repayable on the date which falls 18 months after the date of first drawdown, 12.5% of the utilized amount is repayable on the date which falls 24 months after the date of first drawdown, 12.5% of the utilized amount is repayable on the date which falls 30 months after the date of first drawdown, and the remaining 55% of the utilized amount is repayable on the date which falls 36 months after the date of the first drawdown.

Disclosure Pursuant to Rule 13.18 of the Listing Rules *(Continued)*

Under the above facility agreements, in the event the Shum Family (comprising certain family members and relatives of Mr. Shum Siu Hung, Chairman of the Company as set out in the facility agreement) cease to remain as the largest shareholder and maintains less than 30% shareholdings of the Company, the facilities available to the Company will be cancelled and all outstanding amounts will then become immediately due and payable.

As at 30 June 2016 the Shum Family beneficially own approximately 40.94% in aggregate of the issued share capital of the Company.

Liquidity and Financial Review

At 30 June 2016, the net current assets of the Group amounted to approximately HK$3,831,613,000 (31 December 2015: HK$4,000,683,000) and the Group's pledged bank deposits and bank balances and cash was approximately HK$1,929,161,000 (31 December 2015: HK$2,678,079,000). At the reporting date, gearing ratio was 0.55:1 (31 December 2015: 0.42:1) which was calculated based on total net borrowings of approximately HK$3,121,100,000 (31 December 2015: HK$2,270,489,000) and total equity attributable to owners of the Company of approximately HK$5,674,095,000 (31 December 2015: HK$5,350,423,000).

Human Resources

As at 30 June 2016, the Group employed approximately 1,290 employees in Hong Kong, Macau and mainland China. The Group remunerated the employees based on their performance, experience and prevailing market practices.

Purchase, Sale and Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

Audit Committee

The audit committee, comprising two executive directors and all independent non-executive directors of the Company, has reviewed with the Company's external auditor the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the directors, including a review of the unaudited condensed consolidated financial statements for the six months ended 30 June 2016.

By order of the Board
Shum Siu Hung
Chairman

Hong Kong, 19 August 2016