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 2019

FINANCIAL HIGHLIGHT

- Revenue for the period was increased by approximately 19.15% mainly contributed by the increase in total sales volume of energy products from approximately 2,849,500 tonnes to approximately 3,712,000 tonnes to approximately HK$14,295 million.
- The growth in sales volume in this period mainly came from oil products business with relatively lower gross profit margin compared to LPG business, therefore the overall gross profit margin dropped from 7.59% to 6.21% compared to the same period of last year.
- Profit for the period decreased by 7.48% to approximately HK$301 million.
- Equity attributable to the owners of the Company increased by around 4.29% to approximately HK$7,786 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 2019 together with comparative figures for the corresponding period in 2018. 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 2019

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	3	**14,295,140**	11,997,224
Cost of sales		**(13,407,330)**	(11,087,233)
Gross profit		**887,810**	909,991
Other gains and losses	4	**12,907**	(58,521)
Other income	5	**31,938**	60,832
Selling and distribution expenses		**(249,230)**	(220,280)
Administrative expenses		**(200,089)**	(229,227)
Finance costs		**(169,569)**	(125,818)
Share of (losses) profits of joint ventures		**(287)**	1,473
Share of profit of an associate		**608**	91
Profit before taxation	6	**314,088**	338,541
Taxation	7	**(12,900)**	(12,999)
Profit for the period		**301,188**	325,542
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(79,996)**	(49,275)
Item that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**30,412**	-
Other comprehensive expense		**(49,584)**	(49,275)
Total comprehensive income for the period		**251,604**	276,267

	Note	Six months ended 30 June **2019** **(Unaudited)** ***HK$'000***	 2018 (Unaudited) *HK$'000*
Profit (loss) for the period attributable to:			
Owners of the Company		**370,568**	337,651
Non-controlling interests		**(69,380)**	(12,109)
		301,188	325,542
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**320,043**	289,353
Non-controlling interests		**(68,439)**	(13,086)
		251,604	276,267
Basic earnings per share	8	**HK$0.252**	HK$0.229

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	Notes	**As at 30 June 2019 (Unaudited) *HK$'000***	As at 31 December 2018 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment	10	**2,351,333**	2,407,720
Right-of-use assets	10	**569,414**	-
Land use rights		**-**	382,845
Prepaid lease payments for coast		**-**	4,523
Goodwill		**755,881**	742,051
Other intangible assets		**200,677**	222,360
Interest in an associate		**6,994**	6,483
Interests in joint ventures		**9,158**	27,995
Deposits paid		**356,965**	245,956
Deferred tax assets		**833**	1,231
		4,251,255	4,041,164
Current assets			
Inventories		**1,744,640**	1,720,504
Trade receivables	11	**4,865,164**	4,726,261
Other debtors, deposits and prepayments	11	**2,273,051**	2,232,484
Amount due from an associate	11	**5,424**	10,821
Amount due from a joint venture	11	**-**	2,036
Derivative financial instruments		**12,770**	4,886
Land use rights		**-**	19,087
Prepaid lease payments for coast		**-**	783
Properties held for sales		**149,008**	150,274
Properties under development for sales		**753,987**	724,928
Pledged bank deposits		**241,048**	243,095
Bank balances and cash		**1,604,263**	2,295,797
		11,649,355	12,130,956
Current liabilities			
Trade payables	12	**764,087**	858,439
Other creditors and accrued charges		**261,464**	328,646
Contracts liabilities		**153,344**	149,776
Lease liabilities		**31,961**	-
Amount due to an associate		**11,355**	14,530
Amount due to a joint venture		**5,658**	8,674
Derivative financial instruments		**12,498**	9,912
Tax liabilities		**104,089**	105,206
Borrowings secured by pledged bank deposits – repayable within one year		**227,347**	227,347
Borrowings secured by other assets – repayable within one year		**14,962**	20,575
Borrowings unsecured – repayable within one year		**4,182,439**	4,537,417
		5,769,204	6,260,522
Net current assets		**5,880,151**	5,870,434
Total assets less current liabilities		**10,131,406**	9,911,598

	Note	As at 30 June 2019 (Unaudited) HK$'000	As at 31 December 2018 (Audited) HK$'000
Capital and reserves			
Share capital	13	**146,812**	146,812
Share premium and other reserves		**7,638,717**	7,318,674
Equity attributable to owners of the Company		**7,785,529**	7,465,486
Non-controlling interests		**(68,957)**	(23,604)
Total equity		**7,716,572**	7,441,882
Non-current liabilities			
Deferred tax liabilities		**77,314**	81,684
Borrowings secured by other assets – repayable over one year		**27,520**	33,832
Borrowings unsecured – repayable over one year		**2,172,500**	2,354,200
Lease liabilities		**137,500**	-
		2,414,834	2,469,716
		10,131,406	9,911,598

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs and an interpretation

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

3. Revenue and Segment Information

A. Disaggregation of revenue

Six months ended 30 June 2019 (unaudited)

Types of goods and services	**Sales and distribution of LPG** *HK$'000*	**Oil/chemical products business** *HK$'000*	**Sales of electronic products** *HK$'000*	**Total** *HK$'000*
Sales and distribution of LPG				
Wholesalers	**1,882,181**	**-**	**-**	**1,882,181**
End users	**2,517,156**	**-**	**-**	**2,517,156**
	4,399,337	**-**	**-**	**4,399,337**
Oil/chemical products business				
Oil products				
Sale of oil products	**-**	**9,019,774**	**-**	**9,019,774**
Provision of agency services	**-**	**5,233**	**-**	**5,233**
	-	**9,025,007**	**-**	**9,025,007**
Chemical products	**-**	**438,335**	**-**	**438,335**
	-	**9,463,342**	**-**	**9,463,342**
Sales of electronic products				
Integrated circuit	**-**	**-**	**353,000**	**353,000**
Mobile phones	**-**	**-**	**79,461**	**79,461**
	-	**-**	**432,461**	**432,461**
Total	**4,399,337**	**9,463,342**	**432,461**	**14,295,140**
Geographical markets, based on shipment destination				
Mainland China	**3,074,201**	**1,140,149**	**432,461**	**4,646,811**
Hong Kong	**573,429**	**2,705,449**	**-**	**3,278,878**
Singapore	**-**	**3,547,532**	**-**	**3,547,532**
Others (*Note*)	**751,707**	**2,070,212**	**-**	**2,821,919**
Total	**4,399,337**	**9,463,342**	**432,461**	**14,295,140**

Note: Other countries represented mainly countries in the Asia Pacific (excluding Singapore), United States and Australia.

Six months ended 30 June 2018 (unaudited)

Types of goods and services	Sales and distribution of LPG *HK$'000*	Oil/chemical products business *HK$'000*	Sales of electronic products *HK$'000*	Total *HK$'000*
Sales and distribution of LPG				
Wholesalers	1,396,400	-	-	1,396,400
End users	2,630,509	-	-	2,630,509
	4,026,909	-	-	4,026,909
Oil/chemical products business				
Oil products				
Sale of oil products	-	5,211,584	-	5,211,584
Provision of agency services	-	14,303	-	14,303
	-	5,225,887	-	5,225,887
Chemical products	-	2,403,158	-	2,403,158
	-	7,629,045	-	7,629,045
Sales of electronic products				
Integrated circuit	-	-	273,500	273,500
Mobile phones	-	-	67,770	67,770
	-	-	341,270	341,270
Total	4,026,909	7,629,045	341,270	11,997,224
Geographical markets, based on shipment destination				
Mainland China	1,991,268	3,855,920	341,270	6,188,458
Hong Kong	14,621	1,499,547	-	1,514,168
Singapore	-	1,031,398	-	1,031,398
Others (*Note*)	2,021,020	1,242,180	-	3,263,200
Total	4,026,909	7,629,045	341,270	11,997,224

Note: Other countries represented mainly countries in the Asia Pacific (excluding Singapore), United States and Australia.

B. 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 organises 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.

2. Oil/chemical products business - This segment derives its revenue from selling of oil/chemical products to both wholesale and retail customers, including revenue from oil products in which the Group acts as an agent.

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.

Information regarding the above segments is presented below.

Six months ended 30 June 2019 (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	**4,399,337**	**9,463,342**	**432,461**	**14,295,140**
Segment profit	**263,187**	**199,695**	**33,263**	**496,145**
Share of profit of an associate	**608**	**-**	**-**	**608**
Share of loss of a joint venture	**(287)**	**-**	**-**	**(287)**
	263,508	**199,695**	**33,263**	**496,466**
Other income				**12,871**
Central administration costs				**(32,286)**
Directors' emoluments				**(3,840)**
Changes in fair values of derivative financial instruments				**10,446**
Finance costs				**(169,569)**
Profit before taxation				**314,088**

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

All of the segment revenue reported above is from external customers 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 2019 and 2018. 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 2019 (Unaudited) *HK$'000*	As at 31 December 2018 (Audited) *HK$'000*
Sales and distribution of LPG	**4,487,187**	4,725,085
Sales and distribution of NG	**47,744**	46,771
Oil/chemical products business	**6,979,022**	6,636,396
Sales of electronic products	**727,150**	603,500
Total segment assets	**12,241,103**	12,011,752
Deferred tax assets	**833**	1,231
Pledged bank deposits	**241,048**	243,095
Bank balances and cash	**1,604,263**	2,295,797
Derivative financial instruments	**12,770**	4,886
Properties under development for sales	**753,987**	724,928
Properties held for sales	**149,008**	150,274
Other unallocated assets	**897,598**	740,157
Consolidated assets	**15,900,610**	16,172,120

Segment liabilities

	As at 30 June 2019 (Unaudited) *HK$'000*	As at 31 December 2018 (Audited) *HK$'000*
Sales and distribution of LPG	**632,401**	403,528
Sales and distribution of NG	**5,658**	14,417
Oil/chemical products business	**667,001**	909,431
Sales of electronic products	**11,293**	8,568
Total segment liabilities	**1,316,353**	1,335,944
Derivative financial instruments	**12,498**	9,912
Tax liabilities	**104,089**	105,206
Deferred tax liabilities	**77,314**	81,684
Borrowings	**6,624,768**	7,173,371
Other unallocated liabilities	**49,016**	24,121
Consolidated liabilities	**8,184,038**	8,730,238

4. Other Gains and Losses

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Changes in fair values of derivative financial instruments (*Note*)	**10,446**	(43,264)
Gain on deemed disposal of a joint venture	**1,065**	-
Gain on disposal of property, plant and equipment	**21,521**	-
Net exchange loss	**(20,125)**	(15,257)
	12,907	(58,521)

Note: At as 30 June 2019, derivative financial instruments comprise cross currency swaps, commodities swaps, foreign exchange option, interest rate cap, range exchange forward and interest rate swaps (six months ended 30 June 2018: cross currency swaps, commodities swaps, foreign exchange option and interest rate swaps) which are measured at fair value at the end of the reporting period. The resulting gains or losses are recognised in profit or loss.

5. Other Income

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income on pledged RMB bank deposits	**2,032**	6,040
Other interest income	**9,651**	28,753
Income from provision of transportation services	**7,529**	9,753
Others	**12,726**	16,286
	31,938	60,832

6. Profit Before Taxation

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of land use rights (included in administrative expenses)	**-**	5,619
Amortisation of prepaid lease payments for coast (included in cost of sales)	**-**	419
Amortisation of other intangible assets (included in selling and distribution expenses)	**20,284**	25,660
Depreciation of property, plant and equipment	**67,175**	72,428
Depreciation of right-of-use assets	**26,734**	-
Total depreciation and amortisation	**114,193**	104,126
Impairment loss recognised in respect of trade receivables and other financial assets	**8,000**	35,000
Gross rental income from leasing of oil vessels and warehouses	**(9,071)**	(7,743)
Less: Direct operating expenses	**3,120**	1,765
	5,951	5,978

7. Taxation

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**6,800**	5,616
Other regions in the PRC	**9,883**	12,730
	16,683	18,346
Deferred tax		
Current period	**(3,783)**	(5,347)
	12,900	12,999

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	
	2019	2018
	(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)	**370,568**	337,651

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,468,124,216**	1,472,488,117

No diluted earnings per share is presented as there are no potential ordinary shares in issue during the six months ended 30 June 2019 and 30 June 2018.

9. Dividend

No dividend was paid or proposed for ordinary shareholders of the Company during 2018, nor any dividend been proposed or paid since the end of the financial years ended 31 December 2018.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

10. Movements in Property, Plant and Equipment and Right-of-use Assets

During the six months ended 30 June 2019, the Group paid approximately HK$57,683,000 (six months ended 30 June 2018: HK$29,576,000) to acquire property, plant and equipment.

During the current interim period, the Group entered into a new lease agreement for the use of office and LPG station for 2 to 16 years. The Group is required to make fixed monthly payments during the contract period. On lease commencement, the Group recognised approximately HK$1,212,000 of right-of-use asset and approximately HK$1,212,000 of lease liability.

11. Trade Receivables, Other Debtors, Deposits, Prepayments and Amounts Due from an Associate and a Joint Venture

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 at the end of the reporting period presented based on the invoice date or goods delivery date, which approximated the respective revenue recognition dates:

	As at 30 June 2019 (Unaudited) *HK$'000*	As at 31 December 2018 (Audited) *HK$'000*
0 to 30 days	**2,397,978**	2,382,179
31 to 60 days	**1,425,657**	1,390,245
61 to 90 days	**850,959**	752,436
91 to 180 days	**168,405**	190,983
Over 180 days	**22,165**	10,418
	4,865,164	4,726,261

Bills amounting to approximately HK$29,187,000 (31 December 2018: HK$80,400,000) are held by the Group for future settlement of trade balances. All bills received by the Group are with a maturity period of less than one year.

12. Trade Payables

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

	As at 30 June 2019 (Unaudited) *HK$'000*	As at 31 December 2018 (Audited) *HK$'000*
0 to 30 days	**682,897**	766,932
31 to 60 days	**11,133**	24,250
61 to 90 days	**32,053**	37,103
91 to 180 days	**16,971**	-
Over 180 days	**21,033**	30,154
	764,087	858,439

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

13. Share Capital

	Number of shares	Amount *HK$'000*
Ordinary shares of HK$0.10 each		
Authorised share capital:		
As at 1 January 2018, 31 December 2018 and 30 June 2019	20,000,000,000	2,000,000
Issued and fully paid share capital:		
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
As at 1 January 2019 and 30 June 2019	1,468,124,216	146,812

Note: During the six months ended 30 June 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.

14. Other Commitments

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
	HK$'000	*HK$'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	**293,821**	260,279
Capital expenditure authorised for but not contracted and provided in the condensed consolidated financial statements in respect of acquisition of investment projects	**145,216**	150,881

15. Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2019 and 31 December 2018.

16. Related Party Transactions

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

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
	HK$'000	*HK$'000*
Sales to a joint venture	**12,283**	5,967
Rental expenses paid to Shum Ho, Neo (*Note 1*)	**2,388**	2,388
Rental expenses paid to a related party (*Note 2*)	**13,536**	-
Management fee paid to an associate	**(1,938)**	(961)
Transportation fee received from an associate	**637**	1,109
Transportation fee received from a joint venture	**229**	157

Notes:

(1) 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 2017, 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 2018. On 17 December 2018, 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 2019. The details of the transaction were set out in the announcement issued by the Company on 17 December 2018.

(2) On 2 November 2018, Baifuyang Macao Commercial Offshore Limited, a wholly owned subsidiary of the Company, entered into a bareboat chartered agreement with Link Harvest Enterprise Limited ("Link Harvest") for the lease of a very large crude carrier at the monthly rate of hire of US$290,000 (equivalent to approximately HK$2,256,000 per month) for a term of 36 months commencing from 1 December 2018. The controlling shareholder of Link Harvest is Shum Chun, Lawrence who is the managing director and substantial shareholder of the Company. The details of the transactions were set out in the announcement issued by the Company on 2 November 2018.

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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Salaries and allowances	**3,789**	5,695
Contribution to retirement benefit schemes	**51**	54
	3,840	5,749

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 2019 (six months ended 30 June 2018: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

1. Market Overview

1.1 International crude oil market

Oil prices had been on a steady uptrend over the past six months. Starting from approximately US$54 per barrel in early 2019, oil prices lingered between a narrow range from US$60 to US$70 per barrel for most of time, and hit as high as US$75 per barrel at the end of April. Later in May, such prices recorded a slight drop, yet remained at around US$60 per barrel, and further climbed back to US$65 per barrel in late June. Since mid-2017, the upward momentum of oil prices looked set to continue for a certain period, during which the prices had rapidly taken an upturn from the previous low of approximately US$50 per barrel at the end of 2018. Despite of such relatively slow average growth rate in prices, it is the market anticipation that an equilibrium in the demand and supply of crude oil has been regained with the reference to the movements in oil prices. However, when the United States' policy in boosting its oil product production, put tension on its relationship with oil-producing countries in the Middle East, and the international trade war has been ignited between China and the United States, that put the performance of oil products in jeopardy, either directly or indirectly. After all, the Group expects oil products prices unlikely to slump to its ever low set in 2016 of below US$30 per barrel, notwithstanding its anticipation of a certain volatility in future prices of oil products.

1.2 The oil and gas consumer market in China

In respect to China, oil products prices had a rebound in the first half of 2019 but were relatively volatile during the period. The performance of upstream industries such as exploration and oil refinery remained promising; contrastingly, having dragged by the China-US trade war, the industrial production and retail consumption both slackened. Although China had been proactively stimulating its domestic demand, it had seen and expects a continuous national economic slowdown both in the past half year and the future. In the first half of 2019, the demand for liquefied petroleum gas ("LPG") for usages as re-export and industrial consumption remained steady, mainly thanks to the continuous solid growth in the usage of LPG as a chemical raw material in China particularly in the Guangdong Province in the recent years. On the other hand, given the existence of liquefied natural gas, electric energy as well as the structural changes in the taxi market, the demand for automobile LPG had been unceasingly declining. In the long run, the demand for oil products and LPG in the Mainland China will only likely sustain low to moderate rates of growth. In the future, the Group looks to tap into both the domestic and overseas new markets while consolidating its existing customer market, given that the demand for oil products and LPG in the Mainland China will likely be shaken by the successive emergence of new energies, such as natural gas or even hydrogen energy. This will serve to increase the market competitiveness of other new energies due to the increasing oil product and LPG prices, and the promulgation of environmental production policies by the government.

1.3 The exchange rate of Renminbi

Remained challenged by the China-US trade war, the exchange rate of Renminbi against the US dollar in the first half of 2019 had been lingering between 6.67 to 6.95, which underperformed as compared to the high of 6.25 recorded when Renminbi demonstrated its strength back in 2018. Given that the Group's main incomes are denominated in Renminbi, the depreciation of the currency poses a considerable impact on both our profitability and performance. For mitigating any ripples sent from volatile exchange rates, the Group has deployed various defensive measures such as strengthening its main businesses denominated in the US dollar by, for instance, expanding our marine bunkering business in Singapore to drive our US dollar cash inflow and minimize any unnecessary exchange of Renminbi, and expediting the exchange of Renminbi into US dollar at times of Renminbi depreciation.

2. Basic situation of the Group during the first half of 2019

Over the first half of 2019, both the Mainland China and international energy markets remained volatile and plagued by the China-US trade war, which led to a less-than-satisfactory operating environment. However, our end-user sales networks had continued to give full play to their market competitive edges, which contributes to the success in maintaining the operating scale of our LPG and oil products. Over the past two years, the Group had successfully expanded into the oil products market in Singapore, thus escalating the sales volume of its oil products. Concurrently, the Group established its procurement centre for oil products in Malaysia as its foothold, in order to achieve cost cutting through joint procurement for oil product sales located in Singapore, Hong Kong and partly in China. Due to the fierce market competitions, coupled with the cost rises driven by the increasing oil and LPG prices, the gross profits of our energy products had been narrowed correspondingly. Meanwhile, the growth in our sales volumes had lifted the finance charges, resulting into a fall of roughly 7.48% in the overall profits of the Group to approximately HK$301,188,000.

2.1 Operating Income

In the first half of 2019, the Group had achieved a total revenue of approximately HK$14,295,140,000 (among with, the revenue of energy products was approximately HK$13,862,679,000, contributing around 96.97% of the total revenue), which was comparable to the total revenue of approximately HK$11,997,224,000 (among with, the revenue of energy products was approximately HK$11,655,954,000, contributing around 97.16% of the total revenue of the period) in the same period of last year. During the period, the sales volume of energy products grew by approximately 862,500 tonnes as compared to the same period of last year, thus contributing to the growth of approximately 19.15% in the revenue of the first half of the year as compared to that of the corresponding period of last year.

2.2 Gross profits

During the period, the total gross profits were approximately HK$887,810,000, which was a mild drop as compared with that of approximately HK$909,991,000 in the same period of last year. In an effort to maintain our market share amid fierce market competitions, the Group opted out of lifting its prices to align with the increases in the procurement costs. Instead, the Group took its proactive efforts in saving its procurement costs through leasing a floating warehouse in Malaysia for joint procurement of oil products in Singapore, Hong Kong and partly in China for lowering its procurement prices, and thus holding its gross profits of oil products steady. However, our gross profits of LPG business had narrowed due to the auto-gas business with high gross profits had weakened, which in turn dragged our gross margins from approximately 7.59% in the corresponding period of last year, down to approximately 6.21% during the period.

2.3 Net profit and basic earnings per share

During the period, the Group recorded a net profit of approximately HK$301,188,000, representing a decline of approximately 7.48% as compared with that of approximately HK$325,542,000 for the same period of last year. Despite the fact that our gross profits during the period stood the same of around HK$900 million as the corresponding period of last year, all fees and expenses for the period (in particular, the selling expenses and costs) had correspondingly risen compared to the same period of last year due to our business expansion. Having arounds of interest rate hiked across the globe in the past and the growth in our business volume, our finance costs had surged over 30%. Altogether of the above factors which contributing to the decline of approximately HK$24,354,000 in our net profits.

In the first half of 2019, the Group did not engage in any fund raising activities in relation to our shares. For the six months ended 30 June 2019, the weighted average number of the Company's issued ordinary shares was approximately 1,468,124,216 shares, and the basic earnings per share in the first half of the year were approximately HK$0.252.

2.4 Net exchange gain and loss

Hindered by the foreseen ignition of the China-US trade war, the exchange rate of Renminbi against the US dollar had weakened by approximately 2% during the period, resulting in the recording of a net exchange loss of approximately HK$20,125,000 by the Group for the period ended 30 June 2019, which was comparable to that of the same period of last year.

2.5 Changes in fair values of derivative financial instruments

The continuous growth in the sales volume of oil products had put the Group with a considerable amount of inventory of these products. In order to mitigate any negative impact on our interests posed by price fluctuations of oil products and global economic uncertainties, the Group had entered into several derivative contracts for oil commodities in accordance to its oil product inventory level (if any hold over to next month) for the purpose of hedging so that to reduce the price fluctuation risk. Over the last six months, the gain from derivative contracts amounted to approximately HK$10 million.

2.6 Finance costs

Due to the price raise of oil products and LPG, together with the Group's proactive exploration of the Singapore oil products market, it had seen growth both in the volumes of and the sum of purchases; correspondingly, our inventories of oil products also enlarged along with the decrease in the inventory turnover as compared with the previous records. For such, we had 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 had accordingly increased to approximately HK$169,569,000, representing an increase of approximately 34.77% as compared with the that of approximately HK$125,818,000 in the same period of last year.

2.7 Net current assets

As of 30 June 2019, the Group had its net current assets amounting to approximately HK$5,880,151,000 and its current ratio of approximately 201.92%, representing an increase of approximately HK$9,717,000 in its net current assets, as well as a growth of approximately 8.15% in its current ratio, as compared to the net current assets of approximately HK$5,870,434,000 (current ratio: 193.77%) as of 31 December 2018.

2.8 Net cash flow incurred by the operating activities

During the six months period ended 30 June 2019, a net cash inflow of approximately HK$155,579,000 had been incurred by the operating activities (same period of last year: a net cash outflow of approximately HK$2,296,000).

3. Performance review

During the period, the Group continued its efforts in the operations of its energy products. In the first half of 2019, the Group achieved a total sales volume of approximately 3,712,000 tonnes, among which the sales volume of LPG was approximately 977,000 tonnes and that of oil products was approximately 2,735,000 tonnes, representing a growth of 11.24% and 38.75% for LPG and oil products respectively as compared with those for the same period of last year.

	First half of 2019	First half of 2018	Second half of 2018
Sales volume of LPG (percentage contributed to the total sales volume of the period)	**977,000 tonnes (26.32%)**	878,300 tonnes (30.82%)	1,228,700 tonnes (32.75%)
Sales volume of oil products (percentage contributed to the total sales volume of the period)	**2,735,000 tonnes (73.68%)**	1,971,200 tonnes (69.18%)	2,522,800 tonnes (67.25%)
Total sales volume	**3,712,000 tonnes (100.00%)**	2,849,500 tonnes (100.00%)	3,751,500 tonnes (100.00%)

3.1 LPG business

In the first half of the year, the Group realised a sales volume of approximately 977,000 tonnes for LPG, representing an improvement of 11.24% as compared with approximately 878,300 tonnes for the corresponding period of last year. Such growth was mainly contributed by the industrial clients and wholesalers, whereas the sales volume of LPG for civilian usage had diminished given the emergence of new energies such as electric and LNG energy.

In the first half of the year, the LPG business recorded a revenue of approximately HK$4.399 billion, representing an increase of approximately 9.24% as compared with that of approximately HK$4.027 billion in the same period of last year, which was mainly due to the increase in the sales volume of LPG.

Gross profits achieved for the period amounted to approximately HK$449 million, representing a decline of nearly 19.68% from that of approximately HK$559 million in the corresponding period of last year. Due to the rises in average costs and extremely intensive price competitions, further burdened by the global phenomenon of over-supply in LPG markets throughout May and June, our sales prices of LPG had dropped, and its gross profits had shrunk significantly. Additionally, the shrunken market of LPG for civilian usage had given rise to vicious competitions within the industry. After all, the gross margins of our LPG business were approximately 10.21% for the period, representing a decrease of around 3.67% comparing to that of approximately 13.88% in the same period of last year.

Procurement

During the period, approximately 40% of the procurement was from overseas, with the remaining from refineries in China.

Sales

In the first half of 2019, the total sales volume of LPG amounted to approximately 977,000 tonnes, representing a rise of approximately 11.24% as compared with approximately 878,300 tonnes in the same period of 2018.

Sales category	**First half of 2019**	First half of 2018	Second half of 2018
Wholesalers	**469,000 tonnes**	341,000 tonnes	550,000 tonnes
End users	**508,000 tonnes**	537,300 tonnes	678,700 tonnes
Total	**977,000 tonnes**	878,300 tonnes	1,228,700 tonnes

The improvement in LPG business was mainly due to the growth in the wholesales volume and the number of our industrial clients. Contrastingly, the business of LPG on civilian usage had fallen back with the most prominent shrinkage being the volume of auto-gas refueling. In Guangzhou, the LPG auto-gas refueling market was targeted at buses and taxis as its core sales targets. Adhering to the government's policy, all of the buses were required to switch to the use of liquefied natural gas, resulting into the drastic decrease in the number of LPG buses, which in turn directly led to the diminishing demand for automotive LPG of buses. On the other hand, the taxi industry was prone to serious under-utilisation as affected by the improper on-line car hiring services. In the circumstance that the demand for LPG from buses and taxies both declined due to different grounds, the shrinkage in the business volume of auto-gas refueling business had become unavoidable.

3.2 Oil products business

In the first half of the year, the Group achieved a total sales volume of approximately 2,735,000 tonnes of oil products mainly in Hong Kong, the Mainland China and Singapore, representing an increase of approximately 38.75% as compared with approximately 1,971,200 tonnes in the same period of last year.

The oil products business recorded a revenue of approximately HK$9.463 billion in the first half of the year, representing a growth of approximately 24.04% as compared to that of HK$7.629 billion in the same period of last year.

When the revenue had seen a promising increase, the gross profits had also recorded an actual increment of approximately 21.99% (first half of 2019: HK$405 million; first half of 2018: HK$332 million). Over the half of 2019, the gross margins of our oil products business were comparable to that of the same period of last year. Since the fourth quarter of 2017, our procurement base for oil products established in Malaysia has begun to conduct joint procurement for oil product sales in Singapore, Hong Kong and partly in China, giving a promising sign of the fruit of our efforts in saving costs.

Procurement

In the first half of the year, approximately 60% of the Group's procurement of oil products was from overseas, with the remaining mainly from the Mainland China.

Sales

Sales category	**First half of 2019**	First half of 2018	Second half of 2018
Hong Kong and Singapore			
Oil products/ chemical products	**2,191,000 tonnes**	1,053,500 tonnes	1,987,500 tonnes
China			
Oil products/ chemical products	**544,000 tonnes**	917,700 tonnes	535,300 tonnes
Total	**2,735,000 tonnes**	1,971,200 tonnes	2,522,800 tonnes

The growth in the oil products business was mainly contributed by the sales in Singapore. Singapore and Malaysia are both the prime new markets which the Group wants to develop efforts. The monthly usage of our oil products in the Singapore market was as high as nearly 4 million tonnes on average. Accordingly, in the second half of 2018, the Group started leasing a floating warehouse with the size of 300,000 tonnes for warehousing and delivery usages for the procurement of oil products in Southeast Asia, Hong Kong and China.

On the other hand, the oil products business in China and Hong Kong remained stable, however may see their operating environments worsened in the second half of the year due to the expected existence of political issues in Hong Kong as well as global economic uncertainties. Since the second half of 2018, the Group began downsizing its trading business of chemical products, mainly due to the highly limited chemical products market in the Guangdong Province, the volatility of wholesale customer base, and the significant fluctuations in prices and gross profits triggered by numerous factors. Therefore, the Group will devote its resources to its refueling business such as its business in Singapore. During the period, the trading volume of the chemical products only amounted to approximately 91,000 tonnes.

3.3 Electronics business

In the first half of the year, the electronics business recorded a revenue amounting to approximately HK$432,461,000 in total, representing a slight improvement as compared to the revenue of approximately HK$341,270,000 in the same period of last year, whereas the gross profits contribution of the electronics business was approximately HK$33,263,000 over the first half of the year.

3.4 Other businesses

LNG auto-gas refueling station business – Currently, the LNG efforts are still under development. 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 have focused on devoting our resources to invest into other potential projects, for instance, we will also shift our attention from the current LNG project jointed conducted with logistic companies, to the constructions of refueling stations in order to strive for better investment returns.

Real estate business – In the second quarter of 2019, the Group had lodged its application of presale consent for the headquarter property located in Zhuhai, and started selling Block A and B of the residential property since late June, whereas the actual handover of such is expected to be around September of 2020.

4. Business outlook

In the past, the key markets of the Group were located in the Southern China region. Given the domestic fierce competitions as well as the national market uncertainties led by the continued pressure on trade laid by the United States, these markets may possibly see their operating environments deteriorate. Securing our Group not being dragged along by these market risks is unattainable, however, the expansion into much more markets will not only help minimizing but also diversifying the risks.

Accordingly, the Group had 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 developments forward with our end-user markets so as to facilitate a rapid growth in our business volume. Meanwhile, we are reviewing the Group's industry structure and operating model so as to continuously improve the 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 development of our oil products business will be expedited.

(1) As for our marine bunkering business, since Hong Kong or ports along the coastal lines of the Mainland China are not considered as embodying with any geographical advantage, our foothold established in Singapore plays a very crucial role for improving our marine bunkering business. Additionally, leasing a floating warehouse with a size of 300,000 tonnes as a procurement centre in Malaysia had already sufficiently helped lowering the procurement costs of marine fuel oil, and successfully helped the Group to tap into the marine bunkering market in Singapore. Our ultimate goal is to further increase the market share and explore stable and long-term high-end clients.

(2) We are currently planning to expand our marine bunkering business to all of the ports in Malaysia, where our establishments at Port Klang in Malaysia have started trading and refueling business since early August this year. Meanwhile, our company in Singapore will provide supply services of oil products and technical support for these new markets.

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

(4) Other than laying the groundwork for operations in the 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 tap into the auto-fuel market in Hong Kong. In the first half of 2019, the oil sales volume on land amounted to approximately 56,150 tonnes.

LPG business – The retail markets located in the Southern China region (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) We are actively seeking industrial users of LPG. When the emergence of new energies has already affected our business of auto-gas refueling for civilian uses, the volume of LPG for industrial uses skyrockets on a year-on-year basis, for such our sales team in the Mainland China will step up efforts to seek new industrial clients.

(3) 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 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 return on capital.

LNG business – Provided that the Guangdong LNG market has not been mature enough, the Group will invest only a small portion of its resources to planning and building its sales network on this stage.

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. Being delayed because of the changes in the Malaysian government during 2018, the project has now been brought back onto the right track. We believe that a significant part of the Group's annual sales volume of oil and gas will come from the products manufactured by the refinery upon its completion. From then, 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 and low-cost ecosystem. This will also enhance the Group's bargaining power on the international markets, thus broadening its procurement channels and realizing its promise on creating more sales opportunities.

We are confident that a long-term growth in the sales of the Group 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.

CHANGE IN DIRECTORSHIP

On 5 June 2019, Mr. Chiu Sing Chung, Raymond ("Mr. Chiu") retired from the office of executive director and a member of Remuneration Committee of the Company by rotation in accordance with the Company's bye-laws. As Mr. Chiu considered this a suitable opportunity for his retirement, he did not offer himself for re-election. The Board wishes to take this opportunity to express its gratitude to Mr. Chiu for his valuable service and contributions to the Company. Mr. Cen Ziniu, an executive director, was appointed as a member of Remuneration Committee with effect from 5 June 2019.

LIQUIDITY AND FINANCIAL REVIEW

At 30 June 2019, the net current assets of the Group amounted to approximately HK$5,880,151,000 (31 December 2018: HK$5,870,434,000) and the Group's bank balances and cash and pledged bank deposits was approximately HK$1,845,311,000 (31 December 2018: HK$2,538,892,000). At the reporting date, gearing ratio was 61.39% (31 December 2018: 62.08%) which was calculated based on total net borrowings of approximately HK$4,779,457,000 (31 December 2018: HK$4,634,479,000) and total equity attributable to owners of the Company of approximately HK$7,785,529,000 (31 December 2018: HK$7,465,486,000).

HUMAN RESOURCES

As at 30 June 2019, the Group employed approximately 1,310 employees in Hong Kong, Macau, Malaysia, 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

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 2019.

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 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the directors, throughout the six months ended 30 June 2019 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 2019.

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 2019 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, 26 August 2019

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. 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.