NewOcean Energy Holdings Limited
(新 海 能 源 集 團 有 限 公 司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 342)

website: http://www.newoceanhk.com

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHT

- Revenue for the period was increased by approximately 21.40% reflecting both i) the increase in total sales volume of energy products from approximately 2,718,000 tonnes to approximately 2,849,500 tonnes and ii) the raise of price levels for energy products compared with the same period of last year to approximately HK$11,997 million.
- The growth in sales volume in this period mainly came from wholesaling of oil products with relatively lower gross profit margin, therefore the overall profit margin dropped slightly from 7.86% to 7.59% compared to the same period of last year.
- Profit for the period attributable to the owners of the Company decreased by 15.95% to approximately HK$338 million with basic earnings per share decreased by approximately 15.81% to approximately HK$0.229.
- Equity attributable to the owners of the Company increased by around 3.49% to approximately HK$7,157 million.

The Board of Directors (the "Board") of NewOcean Energy Holdings Limited (the "Company") presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018 together with comparative figures for the corresponding period in 2017. These condensed consolidated interim results have not been audited, but have been reviewed by the Company's external auditor and the audit committee.

** for identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	3	**11,997,224**	9,882,313
Cost of sales		**(11,087,233)**	(9,105,878)
Gross profit		**909,991**	776,435
Other gains and losses	4	**(58,521)**	96,955
Other income	5	**60,832**	25,428
Selling and distribution expenses		**(220,280)**	(208,908)
Administrative expenses		**(229,227)**	(172,207)
Finance costs		**(125,818)**	(92,977)
Share of profits of joint ventures		**1,473**	1,207
Share of profit (loss) of an associate		**91**	(559)
Profit before taxation	6	**338,541**	425,374
Taxation	7	**(12,999)**	(24,955)
Profit for the period		**325,542**	400,419
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(49,275)**	103,317
Total comprehensive income for the period		**276,267**	503,736

	Note	Six months ended 30 June **2018** **(Unaudited)** ***HK$'000***	2017 (Unaudited) *HK$'000*
Profit (loss) for the period attributable to:			
Owners of the Company		**337,651**	401,738
Non-controlling interests		**(12,109)**	(1,319)
		325,542	400,419
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**289,353**	504,393
Non-controlling interests		**(13,086)**	(657)
		276,267	503,736
Basic earnings per share	8	**HK$0.229**	HK$0.272

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	Notes	**As at 30 June 2018 (Unaudited) *HK$'000***	As at 31 December 2017 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment	10	**2,332,962**	2,412,995
Land use rights		**393,366**	400,882
Prepaid lease payments for coast		**5,063**	5,535
Goodwill		**748,498**	751,948
Other intangible assets		**348,811**	377,939
Interest in an associate		**7,186**	7,188
Interests in joint ventures		**28,295**	26,760
Deposits paid		**501,454**	485,150
Deferred tax assets		**1,268**	1,953
		4,366,903	4,470,350
Current assets			
Inventories		**1,656,766**	1,399,680
Trade receivables	11	**3,894,591**	3,575,770
Other debtors, deposits and prepayments	11	**2,192,425**	1,996,941
Amounts due from an associate		**5,957**	3,695
Amount due from a joint venture		**984**	1,347
Derivative financial instruments		**8,332**	15,012
Land use rights		**19,899**	20,008
Prepaid lease payments for coast		**806**	817
Properties held for sales		**154,822**	156,774
Properties under development for sales		**655,642**	653,896
Pledged bank deposits		**250,453**	253,611
Bank balances and cash		**1,110,995**	1,789,191
		9,951,672	9,866,742
Current liabilities			
Trade payables	12	**1,472,443**	1,285,526
Other creditors and accrued charges		**230,483**	497,638
Contracts liabilities		**338,687**	-
Amount due to an associate		**12,410**	-
Amount due to a joint venture		**3,057**	3,096
Derivative financial instruments		**4,303**	7,861
Tax liabilities		**111,591**	118,112
Borrowings secured by pledged bank deposits – repayable within one year	13	**235,610**	235,610
Borrowings secured by other assets – repayable within one year	13	**23,850**	18,364
Borrowings unsecured – repayable within one year	13	**3,119,370**	3,709,829
		5,551,804	5,876,036
Net current assets		**4,399,868**	3,990,706
Total assets less current liabilities		**8,766,771**	8,461,056

	Notes	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
Capital and reserves			
Share capital	14	**146,812**	147,303
Share premium and other reserves		**7,010,094**	6,768,047
Equity attributable to owners of the Company		**7,156,906**	6,915,350
Non-controlling interests		**56,112**	69,198
Total equity		**7,213,018**	6,984,548
Non-current liabilities			
Deferred tax liabilities		**86,579**	92,925
Borrowings secured by other assets – repayable over one year	13	**42,482**	31,293
Borrowings unsecured – repayable over one year	13	**1,424,692**	1,352,290
		1,553,753	1,476,508
		8,766,771	8,461,056

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/chemical 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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRS"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2017.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

In addition, the Group has applied Amendments to HKFRS 9 "Prepayment Features with Negative Compensation" in advance of the effective date, i.e. 1 January 2019.

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the sales and distribution of LPG and NG, oil/chemical products business and sales of electronic products. Revenue from sales of goods are recognised at a point in time when control of the assets are transferred to the customers, being when the goods are delivered to the customers. Transportation and other related activities that occur before the customer obtains control of the related goods are considered as fulfilment activities.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and the related interpretations.

2.1.1 Summary of effects arising from initial application of HKFRS 15

(a) Timing of revenue recognition

The Group is principally engaged in the sales and distribution of LPG, oil and chemical products and electronic products. Sales are recognised by the Group at a point in time when control of the products has transferred, being when the products are delivered to the customer.

(b) Principal versus agent

For several subsidiaries in Hong Kong engaged in distribution of oil products acquired by the Group towards the end of 31 December 2017, the directors of the Company considered the Group acts as agent as the Group does not have inventory risk, and hence only recognises revenue in net basic to which it expected to be entitled in exchange for arranging the oil products to be provided by the other party. The directors of the Company considered that this change in accounting policy had no material impact on opening balances as at 1 January 2018.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017 *HK$'000*	Reclassification *HK$'000*	Carrying amounts under HKFRS 15 at 1 January 2018 *HK$'000*
Current Liabilities			
Other creditors and accrued charges *(Note)*	497,638	(133,036)	364,602
Contract liabilities *(Note)*	-	133,036	133,036

Note: As at 1 January 2018, advances from customers of approximately HK$133,036,000 in respect of several contracts previously included in other creditors and accrued charges were reclassified to contract liabilities.

The following table summarises the impact of applying HKFRS 15 on the Group's condensed consolidated statement of financial position at 30 June 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	Note	As reported *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Current Liabilities				
Other creditors and accrued charges	*(a)*	-	338,687	338,687
Contract liabilities	*(a)*	338,687	(338,687)	-

Note:

(a) As at 30 June 2018, the adjustments relate to advances from customers in respect of several contracts which are presents to contract liabilities upon the application of HKFRS 15.

Impact on the condensed consolidated statement of profit and loss and other comprehensive income

	Note	As reported *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Revenue	*(b)*	11,997,224	313,300	12,310,524
Cost of sales	*(b)*	(11,087,233)	(313,300)	(11,400,533)

Note:

(b) Under HKAS 18, several subsidiaries in Hong Kong recognised distribution of oil products on a gross basis, i.e. the Group was considered as a principal, due to its significant exposure to credit risk of customers. Upon application of HKFRS 15, the Group is considered as an agent, the performance obligation is to arrange for the sales and distribution of oil products and the Group did not obtain the control over the goods before passing on to customers. This change in accounting policies resulted in a reduction of revenue and cost of sales by HK$313,300,000 for the six months period ended 30 June 2018 and recognise revenue in net basic.

Except as described above, the application of HKFRS 15 has had no material impact on the amounts reported set out in these condensed consolidated financial statements.

2.2 *Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments*

In the current period, the Group has applied HKFRS 9 "Financial Instruments", Amendments to HKFRS 9 "Prepayment Features with Negative Compensation" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities and 2) expected credit losses ("ECL") for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

2.2.1 *Summary of effects arising from initial application of HKFRS 9*

The table below illustrates the classification and measurement (including impairment) of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Amortised cost (previously classified as loans and receivables) *HK$'000*
Closing balance at 31 December 2017 – HKAS 39	5,972,809
Remeasurement	
Impairment under ECL model *(Note)*	(40,000)
Opening balance at 1 January 2018	5,932,809

Note: Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the historical observed default rates adjusted for forward-looking estimates.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of HK$40,000,000 has been recognised against retained profits. The additional loss allowance is charged against the respective trade debtors and other financial assets.

All loss allowances for financial assets including trade receivables and other financial assets at amortised cost as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Trade receivables and other financial assets at amortised cost *HK$'000*
As at 31 December 2017	
- HKAS 39	(27,000)
Amounts remeasured through opening retained profits	(40,000)
As at 1 January 2018	(67,000)

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/chemical products business - This segment derives its revenue from selling of oil/chemcial products to both wholesale and retail customers.

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

4. Sales and distribution of NG - In prior years, the Group began to venture into sales and distribution of NG industry, but still in preliminary stage, the segment information reported below includes assets related to the sales and distribution of NG business. The NG business is still in development stage and no revenue is contributed during the period. The segment information reported below only includes assets and liabilities related to the sales and distribution of NG industry.

5. Manufacturing and distribution of charcoals - In December 2016, the Group acquired a technical know-how for production of charcoals through acquisition of two companies incorporated and operated in the PRC. The Group started trial of production in year 2017 and expected to commence manufacturing and distribution of charcoals operation in year 2018. Hence, the segment information reported below only includes assets and liabilities related to the manufacturing and distribution of charcoals.

Information regarding the above segments is presented below.

Six months ended 30 June 2018 (Unaudited)

	Sales and distribution of LPG *HK$'000*	**Oil/chemical products business** *HK$'000*	**Sales of electronic products** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue	**4,026,909**	**7,629,045**	**341,270**	**11,997,224**
Segment profit	**340,542**	**141,398**	**19,016**	**500,956**
Share of profit of an associate	**91**	**-**	**-**	**91**
Share of profits of joint ventures	**1,473**	**-**	**-**	**1,473**
	342,106	**141,398**	**19,016**	**502,520**
Other income				**31,276**
Central administration costs				**(20,424)**
Directors' emoluments				**(5,749)**
Changes in fair values of derivative financial instruments				**(43,264)**
Finance costs				**(125,818)**
Profit before taxation				**338,541**

Six months ended 30 June 2017 (Unaudited)

	Sales and distribution of LPG *HK$'000*	Oil/chemical products business *HK$'000*	Sales of electronic products *HK$'000*	Consolidated *HK$'000*
Segment revenue	3,552,285	6,164,585	165,443	9,882,313
Segment profit	401,772	111,913	15,754	529,439
Share of loss of an associate	(559)	-	-	(559)
Share of profits of joint ventures	1,207	-	-	1,207
	402,420	111,913	15,754	530,087
Other income				17,845
Central administration costs				(31,466)
Directors' emoluments				(3,886)
Changes in fair values of derivative financial instruments				5,771
Finance costs				(92,977)
Profit before taxation				425,374

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

The Group has a subsidiary engages in the property investment and development in the PRC which is considered as ordinary course of business. There was no property sold for the six months ended 30 June 2018 and 2017. 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 2018 (Unaudited) ***HK$'000***	As at 31 December 2017 (Audited) *HK$'000*
Sales and distribution of LPG	**4,124,091**	4,031,090
Sales and distribution of NG	**47,461**	53,342
Oil/chemical products business	**6,648,918**	6,083,089
Sales of electronic products	**482,100**	475,700
Manufacturing and distribution of charcoals	**104,585**	109,537
Total segment assets	**11,407,155**	10,752,758
Deferred tax assets	**1,268**	1,953
Pledged bank deposits	**250,453**	253,611
Bank balances and cash	**1,110,995**	1,789,191
Derivative financial instruments	**8,332**	15,012
Properties held for sales	**154,822**	156,774
Properties under development for sales	**655,642**	653,896
Other unallocated assets	**729,908**	713,897
Consolidated assets	**14,318,575**	14,337,092

Segment liabilities

	As at 30 June 2018 (Unaudited) ***HK$'000***	As at 31 December 2017 (Audited) *HK$'000*
Sales and distribution of LPG	**604,380**	748,104
Sales and distribution of NG	**-**	-
Oil/chemical products business	**1,429,746**	1,004,013
Sales of electronic products	**114**	114
Manufacturing and distribution of charcoals	**1,778**	963
Total segment liabilities	**2,036,018**	1,753,194
Derivative financial instruments	**4,303**	7,861
Tax liabilities	**111,591**	118,112
Deferred tax liabilities	**86,579**	92,925
Borrowings	**4,846,004**	5,347,386
Other unallocated liabilities	**21,062**	33,066
Consolidated liabilities	**7,105,557**	7,352,544

4. Other Gains and Losses

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Changes in fair values of derivative financial instruments (*Note a*)	**(43,264)**	5,771
Compensation from the PRC government (*Note b*)	**-**	66,707
Net exchange (loss) gain	**(15,257)**	24,477
	(58,521)	96,955

Note:

(a) At as 30 June 2018, derivative financial instruments comprise non-deliverable cross currency swap, foreign exchange option, and interest rate swaps. The fair values of derivative financial instruments are quoted by counterparties and determined based on valuation techniques and inputs.

(b) During the six months ended 30 June 2017, the government of the People's Republic of China (the "PRC") paid RMB58,086,000 (equivalent to approximately HK$66,707,000) to a wholly owned PRC subsidiary of the Group as an one off compensation for early termination of the lease contract of an auto-gas station. Due to the construction of an urban underground railway, an auto-gas station located above the proposed underground railway is required to be shut down. After negotiation with the relevant government authority, an unconditional compensation was paid in May 2017 upon the demolition of the auto-gas station. The leasehold land is handed over back to the relevant government authority. The related loss on written off of the property, plant and equipment of the auto-gas station amounted to approximately HK$10,780,000.

5. Other Income

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income on pledged RMB bank deposits	**6,040**	4,066
Other interest income	**28,753**	15,793
Income from provision of transportation services	**9,753**	-
Others	**16,286**	5,569
	60,832	25,428

6. Profit Before Taxation

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Amortisation of land use rights (included in administrative expenses)	**5,619**	5,239
Amortisation of prepaid lease payments for coast (included in cost of sales)	**419**	388
Amortisation of other intangible assets (included in selling and distribution expenses)	**25,660**	24,537
Depreciation of property, plant and equipment	**72,428**	64,938
Total depreciation and amortisation	**104,126**	95,102
Gross rental income from leasing of oil vessels, office premises, leasehold lands and warehouses	**7,743**	2,550
Less: Direct operating expenses	**(1,765)**	(455)
	5,978	2,095
Impairment loss recognised in respect of trade receivables and other financial assets	**35,000**	-

7. Taxation

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**5,616**	5,989
Other regions in the PRC	**12,730**	28,001
	18,346	33,990
Deferred tax		
Current period	**(5,347)**	(9,035)
	12,999	24,955

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

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. Basic Earnings per Share

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to the owners of the Company)	**337,651**	401,738

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,472,488,117**	1,477,502,647

No diluted earnings per share is presented as there are no potential ordinary shares in issue during the six months ended 30 June 2018 and 30 June 2017.

9. Dividend

No dividend was paid or proposed for ordinary shareholders of the Company during 2017, nor any dividend been proposed or paid since the end of the financial years ended 31 December 2017.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

10. Movements in Property, Plant and Equipment

During the six months ended 30 June 2018, the Group paid approximately HK$29,576,000 (six months ended 30 June 2017: HK$23,299,000) to acquire property, plant and equipment.

11. Trade Receivables, Other Debtors, Deposits, Prepayments and Amount Due from an Associate

As at 30 June 2018, bills amounting to HK$45,401,000 (31 December 2017: HK$46,917,000) are held by the Group for future settlement of trade balances.

The Group allows an average credit period of 30 to 180 days to its trade receivables. 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 2018 (Unaudited) *HK$'000*	As at 31 December 2017 (Audited) *HK$'000*
0 to 30 days	**1,902,496**	1,745,451
31 to 60 days	**846,803**	742,273
61 to 90 days	**719,791**	847,797
91 to 180 days	**386,671**	175,063
Over 180 days	**38,830**	65,186
	3,894,591	3,575,770

Included in deposits, there are trade deposits paid to suppliers of approximately HK$1,750,765,000 (31 December 2017: HK$1, 595,746,000) 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.

12. Trade Payables

The aged analysis of trade payables presented based on invoice date is as follows:

	As at 30 June 2018 (Unaudited) *HK$'000*	As at 31 December 2017 (Audited) *HK$'000*
0 to 30 days	**747,026**	923,192
31 to 60 days	**310,217**	177,207
61 to 90 days	**355,539**	154,857
91 to 180 days	**24,283**	8,555
Over 180 days	**35,378**	21,715
	1,472,443	1,285,526

The credit period of trade payables is ranging from 90 to 180 days.

13. Borrowings

	As at 30 June 2018 (Unaudited) ***HK$'000***	As at 31 December 2017 (Audited) *HK$'000*
Bank trust receipts loans	**1,645,649**	2,112,133
Other loans (pledged with RMB bank deposits)	**235,610**	235,610
Other loans (pledged with other assets)	**66,332**	49,657
Other loans	**2,898,413**	2,949,986
	4,846,004	5,347,386
Repayable within one year shown under current liabilities		
Borrowings secured by pledged bank deposits	**235,610**	235,610
Borrowings secured by other assets	**23,850**	18,364
Borrowings unsecured	**3,119,370**	3,709,829
	3,378,830	3,963,803
Repayable over one year shown under non-current liabilities		
Borrowings secured – more than one year, but not exceeding two years	**14,962**	15,090
Borrowings unsecured – more than one year, but not exceeding two years	**280,900**	418,690
Borrowings secured – more than two years, but not exceeding five years	**27,520**	16,203
Borrowings unsecured – more than two years, but not exceeding five years	**1,143,792**	933,600
	1,467,174	1,383,583
	4,846,004	5,347,386

14. Share Capital

	Number of shares	Amount *HK$'000*
Ordinary shares of HK$0.10 each		
Authorised share capital:		
As at 1 January 2017, 31 December 2017 and 30 June 2018	20,000,000,000	2,000,000
Issued and fully paid share capital:		
As at 1 January 2017	1,480,398,216	148,040
Repurchase of shares (*Note*)	(6,114,000)	(611)
As at 30 June 2017	1,474,284,216	147,429
As at 1 January 2018	1,473,030,216	147,303
Repurchase of shares (*Note*)	(4,906,000)	(491)
As at 30 June 2018	1,468,124,216	146,812

Note: During the period ended 30 June 2017 and 2018, the Company repurchased its own shares through the Stock Exchange as follows:

Six months ended 30 June 2018

Month of repurchase	No. of ordinary share of HK$0.10 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid (excluding transaction cost)
		HK$	*HK$*	*HK$'000*
June 2018	4,906,000	1.59	1.59	7,756

The above shares were cancelled upon repurchase.

Six months ended 30 June 2017

Month of repurchase	No. of ordinary share of HK$0.10 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid (excluding transaction cost)
		HK$	*HK$*	*HK$'000*
March 2017	4,674,000	2.49	2.34	11,216
April 2017	1,440,000	2.40	2.32	3,401

The above shares were cancelled upon repurchase.

15. 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 2018 (Unaudited)	As at 31 December 2017 (Audited)
	HK$'000	*HK$'000*
Within one year	**37,702**	31,389
In the second to fifth year inclusive	**65,822**	72,123
Over five years	**87,510**	95,648
	191,034	199,160

As at 30 June 2018, rentals are fixed for an average of 5 years (31 December 2017: 6 years).

The Group as lessor

At the end of the reporting period, the Group had contracted for the following future minimum lease payments for the office premises, leasehold, oil vessels and warehouses:

	As at 30 June 2018 (Unaudited) *HK$'000*	As at 31 December 2017 (Audited) *HK$'000*
Within one year	**19,030**	10,604
In the second to fifth year inclusive	**30,300**	21,477
Over five years	**750**	1,050
	50,080	33,131

16. Other Commitments

	As at 30 June 2018 (Unaudited) *HK$'000*	As at 31 December 2017 (Audited) *HK$'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	**382,428**	368,803
Capital expenditure authorised for but not contracted and provided in the condensed consolidated financial statements in respect of acquisition of investment projects	**101,952**	215,386

17. Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2018 and 31 December 2017.

18. Related Party Transactions

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

	Six months ended 30 June	
	2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*
Sales to joint ventures	**5,967**	21,544
Rental expenses paid to Shum Ho, Neo (*Note*)	**2,388**	2,388
Management fee (paid to) received from an associate	**(961)**	616
Transportation fee received from an associate	**1,109**	-
Transportation fee received from a joint venture	**157**	-

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 19 December 2016, Sound Management Service Limited ("Sound Management", a subsidiary of the Group) 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, to extend the existing leasing agreement 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$398,000 per calendar month for another year commencing on 1 January 2017. On 19 December 2017, Sound Management and Ever Lucky entered into another office tenancy agreement to extend the rental period for another one year at HK$398,000 per calendar month to 31 December 2018. The details of the transaction were set out in the announcement issued by the Company on 19 December 2017.

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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Salaries and allowances	**5,695**	3,832
Contribution to retirement benefit schemes	**54**	54
	5,749	3,886

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 2018 (six months ended 30 June 2017: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Market overview

1.1 International crude oil market

Over the past half year, oil prices steadily climbed from about US$60 per barrel, to US$60-70 per barrel, finishing in June around US$73. The market anticipated that crude oil has regained equilibrium pricing, based on the upward momentum of oil prices that has persisted for the year (albeit at a slower than expected pace on average). However, as US policies to increase the production of petroleum products, coupled with the direct and indirect aftermath of the China-US trade war, brought a host of uncertainties to oil prices in May and June, the Group expects further volatility in the near term.

1.2 The oil and gas consumer market in China

In respect to China, the market was largely unchanged in the first half of 2018 as compared to 2017, with the oil product price continuously fueling the performance of upstream industries such as exploration and refinery. In contrast, downstream industries still reported meager growth despite the launch of national policies favorable to downstream players including a cut in value-added taxes, a tax on imported vehicles, as well as measures to lower logistic costs. Demand for liquefied petroleum gas ("LPG") for use as a chemical material, re-export and civilian consumption remained steady. Concurrently, vehicle-related demand was negatively affected by liquefied natural gas ("LNG"), electric energy and structural changes in the taxi market. In the long run, demand for oil products and LPG in China will likely sustain low to moderate rates of growth. The Group looks to tap into both the domestic and overseas markets while consolidating its existing customer market, given that oil products and LPG demand in China will likely be impacted by the emergence of new energies such as LNG and electric energy. This will serve to, increase market competitiveness of other new energies due to increasing oil product and LPG prices, and the promulgation of environmental protection policies by the government.

1.3 The exchange rate of Renminbi

In the first quarter of 2018, the exchange rate of Renminbi against the US dollar continued to ride on the upward trend of the fourth quarter of 2017, moving from 6.49 to a low of 6.25. Thereafter, the China-US trade war and other unfavourable factors started pushing down the Renminbi in May to around 6.62, and cautiously moving in a downward trend to 6.75 by the end of July. Given that the Group's main incomes are denominated in Renminbi, the depreciation of the currency poses a considerable impact on the profitability and performance of the Group. With the aim of mitigating the influence of volatile exchange rates, the Group has deployed various defensive measures such as strengthening its main businesses denominated in US dollars. This includes expansion of our marine bunkering business in Singapore which increases our USD cash inflow and thereby minimize unnecessary exchange of Renminibi, in addition to expediting the exchange of RMB into USD at times of RMB depreciation.

1.4 Basic situation of the Group during the first half of 2018

During the first half of 2018, the China market was still plagued by over-capacity, leading to a less-than-satisfactory operating environment. However, the end-user sales network of the Group continued to fully utilize its competitive edges to maintain the operating scale of its LPG and oil/chemical products (hereafter together referred to "oil products") businesses. In the fourth quarter of 2017, the Group successfully tapped into the oil product market in Singapore that boosted its sales volume of its oil products. It also successfully established procurement points for oil products in Malaysia to achieve cost cutting through joint procurement for oil products sales in Singapore, Hong Kong and partly in China. However, under intense competition, coupled with increasing costs driven by increasing oil and LPG prices, the gross profits of energy products shrunk in line with the difficult operating environment. This was aggravated by the depreciation of Renminbi during the first half of the year and interest rate hikes across the globe, leading to a decrease in the overall profits of the Group by approximately 18.70% to approximately HK$325,542,000.

2.1 Operating income

During the first half of 2018, the Group achieved a total revenue of approximately HK$11,997,224,000 (among which, the revenue of energy products was approximately HK$11,655,954,000, contributing around 97.16% of total revenue). This represents an increase of approximately 21.40% as compared with the total revenue of approximately HK$9,882,313,000 (among which, the revenue of energy products was approximately HK$9,716,870,000, contributing around 98.33% of the total revenue for the year) as compared to the same period last year. During the period, sales volumes of energy products increased by approximately 131,500 tonnes relative to the previous period. This was also accompanied by considerable increases in the prices of energy products, contributing to the growth in our turnover for the first half of the year.

2.2 Gross profits

During the period, total gross profits were approximately HK$909,991,000, representing an increase of around 17.20% as compared with the total gross profits of approximately HK$776,435,000 for the same period of last year. In an effort to maintain market share, the Group was unable to increase its prices corresponding to increases in procurement costs under oversupply on the market. On the other hand, the Group took proactive efforts in cutting the procurement costs through renting floating warehouses in Malaysia for joint procurement for oil products sales in Singapore, Hong Kong and partly in China, leading to a decrease in procurement prices. The combined effect of these activities was offset by rising oil prices, yet gross profits only recorded a slight decline (gross margin decreasing to approximately 7.59% for the period, compared to approximately 7.86% for the same period last year).

2.3 Net profit and basic earnings per share

During the period, the Group recorded a net profit of approximately HK$325,542,000, representing a decrease of approximately 18.70% as compared with the net profit of approximately HK$400,419,000 for the same period last year. Despite an increase in gross profits for the period of approximately HK$133,556,000, a net exchange loss of approximately HK$15,257,000 was recorded for the period, whereas there was a net exchange gain of approximately HK$24,477,000 for the same period of last year, representing an exchange difference of approximately HK$39,734,000. On top of this, the PRC government paid approximately RMB58,086,000 (equivalent to approximately HK$66,707,000) to a wholly owned PRC subsidiary of the Group as an one off compensation for early termination of the lease contract of an auto-gas station during the same period of last year. Further, fees and expenses for the first half of the year reported increases corresponding to unavoidable business developments, in particular finance costs increasing over 30% due to global interest rate hikes. Subsequent to the coming into effect of HKFRS9 on 1 January this year, the Group was required to make a general provision of approximately HK$75,000,000 for expected default loss on trade receivables and other receivables, of which HK$35,000,000 has been reflected in the condensed consolidated statement of profit or loss and other comprehensive income for the first half of the year. Under the combined effects of the above factors, the net profit recorded a decrease of approximately HK$74,877,000.

In the first half of 2018, the Group did not engage in any fund raising activities in relation to our shares, however, one repurchasing exercise has been executed. For the six months ended 30 June 2018, the weighted average number of the Company's issued ordinary shares was approximately 1,472,488,117 shares and the basic earnings per share in the first half of the year was HK$0.229, representing a drop of approximately 15.81% over the basic earnings per share of HK$0.272 for the same period last year.

2.4 Net exchange gain and loss

Affected by the expectations of the China-US trade war, the exchange rate of Renminbi against the US dollar declined by approximately 2% during the period, resulting in the recording of a net exchange loss of approximately HK$15,257,000 by the Group for the period ended 30 June 2018, whereas a net exchange gain of approximately HK$24,477,000 was recorded by the Group for the same period of last year.

2.5 Changes in fair values of derivative financial instruments

With the sales volume of oil products on a continuous growth, there were considerable inventory of oil products for the Group. In order to mitigate the negative impact on its interests caused by price fluctuations of oil products and global economic uncertainties, the Group entered into several derivative contracts for oil commodities in accordance to its oil product inventory level for the purpose of hedging. The loss from derivatives contracts for the 6 months was approximately US$5.5 million, mainly attributable to market uncertainties under the lurking China-US trade war in May and June. To avoid incurring a loss for the cross-month inventory of approximately 120,000 tonnes due to the possible price drop of oil products, the management has hedged the position, the gross profits from the sale of those oil products in May and June amounted to approximately US$7 million, representing a net profit for hedging and actuals of approximately US$1.5 million.

2.6 Finance costs

Due to oil products and LPG price increases and the Group's proactive exploration of the Singapore oil product market and China chemical product market, there has been a significant increase in the volumes and amount of purchases and inventories of oil products, and inventory turnover decreased relative to previous periods. Coupled with two rate hikes by the US Federal Reserve, we have utilized a substantial amount of short-term bank loans to meet the needs induced by the increase in liquidity in the first half of the year. The finance costs have accordingly increased to approximately HK$125,818,000, representing an increase of approximately of 35.32% as compared with the finance costs of approximately HK$92,977,000 for the same period last year.

2.7 Net current assets

As of 30 June 2018, the Group had net current assets of approximately HK$4,399,868,000 and a current ratio of approximately 179.25%, representing an increase of approximately HK$409,162,000 and an increase of approximately 11.34% as compared with the net current assets of approximately HK$3,990,706,000 (current ratio: 167.91%) respectively as of 31 December 2017.

2.8 Net cash flow from operating activities

As of 30 June 2018, there was a relatively large number of inventories on the books (mainly oil products) as well as a rise in both sales volume and pricing of oil products. The combined effect of the aforementioned has resulted in a surge in our trade receivables. As such, the operating activities incurred a slight net cash outflow of approximately HK$2,296,000 during this period (the same period of last year saw a net cash outflow of approximately HK$503,362,000).

3. Performance review

During this period, the Group continued to devote its efforts in the operations of its energy products. In the first half of 2018, the Group achieved a total sales volume of approximately 2,849,500 tonnes, among which the sales volume of LPG was approximately 878,300 tonnes and that of oil products was approximately 1,971,200 tonnes, representing a drop of approximately 0.76% for LPG and an increase of approximately 7.54% for oil products as compared with their respective sales volume for the same period of last year.

	First half of 2018	First half of 2017	Second half of 2017
Sales volume of LPG (percentage contributed to the total sales volume of the period)	**878,300 tonnes (30.82%)**	885,000 tonnes (32.56%)	1,008,000 tonnes (28.56%)
Sales volume of oil products (percentage contributed to the total sales volume of the period)	**1,971,200 tonnes (69.18%)**	1,833,000 tonnes (67.44%)	2,522,000 tonnes (71.44%)
Total sales volume	**2,849,500 tonnes (100.00%)**	2,718,000 tonnes (100.00%)	3,530,000 tonnes (100.00%)

3.1 LPG business

In the first half of the year, the Group realized LPG sales volume of approximately 878,300 tonnes, representing a slight drop of around 0.76% as compared with approximately 885,000 tonnes for same period last year. The emergence of new energies and national policies were the primary reasons that fettered the development of clean energies such as LPG during this period.

In the first half of the year, the LPG business recorded revenue of approximately HK$4.027 billion, representing an increase of approximately 13.37% as compared with the revenue of approximately HK$3.552 billion for the same period of last year.

Gross profit achieved for the period was approximately HK$559 million, representing an increase of approximately 10.26% from the gross profit of approximately HK$507 million for the same period of last year. Due to an increase of average cost and extremely intensive price competition, the gross margin of the LPG business was approximately 13.88% for the period, representing a decrease of approximately 0.39% from the gross margin of approximately 14.27% for the same period last year.

Procurement

In the first half of 2018, the Group procured a volume of approximately 480,600 tonnes of goods from overseas, representing a decrease of approximately 9.83% as compared with approximately 533,000 tonnes for the same period of last year. The goods procured from refineries in China amounted to approximately 392,400 tonnes, representing an increase of approximately 11.48% as compared with approximately 352,000 tonnes for the same period of last year. During this period, the total procurement of LPG was approximately 873,000 tonnes, similar to approximately 885,000 tonnes for the same period of last year.

Sales

In the first half of 2018, the total sales volume of LPG amounted to approximately 878,300 tonnes, representing a decline of approximately 0.76% as compared with approximately 885,000 tonnes in the same period of 2017.

Sales category	**First half of 2018**	First half of 2017	Second half of 2017
Overseas customers	**223,000 tonnes**	236,300 tonnes	186,900 tonnes
i) Volumes of deliveries conducted overseas	***93,400 tonnes***	*94,300 tonnes*	*45,200 tonnes*
ii) Volumes of re-exported goods	***129,600 tonnes***	*142,000 tonnes*	*141,700 tonnes*
Industrial customers	**330,300 tonnes**	350,000 tonnes	350,000 tonnes
Other terminals and bottling plants	**118,000 tonnes**	72,200 tonnes	254,100 tonnes
Bottled LPG	**142,000 tonnes**	149,500 tonnes	146,000 tonnes
Auto-gas refueling	**65,000 tonnes**	77,000 tonnes	71,000 tonnes
Total	**878,300 tonnes**	885,000 tonnes	1,008,000 tonnes

As illustrated above, comparing with the sales volumes for the same period of last year, almost all sales categories in China have experienced various declines in sales volumes. We feel that this was largely due to the overall underperformance of the market as a whole. As there were not many plants located in Southern China which use LPG as their chemical raw materials, such phenomenon has not created any encouragement for industrial customers to increase demand of LPG. Conversely, the shrinkage in the volume of autogas refueling was more impactful. In Guangzhou, the LPG autogas refueling market was targeted at buses and taxis as its core sales targets. Because of the government policy, parts of the buses had to switch to the use of liquefied natural gas, resulting in the reduction in the number of LPG buses, which in turn led to diminishing demand for automotive LPG utilized by the bus fleet. On the other hand, the taxi industry was prone to serious under-utilisation as affected by the improper on-line car hiring activities. In the circumstance that the demand for LPG from buses and taxies both declined due to different grounds, the shrinkage in the business of auto-gas refueling has become unavoidable.

3.2 Oil/chemical products business

In the first half of the year, the Group achieved a total sales volume of oil products of approximately 1,971,200 tonnes in Hong Kong, China and Singapore, representing an increase of approximately 7.54% as compared with approximately 1,833,000 tonnes for the same period last year.

In the first half of the year, the oil products business recorded revenue of approximately HK$7.629 billion, representing an increase of around 23.75% as compared with revenue of approximately HK$6.165 billion for the same period last year. Due to the rebound in prices, revenue has marked a significant surge of over 20% despite of a growth of only 7.54% in the sales volume.

With a drastic increase in revenue, the actual increase in our gross profit amounted to approximately 30.71% (the first half of 2018: HK$332 million; the first half of 2017: HK$254 million). The gross margin of the oil products business reported a mild increase from approximately 4.12% for the same period of last year to approximately 4.35% for the first half of 2018. Since the fourth quarter of 2017, the procurement point for oil products in Malaysia has started to carry out joint procurement for sales in Singapore, Hong Kong and partly in China, evidencing preliminary upside through cost saving.

Procurement

In the first half of the year, the Group procured a total of approximately 1,932,000 tonnes of oil products, representing an increase of approximately 5.40% as compared with approximately 1,833,000 tonnes for the same period of last year; among which, the volume procured overseas was approximately 923,000 tonnes, representing an increase of around 16,400 tonnes (an increment of approximately 1.81%) as compared with approximately 906,600 tonnes for the same period of last year. The volume of procurement in the Mainland China was approximately 1,009,000 tonnes, representing an increase of around 82,600 tonnes (an increment of approximately 8.92%) as compared with approximately 926,400 tonnes for the same period of last year.

Sales

Sales category	**First half of 2018**	First half of 2017	Second half of 2017
Hong Kong	**727,800 tonnes**	**906,600 tonnes**	**1,068,700 tonnes**
Marine bunkering	***349,600 tonnes***	***366,600 tonnes***	***417,000 tonnes***
Sales on land	***57,500 tonnes***	***0 tonnes***	***0 tonnes***
Trading of oil products/ chemical products	***320,700 tonnes***	***540,000 tonnes***	***651,700 tonnes***
Singapore	**325,700 tonnes**	**0 tonnes**	**118,700 tonnes**
Marine bunkering	***325,700 tonnes***	***0 tonnes***	***118,700 tonnes***
China	**917,700 tonnes**	926,400 tonnes	1,334,600 tonnes
Sales at sea	***388,700 tonnes***	*363,800 tonnes*	*495,000 tonnes*
Sales on land	***115,000 tonnes***	*105,900 tonnes*	*104,200 tonnes*
Trading of oil products/ chemical products	***414,000 tonnes***	*456,700 tonnes*	*735,400 tonnes*
Total	**1,971,200 tonnes**	1,833,000 tonnes	2,522,000 tonnes

During this period, the total sales volume of direct bunkering to ships in Hong Kong has showed a slight decrease. As to the trading of oil products/chemicals products, there was a year-on-year decrease of approximately 40.61% given a more volatile customer base despite the lack of limitations of on the individual markets. Sales of oil products on land commencing within the year generated sales of approximately 57,500 tonnes, reflecting a sound beginning for development of the oil product market on land in Hong Kong.

In the first half of the year, the oil product business in Singapore achieved a sales volume of approximately 325,700 tonnes, reflecting a prime new market for the Group's development efforts. The average monthly usage of Singapore market was around 4 million tonnes, with the Group's long term objective of seizing 10% of the market share. Accordingly, the Group is looking for a floating warehouse twice the size of the floating warehouse of 100,000 tonnes currently leased for use to cater to the warehousing and delivery needs for the procurement of oil products in Hong Kong and China.

During the period, the oil product sales in China has decreased approximately 8,700 tonnes, representing a decline of approximately 0.94%.

Our oil products business has adopted a development model which is similar to the one that is practiced in the Zhuhai LPG Terminal, that is to make use of infrastructure such as its existing oil terminal and leased oil terminal to be the distribution points in order to promote the wholesaling business of shipping and automotive transportation. During the period, the Chinese oil products business recorded a total sales volume of approximately 917,700 tonnes, representing a slight reduction of approximately 0.94% as compared with approximately 926,400 tonnes for the same period of last year. Sales of oil products (at sea and on land) in China has built a solid customer base and was able to generate a relatively stable sales volume, with the gross profit margin holding steady around 4-5%. In contrast, the chemical product market was highly limited in Guangdong Province with a volatile wholesale customer base resulting in fluctuating prices and gross profit margins impacted by numerous factors. The Group believes that a relatively long period of time will be required before we can successfully connect with the end-user customers of the chemical products. Before that, the Group may reduce the amount of resources such as bank credit invested in this respect, and divert our resources into our prime markets for development, including marine bunkering in Singapore.

3.3 Electronics business

In the first half of the year, the electronics business recorded a revenue amounting to approximately HK$341,270,000 in total, representing an improvement of nearly 1.06 times as compared with the revenue of approximately HK$165,443,000, but a slight decline as compared with the revenue of approximately HK$423,679,000 for the second half of last year. In the first half of the year, the gross profit contribution of the electronics business was approximately HK$19,027,000, whereas the gross profit for the same period of last year was approximately HK$15,812,000.

3.4 Other businesses

LNG auto-gas refueling station business – Currently, the LNG efforts are still under development. This is largely due to the fact that the prices of crude oil remain at levels that make LNG a marginally competitive fuel source. However, with the rebound in oil prices, LNG is beginning to evidence increasing attractiveness to both users and investors. Our existing projects have been screened, through which we have also undertaken initiatives to abandon projects which only have a slim chance of making a profit to our Group. Instead, we focused on devoting our resources to invest into other potential projects. As to the LNG project jointly conducted with logistic companies, we will also shift our attention to the constructions of refueling stations in order to strive for better investment returns.

Real estate business – Such business focuses on the construction of the headquarters located in Zhuhai. Upon the completion of the building with its roof capped at the end of 2017, we are carrying out interior decoration at full speed and are currently obtaining approval for sales from relevant governmental departments. It is expected that end user sales can begin in the second half of the year should things go smoothly.

4. Business outlook

In the past, the Group has focused on the sale of energy products in Southern China. However, the market is currently undergoing oversupply and fierce competition, which brings structural difficulties to our business operations. Indeed, the issue of oversupply is not a key problem for operators who have owned a huge end-user market such as NewOcean Group, who will have the advantages to stay in the market. Eventually, a balance between the demand and supply will be reached. For those operators who manage to maintain market share reasonable return expectations are wholly likely. We note however, that this process will play out over a period of time, which will likely evidence volatility during the adjustment process. The fact is that we are unable to remove this market risks, in order to minimize and diversify our explosures, we are actively exploring new markets to various our revenue streams.

Accordingly, the Group has established its development blueprint in 2017, which was to expand its overseas business in a proactive manner. We will continue to adopt the same operating strategies that are designed to push our development forward with our end-user markets so as to facilitate the rapid growth in our business volume. Meanwhile, we are reviewing the Group's industry structure and operating model so as to continuously improve efficient coordination between our industry and logistics chains. It is expected that such measures will enhance our operating efficiency and further lower our operating costs.

Oil products business – The developments of our oil products business will be expedited.

(1) We are not only facilitating our cooperation with our partners in China to construct refueling stations at prime locations in Guangdong Province, but also considering establishing sales networks of automotive refueling stations by means of acquisition and mergers.

(2) Other than laying the groundwork for operations in Mainland China, we also acquired shareholdings of three companies which engaged in auto-fuel trading and oil products transportation in Hong Kong in late 2017, which in turn allowed the Group to become the primary agent of the four major oil companies in Hong Kong and officially enter into the auto-fuel market in Hong Kong. The oil sales volume on land was approximately 57,500 tonnes for the first half of 2018.

(3) As for our marine bunkering business, since Hong Kong or ports along the coastal lines of China are not considered as embodying with any geographical advantage, our foothold established in Singapore plays a crucial role for future strategic moves. Leasing the floating warehouse in Malaysia as a procurement centre has already helped lowering the procurement costs of fuel oil for marine uses, and helped the Group tap into the marine bunkering market in Singapore. With the sales volume significantly increasing to approximately 325,700 tonnes for the first half of 2018, we are now looking for a floating warehouse of approximately 200,000 to 300,000 tonnes for the purpose of further development.

(4) We are currently planning to expand our marine bunkering business to all of the ports in Malaysia; meanwhile, our company in Singapore will provide supply services of oil and technical support for these new markets.

LPG business – The retail markets located in the Southern China region of China (including Macau and Hong Kong) will still be the core of our business.

(1) We are currently exploring more opportunities to develop more end-user markets for our bottled LPG. Meanwhile, we will enhance our management towards distributors and provide them with more support in order to improve our sales volume, and thus our profitability.

(2) As to the expansion of our business to the overseas markets, we began wholesaling LPG to Africa two years ago. At present, we are seeking suitable land parcels in Africa for the construction of an LPG terminal, gas plants and bottling plants. We aim to tap into the local end-user markets as soon as possible, which are expected to yield healthy ROIC.

Improvement on our industry chain – Vertical integration will be conducted.

(1) The Group is now pressing ahead with the establishment of its refinery project in Malaysia. Despite a delay due to the government change at the beginning of the year, the project is back on track. We believe that a significant part of the Group's annual sales volume of oil and gas will be from the products manufactured by the refinery. Thus, the oil and gas business of the Group will be able to be largely self-sufficient, instead of relying on the supply from other sources.

(2) After the works of such vertical integration, the Group will be able to achieve better costs management under a low-risk ecosystem. This will also enhance the Group's bargaining power on the international markets, thus broadening its procurement channels and promise of increased sales opportunities.

We are confident that the long-term growth in Group sales and improvements in our profitability can only be achieved by the continuous expansion of our end-user sales network in the Southern China region, the active expansion of sales markets in the overseas markets, as well as the vertical integration of our supply chain.

LIQUIDITY AND FINANCIAL REVIEW

At 30 June 2018, the net current assets of the Group amounted to approximately HK$4,399,868,000 (31 December 2017: HK$3,990,706,000) and the Group's bank balances and cash and pledged bank deposits was approximately HK$1,361,448,000 (31 December 2017: HK$2,042,802,000). At the reporting date, gearing ratio was 0.49:1 (31 December 2017: 0.48:1) which was calculated based on total net borrowings of approximately HK$3,484,556,000 (31 December 2017: HK$3,304,584,000) and total equity attributable to owners of the Company of approximately HK$7,156,906,000 (31 December 2017: HK$6,915,350,000).

HUMAN RESOURCES

As at 30 June 2018, the Group employed approximately 1,308 employees in Hong Kong, Macau, Singapore 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

During the six months ended 30 June 2018, the Company repurchased and cancelled 4,906,000 of its ordinary shares of HK$0.10 each on the Stock Exchange at an aggregate consideration of approximately HK$7,756,000 excluding transaction cost. The repurchase of the Company's share during the six months ended 30 June 2018 was effected by the Board, pursuant to the repurchase mandate granted by the shareholders, with a view to benefit shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

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 accounts for the six months ended 30 June 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the directors, throughout the six months ended 30 June 2018 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 2018.

PUBLICATION OF RESULTS AND INTERIM REPORT

This result announcement is published on the Company's website at http://www.newoceanhk.com and the website of the Stock Exchange at http://www.hkexnews.hk. The 2018 Interim Report will be dispatched to shareholders in due course and will be published at the websites of the Company and the Stock Exchange at the same time.

By order of the Board
Shum Siu Hung
Chairman

Hong Kong, 29 August 2018

As at the date of this announcement, the Board of the Company comprises Mr. Shum Siu Hung, Mr. Shum Chun, Lawrence, Mr. Cen Ziniu, Mr. Chiu Sing Chung, Raymond, Mr. Siu Ka Fai, Brian and Mr. Wang Jian, being the executive directors, Mr. Cheung Kwan Hung, Anthony, Mr. Chan Yuk Wai, Benedict and Dr. Xu Mingshe, being the independent non-executive directors.