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 2020

FINANCIAL HIGHLIGHT

- Revenue for the period was decreased by around 11.53% to approximately HK$12,646 million mainly contributed to the fall in average price of energy products and the slight drop in total sales volume of energy products from approximately 3,712,000 tonnes to approximately 3,648,000 tonnes.
- Due to COVID-19 and the slump in global oil prices, the gross profit margin derived from oil bunkering business and electronic business has been substantially reduced or turned into gross loss margin. Thus the overall gross margin decreased to 0.4% as compared to 6.2% of the same period in last year.
- Loss for the period amounted to approximately HK$1,351 million mainly due to the drop in gross profit and additional provision for account receivables, inventories and property, plant and equipment.
- Equity attributable to the owners of the Company decreased by around 16.47% to approximately HK$6,691 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 2020 together with comparative figures for the corresponding period in 2019. 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 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	4	**12,646,211**	14,295,140
Cost of sales		**(12,594,313)**	(13,407,330)
Gross profit		**51,898**	887,810
Other gains and losses	5	**(317,721)**	12,907
Other income	6	**78,125**	31,938
Selling and distribution expenses		**(262,290)**	(249,230)
Administrative expenses		**(181,761)**	(192,089)
Impairment losses on trade and other receivables		**(554,012)**	(8,000)
Finance costs		**(146,282)**	(169,569)
Share of profits (losses) of joint ventures		**1,836**	(287)
Share of profit of an associate		**278**	608
(Loss) profit before taxation	7	**(1,329,929)**	314,088
Taxation	8	**(20,803)**	(12,900)
(Loss) profit for the period		**(1,350,732)**	301,188
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(147,124)**	(79,996)
Item that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**69,548**	30,412
Other comprehensive expense		**(77,576)**	(49,584)
Total comprehensive (expense) income for the period		**(1,428,308)**	251,604

	Note	Six months ended 30 June **2020** **(Unaudited)** ***HK$'000***	 2019 (Unaudited) *HK$'000*
(Loss) profit for the period attributable to:			
Owners of the Company		**(1,243,385)**	370,568
Non-controlling interests		**(107,347)**	(69,380)
		(1,350,732)	301,188
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(1,318,966)**	320,043
Non-controlling interests		**(109,342)**	(68,439)
		(1,428,308)	251,604
Basic (loss) earnings per share	9	**HK$(0.847)**	HK$0.252

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	Notes	**As at 30 June 2020 (Unaudited) *HK$'000***	As at 31 December 2019 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment	11	**2,139,366**	2,254,174
Right-of-use assets	11	**505,760**	559,486
Goodwill		**744,040**	766,973
Other intangible assets		**156,086**	178,202
Interest in an associate		**6,797**	6,689
Interests in joint ventures		**20,805**	19,265
Deposits paid and prepayments		**848,126**	693,407
Deferred tax assets		**810**	821
		4,421,790	4,479,017
Current assets			
Inventories		**1,958,314**	1,410,456
Trade receivables	12	**3,600,286**	4,778,317
Other debtors, deposits and prepayments	12	**1,704,817**	2,429,078
Amount due from an associate	12	**6,234**	6,716
Derivative financial instruments		**46,948**	6,606
Properties held for sales		**144,698**	146,841
Properties under development for sales		**756,585**	766,253
Pledged bank deposits		**354,961**	360,218
Bank balances and cash		**1,384,744**	2,288,684
		9,957,587	12,193,169
Current liabilities			
Trade payables	13	**443,327**	974,192
Other creditors and accrued charges		**230,820**	211,974
Contracts liabilities		**88,946**	78,909
Lease liabilities		**59,018**	57,868
Amount due to an associate		**10,174**	9,480
Amount due to a joint venture		**10,989**	5,576
Derivative financial instruments		**126,697**	9,787
Tax liabilities		**129,135**	117,100
Borrowings secured by pledged bank deposits – repayable within one year		**328,487**	328,487
Borrowings secured by other assets – repayable within one year		**27,520**	12,529
Borrowings unsecured – repayable within one year		**6,228,826**	5,340,256
		7,683,939	7,146,158
Net current assets		**2,273,648**	5,047,011
Total assets less current liabilities		**6,695,438**	9,526,028

	Note	As at 30 June 2020 (Unaudited) HK$'000	As at 31 December 2019 (Audited) HK$'000
Capital and reserves			
Share capital	14	**146,812**	146,812
Share premium and other reserves		**6,543,900**	7,862,866
Equity attributable to owners of the Company		**6,690,712**	8,009,678
Non-controlling interests		**(144,896)**	(35,554)
Total equity		**6,545,816**	7,974,124
Non-current liabilities			
Deferred tax liabilities		**60,574**	64,280
Borrowings secured by other assets – repayable over one year		**-**	21,302
Borrowings unsecured – repayable over one year		**-**	1,351,836
Lease liabilities		**89,048**	114,486
		149,622	1,551,904
		6,695,438	9,526,028

1. General Information

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. Significant Events and Transactions in the Current Interim Period and Basis of Preparation

Due to the unforeseen global COVID-19 pandemic and the slump in oil prices, the Group's business operation during the first 6 months of 2020 was seriously affected especially the oil bunkering business in Hong Kong and Singapore and the electronic business in the People's Republic of China. As a consequence, the gross profit margin derived from oil bunkering business and electronic business has been substantially reduced or turned into gross loss margin as compared to the same period of last year. On top of the foregoing, the Group has also experienced undue delay in trade receivables collection and inventory being sold under purchase costs in recent months, therefore the Group has to make additional potential impairment losses on trade receivables and allowance for inventories for the first six months period ended 30 June 2020.

The Group's property project centrally located in Gongbei, Zhuhai comprises 3 office blocks, 2 condo blocks and 3-storey mall with underground parking, having a total floor space of about 81,790 square metres. Construction of the building structure and most of the fitting out work have been completed in 2019. The project targets the Bigger Bay Area Market as well as international corporations. Unfortunately shortly after a sales drive of the property started and certain overseas buyers had been identified, travel restrictions were imposed in China and neighbouring countries due to the COVID-19 epidemic. As a consequence during the first 6 months of 2020, the Group was unable to benefit from the expected cash inflow generated from its property sales.

The Group incurred a net loss of approximately HK$1,350,732,000 and total operating loss before interest, tax, depreciation of intangible assets and amortisation of goodwill amounted to approximately HK$960,979,000 for the six months period ended 30 June 2020 (six months period ended 30 June 2019: net profit of HK$301,188,000 and total operating profit before interest, tax, depreciation of intangible assets and amortisation of goodwill amounted to approximately HK$665,198,000). The Group had current and non-current bank borrowings of approximately HK$5,386,198,000 and HK$1,198,635,000 as at 30 June 2020 respectively, while the Group maintained its pledged bank deposits, bank balances and cash in total of approximately HK$1,739,705,000 (31 December 2019: HK$2,648,902,000). Given that the Group incurred a net loss for six months period ended 30 June, 2020, the Group could not fulfil certain bank covenants relating to certain bank loans, the non-current portion of these bank loans and other bank loans due to cross-default amounted to HK$1,198,635,000 has to be reclassified and presented as the current liabilities in the condensed consolidated statement of financial position as at 30 June 2020. After the reclassification, the net currents assets of the Group has been reduced from approximately HK$3,472,283,000 to approximately HK$2,273,648,000.

Apart from the above, in mid-April 2020, a major oil trader in Singapore, Hin Leong Trading (Pte.) Ltd.("Hin Leong") was placed under judicial management by the Singapore courts (the "Hin Leong Incident") reportedly due to, among other things, defaults in payment of its loans to various banks and financial institutions. The Hin Leong Incident has had an immediate ripple-effect on the oil industry, as banks in both Singapore and Hong Kong have apparently became very concerned that there could be further defaults by oil traders as oil prices drop and accordingly began to tighten their credit lines to other oil traders in the market, including the Group. As a result of that and despite that the Group has no business or other connection with Hin Loeng whatsoever, a number of the Group's banks demanded a reduction or limitation of the documentary and other short term credit extended to the Group. Given that the business of the Group is heavily relied on the support of these credit facilities granted by the bank, and that the COVID-19 epidemic had halted pre-sale of property in the Zhuhai commercial development schedule for the first half year of 2020 as reported above, the Group has experienced short term liquidity pressure in settling bank trust receipts loans when they fall due.

The directors of the Company (the "Directors") have taken the following measures to mitigate the liquidity pressure and to improve its financial position:

i) Actively negotiating with individual banks to release the limitation imposed and extend the existing banking facilities to the Group;
ii) On a proactive basis negotiating with banks to arrange and agree on a debt restructuring plan;
iii) Engaged an international firm of accountants as its financial adviser to conduct an independent review of the up-to-date financial position of the Group with a view to facilitate the above mentioned negotiations with banks;
iv) The Group's current business operation is carrying out with the existing usable banking facilities and internal available cash. The profit generated from the operation is used to finance the ongoing operations the scale of which is succumbed to the availability of then resources;
v) Taking active measures to expedite collections of outstanding receivables;
vi) Intensify the sales effort of the Zhuhai commercial development through brokers so that sales can resume as soon as circumstance permit; and
vii) Taking measures to down size the oil products business to reduce operating cost and to generate additional cash through disposal of non-core asset items for the purpose of payment to banks and/or additional working capital.

On the basis of the progress made on debt restructure negotiations with banks, result of the collections actions, and the interest shown on the Zhuhai commercial development and the non-core asset items available for disposal, the Directors are currently optimistic that the liquidity issue of the Group can be resolved in due course. Taking into account the net current assets of approximately HK$2,273,648,000 as at 30 June 2020, and assuming the successful implementation of the above measures, the Directors consider the Group would be able to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis. The audit committee of the Company has no disagreement with the Directors on the above position and the going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying value of the Group’s assets to their recoverable amounts, to provide for any further liabilities that may arise and to re-classify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these condensed consolidated financial statements.

3. 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 additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's consolidated financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

3.2 Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Grants relating to compensation of expenses are deducted from the related expenses.

4. Revenue and Segment Information

A. *Disaggregation of revenue*

Six months ended 30 June 2020 (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	**2,246,804**	**-**	**-**	**2,246,804**
End users	**1,328,435**	**-**	**-**	**1,328,435**
	3,575,239	**-**	**-**	**3,575,239**
Oil/chemical products business				
Oil products				
Sale of oil products	**-**	**7,448,313**	**-**	**7,448,313**
Provision of agency services	**-**	**11,443**	**-**	**11,443**
	-	**7,459,756**	**-**	**7,459,756**
Sales of electronic products				
Integrated circuit	**-**	**-**	**1,587,477**	**1,587,477**
Mobile phones	**-**	**-**	**23,739**	**23,739**
	-	**-**	**1,611,216**	**1,611,216**
Total	**3,575,239**	**7,459,756**	**1,611,216**	**12,646,211**
Geographical markets, based on shipment destination				
Mainland China	**2,837,425**	**3,351,297**	**1,611,216**	**7,799,938**
Hong Kong	**14,431**	**1,381,244**	**-**	**1,395,675**
Singapore	**-**	**2,593,324**	**-**	**2,593,324**
Others (*Note*)	**723,383**	**133,891**	**-**	**857,274**
Total	**3,575,239**	**7,459,756**	**1,611,216**	**12,646,211**

Note: Other countries represented mainly countries in the Asia Pacific (excluding Singapore).

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.

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 and auto-gas end-users.

2. Oil/chemical products business - This segment derives its revenue from selling of oil/chemical products, 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. Thus, 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 2020 (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	**3,575,239**	**7,459,756**	**1,611,216**	**12,646,211**
Segment profit (loss)	**73,252**	**(657,603)**	**(432,284)**	**(1,016,635)**
Share of profit of an associate	**278**	**-**	**-**	**278**
Share of profit of a joint venture	**1,836**	**-**	**-**	**1,836**
	75,366	**(657,603)**	**(432,284)**	**(1,014,521)**
Other income				**52,678**
Central administration costs				**(54,555)**
Directors' emoluments				**(3,135)**
Changes in fair values of derivative financial instruments				**(164,114)**
Finance costs				**(146,282)**
Loss before taxation				**(1,329,929)**

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

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 2020 and 2019. 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 2020 (Unaudited) ***HK$'000***	As at 31 December 2019 (Audited) *HK$'000*
Sales and distribution of LPG	**3,326,169**	4,122,900
Sales and distribution of NG	**45,265**	47,549
Oil/chemical products business	**6,283,870**	7,676,846
Sales of electronic products	**614,181**	456,622
Total segment assets	**10,269,485**	12,303,917
Deferred tax assets	**810**	821
Pledged bank deposits	**354,961**	360,218
Bank balances and cash	**1,384,744**	2,288,684
Derivative financial instruments	**46,948**	6,606
Properties under development for sales	**756,585**	766,253
Properties held for sales	**144,698**	146,841
Other unallocated assets	**1,421,146**	798,846
Consolidated assets	**14,379,377**	16,672,186

Segment liabilities

	As at 30 June 2020 (Unaudited) ***HK$'000***	As at 31 December 2019 (Audited) *HK$'000*
Sales and distribution of LPG	**530,532**	717,687
Sales and distribution of NG	**10,989**	5,576
Oil/chemical products business	**328,992**	676,065
Sales of electronic products	**114**	114
Total segment liabilities	**870,627**	1,399,442
Derivative financial instruments	**126,697**	9,787
Tax liabilities	**129,135**	117,100
Deferred tax liabilities	**60,574**	64,280
Borrowings	**6,584,833**	7,054,410
Other unallocated liabilities	**61,695**	53,043
Consolidated liabilities	**7,833,561**	8,698,062

5. Other Gains and Losses

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Changes in fair values of derivative financial instruments (*Note*)	**(164,114)**	10,446
Gain on deemed disposal of a joint venture	**-**	1,065
(Loss) gain on disposal of property, plant and equipment and right-of-use assets	**(125,503)**	21,521
Net exchange loss	**(28,104)**	(20,125)
	(317,721)	12,907

Note: At as 30 June 2020, 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 2019: 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.

6. Other Income

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income on pledged RMB bank deposits	**3,743**	2,032
Other interest income	**34,585**	9,651
Income from provision of transportation and storage services	**13,872**	7,529
LPG bottle examination fee	**10,262**	628
Others	**15,663**	12,098
	78,125	31,938

7. (Loss) Profit Before Taxation

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss) profit before taxation has been arrived at after charging (crediting):		
Amortisation of other intangible assets (included in selling and distribution expenses)	**19,853**	20,284
Depreciation of property, plant and equipment	**63,570**	67,175
Depreciation of right-of-use assets	**35,641**	26,734
Total depreciation and amortisation	**119,064**	114,193
Impairment loss recognised in respect of trade receivables and other financial assets	**554,012**	8,000
Gross rental income from leasing of oil vessels and warehouses	**(9,282)**	(9,071)
Less: Direct operating expenses	**3,790**	3,120
	(5,492)	(5,951)

8. Taxation

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**(2,378)**	6,800
Other regions in the PRC	**24,875**	9,883
	22,497	16,683
Deferred tax		
Current period	**(1,694)**	(3,783)
	20,803	12,900

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.

9. Basic (Loss) Earnings per Share

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((loss) profit for the period attributable to the owners of the Company)	**(1,243,385)**	370,568

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,468,124,216**	1,468,124,216

No diluted (loss) earnings per share is presented as there are no potential ordinary shares in issue during the six months ended 30 June 2020 and 30 June 2019.

10. Dividend

No dividend was paid or proposed for ordinary shareholders of the Company during 2019, nor any dividend been proposed or paid since the end of the financial years ended 31 December 2019.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

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

During the six months ended 30 June 2020, the Group paid approximately HK$138,219,000 (six months ended 30 June 2019: HK$57,683,000) to acquire property, plant and equipment.

During the current interim period, the Group disposed of certain plant and machinery and right-of-use assets with an aggregate carrying amount of approximately HK$143,058,000 (six months ended 30 June 2019: HK$29,835,000) for cash proceeds of approximately HK$17,555,000 (six months ended 30 June 2019: HK$51,356,000), resulting in a loss on disposal of approximately HK$125,503,000 (six months ended 30 June 2019: a gain of HK$21,521,000).

During the current interim period, the Group entered into new lease agreements for the use of office and LPG station for 2 to 3 years (six months ended 30 June 2019: 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$7,741,000 (six months ended 30 June 2019: HK$1,212,000) of right-of-use asset and lease liability.

During the six months ended 30 June 2020, right-of-use assets for gas and oil plant and facilities with a total carrying amount of HK$9,585,000 and lease liabilities of HK$9,798,000 were derecognised upon early termination of relevant leases.

12. 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 2020 (Unaudited) ***HK$'000***	As at 31 December 2019 (Audited) *HK$'000*
0 to 30 days	**1,687,623**	1,831,419
31 to 60 days	**1,403,721**	1,441,278
61 to 90 days	**333,117**	1,172,028
91 to 180 days	**136,156**	295,969
Over 180 days	**39,669**	37,623
	3,600,286	4,778,317

Bills amounting to approximately HK$3,246,000 (31 December 2019: HK$29,782,000) 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.

13. Trade Payables

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

	As at 30 June 2020 (Unaudited) ***HK$'000***	As at 31 December 2019 (Audited) *HK$'000*
0 to 30 days	**344,564**	866,247
31 to 60 days	**406**	86,927
61 to 90 days	**58,153**	-
91 to 180 days	**21,520**	73
Over 180 days	**18,684**	20,945
	443,327	974,192

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

14. Share Capital

	Number of shares	Amount *HK$'000*
Ordinary shares of HK$0.10 each		
Authorised share capital:		
As at 1 January 2019, 31 December 2019 and 30 June 2020	20,000,000,000	2,000,000
Issued and fully paid share capital:		
As at 1 January 2019, 31 December 2019 and 30 June 2020	1,468,124,216	146,812

15. Capital Commitments

	As at 30 June 2020 (Unaudited) ***HK$'000***	As at 31 December 2019 (Audited) *HK$'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	**1,002,500**	440,948
Capital expenditure authorised for but not contracted and provided in the condensed consolidated financial statements in respect of acquisition of investment projects	**32,889**	33,489

16. Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2020 and 31 December 2019.

17. Related Party Transactions

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

	Six months ended 30 June	
	2020 **(Unaudited)** ***HK$'000***	2019 (Unaudited) *HK$'000*
Sales to a joint venture	**-**	12,283
Rental expenses paid to Shum Ho, Neo (*Note 1*)	**2,280**	2,388
Rental expenses paid to a related party (*Note 2*)	**13,536**	13,536
Management fee paid to an associate	**427**	1,938
Transportation fee received from an associate	**157**	637
Transportation fee received from a joint venture	**-**	229

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 9 December 2019, 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$380,000 per calendar month for another year commencing on 1 January 2020. The details of the transaction were set out in the announcement issued by the Company on 9 December 2019.

(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	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Salaries and allowances	**3,099**	3,789
Contribution to retirement benefit schemes	**36**	51
	3,135	3,840

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 2020 (six months ended 30 June 2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

1. Market Overview

1.1 International crude oil market

The past six months had seen a dramatic turbulence in oil prices. Brent crude oil priced at around US$65 per barrel in early 2020, but began to slide later in mid-February followed by an accelerating decline in March. Within as short as two months, such price dipped from around US$60 to a low of around US$20 per barrel in mid-April, but began gradually rising to US$40 per barrel in mid-May, and further recovered to nearly US$43 per barrel at the end of June. During the first half of 2020, the outbreak of the 2019 novel coronavirus pandemic ("COVID-19") had shaken the global economy where most economic activities had been almost halted. Energy products, like oil products, were on the same tragic road of supply exceeding demand. When oil producing countries did not show their enthusiasm to cut outputs, oil prices, after being hit by the ramifications of the pandemic, began to plummet since March. On 20 April, the US crude oil index even plunged to historical low of negative US$37.63 per barrel. Such global oil crash had stirred up considerable negative impacts on the energy market, where many leading oil companies had been thrown into the chaos of liquidity problems or losses on derivative contracts due to the sudden collapse of oil prices; for instance, Singapore's Hin Leong Trading (Pte.) Ltd. had filed for bankruptcy in this April amid such crisis. Even worse, a considerable number of banks had also made an overnight decision of tightening the credit facilities granted to energy businesses. Such abrupt move had meant a pause of support on working capital for the industry players, dooming them to misery.

1.2 The exchange rate of Renminbi

In the first half of 2020, the exchange rate of Renminbi against the US dollar remained plagued by the tug of war between China and the United States, lingering between 6.85 and 7.15; yet, the fluctuation ranges were not evident. When there lies the possibility that the market has most likely adapted to the China-US tension, such fluctuation in Renminbi was, so to speak, relatively stable as compared to that of the previous two years.

1.3 The oil and gas consumer market in the Mainland China

In respect to China, the country had also been hard-hit by COVID-19 while enduring the hostilities of the United States and western countries in the first half of 2020. Despite the fierce efforts of the Chinese government in thriving domestic demand, Chinese regions, including the Guangdong Province (i.e. the Group's major market in the Mainland China), had all suffered a drag on industrial outputs as a result of COVID-19, which may put the Chinese economy on the path of continuous slowdown for the months ahead. Although the demand for liquefied petroleum gas ("LPG") for re-export usages remained steady in the first half of 2020, that of industrial usages had become poorer due to COVID-19. Similarly, the vehicle-related demand for LPG had been on an ongoing downward trend when facing the challenges not only posed by COVID-19, but also the existence of liquefied natural gas, electric energy and the structural changes in taxi market. In the long run, the demand for oil products and LPG in the Mainland China will only be able to set for a low-to-moderate growth. When new energies such as natural gas, electric or even hydrogen energy are successively emerging into the market, the demand for traditional energies such as oil products and LPG in the Mainland China is expected to suffer some hit, especially under the launch of environmental protection policies by the government for the promotion of other eco-friendly new energies over the recent years. Amid such conditions, the Group will strive to tap into new markets, both domestically and internationally, while consolidating its existing customer market.

2. Basic situation of the Group during the first half of 2020

Being troubled by a series of black swan events such as the outbreak of COVID-19, the global oil crash and the tension flared up between China and the United States, our operating environment had been far from being satisfactory during the first half of 2020. Buckling in for market turmoil, some of our main competitors in the oil products market had sold oil products in large lots at low prices for cashing in during March and April. Due to the backlogs of work which had mounted up over the successive months, the Group under its operating model showed reluctance, but ultimately followed the pack to implement price cuts, resulting into the hefty decline in its overall gross profits of its energy products business. Furthermore, the global oil crash had also put individual clients of our oil products to suffer under such market sentiment, which led to a significant delay in the collection of trade receivables. For such, a provision for trade receivables of approximately HK$554 million had been made. On the other hand, against the backdrop of the diminishing demand for electronic parts (IC) in the domestic market, we needed to sell certain IC models at low prices to boost sales, and at the same time made an allowance for inventories. During the period, more than ten monohull oil tankers of the Group had been written off due to issues related to the specifications of its oil tankers in the Mainland China; in addition the Group has shutdown a few auto-gas refueling stations due to shortage of demand, the disposition of the above assets had incurred losses of nearly HK$125 million. During the period, losses from futures hedging were amounted to approximately HK$164 million. Although the Group did not see any significant shrinkage in its business volume, it had recorded a loss of approximately HK$1.35 billion in this six months as a consequence of the said factors mentioned above.

Given that the Group incurred a net loss for six months period ended 30 June 2020, the Group could not fulfil certain bank covenants relating to certain bank loans, the non-current portion of these bank loans and other bank loans due to cross-default has to be reclassified and present as current bank borrowings in the consolidated statement of financial position. After the reclassification, the net current assets of Group is approximately HK$2.3 billion. In addition, due to the bankruptcy of Hin Leong Trading (Pte.) Ltd. and the slump in global oil prices in first half year of 2020, a number of the Group's banks demanded a reduction or limitation of the documentary and other short term credit extended to the Group. In order to mitigate the liquidity pressure and to improve its financial position, the directors of the Group have implemented different measures including proactive approach to negotiate with banks to arrange and agree on a debt restructuring. The background and various measures implemented by the Group have been disclosed in details in Note 2 of the condensed consolidated financial statement.

2.1 Operating Income

In the first half of 2020, the Group had achieved a total revenue of approximately HK$12,646,211,000 (among which, the revenue of energy products was approximately HK$11,034,995,000, contributing around 87.26% of the total revenue), representing a drop of around 11.53% as compared to that of approximately HK$14,295,140,000 (among which, the revenue of energy products was approximately HK$13,862,679,000, contributing around 96.97% of the total revenue of the period) in the same period of last year. During the period, the sales volume of energy products had seen a mild decrease of approximately 64,000 tonnes as compared to that of the same period of last year. Contrastingly, the downturn of oil and gas prices in March and April had been sharp, so that the average prices of such over the past six months had been weaker than those of the same period of last year, which contributed to a nearly 11.53% period-on-period drop in the revenue during the first half of the year.

2.2 Gross profits

During the period, the total gross profits of the Group were approximately HK$51,898,000, being an evident dip as compared with that of approximately HK$887,810,000 in the same period of last year. The following is the analysis of gross profits by category:

	Gross profits / gross margin of the first half of 2020	Gross profits / gross margin of the first half of 2019
LPG	**HK$401,459,000 / 11.23%**	HK$449,194,000 / 10.21%
Oil products	**HK$82,724,000 / 1.11%**	HK$405,353,000 / 4.28%
Electronics	**HK$(432,285,000) / (26.83%)**	HK$33,263,000 / 7.69%
Total	**HK$51,898,000 / 0.41%**	HK$887,810,000 / 6.21%

Our gross margin of LPG business remained above 10%. Since our major competitors had turned to cut-throat tactics to sell products in large lots at low prices for cashing in during March and April, the Group unwillingly had to use the same tactic for our oil products business, that was to sell products below costs for the depletion of its holding stock so as to avoid further impairment risks as a result of the ongoing oil price slump. These explained the recorded negative gross profits in our marine bunkering business during March and April. As the market had restored in May and June, both our gross profits and gross margin had adjusted back to normal, despite the fact that our average overall gross profits for the six months were dragged down to a low of 1.11% (same period of last year: 4.28%). It was ever part of the Group's expectation at the beginning of the year that the order volume of electronic parts (such as IC) would rise by riding on the wave of the Chinese government's push to boost domestic demand; but unexpectedly, the global outbreak of COVID-19 had brutally dampened the manufacturing industry in general and demands for components as a result. Thus, we reluctantly had to lower the prices of our ordered electronic parts to cash in our goods. Over the past six months of this year, our electronics business in overall recorded negative gross profits of approximately HK$432,285,000 and a gross margin of negative 26.83%. Owing to the uncertain economic outlook, the Group will review its existing business risks and optimally allocate its resources. It has also come to the decision to scale down its business volumes of oil products and electronics businesses for the journey ahead.

2.3 Net profit and basic earnings per share

The loss for the period attributable to the owners of the Company was recorded as approximately HK$1,243,385,000, as compared to the net profit of approximately HK$370,568,000 as recorded by the Group in the same period of last year. Such loss was mainly due to the declines in gross profits, the allowance for inventories and trade receivables.

In the first half of 2020, the Group did not engage in any fund raising activities in relation to our shares. For the six months ended 30 June 2020, the weighted average number of the Company's issued ordinary shares was approximately 1,468,124,216 shares, and the basic loss per share in the first half of the year was around HK$0.847.

2.4 Next exchange gain and loss

As of 30 June 2020, the Group recorded a net exchange loss of approximately HK$28,104,000, which was comparable to that of the same period of last year.

2.5 Changes in fair values of derivative financial instruments

Over the recent years, the unceasing improvement in the sales volume of oil products had determined the considerable number of inventories of the Group. For mitigating any negative impacts on the Group's interests caused by factors such as price fluctuations and global economic uncertainties, the Group will enter into several derivative contracts for its oil products or LPG commodities for the purpose of hedging, all being done in response to its product inventory levels (if any holding over to next month) or any requests from individual client on fixed price purchases for the sake of reducing the risks of price volatility of its products. Nonetheless, the unforeseen global oil crash had stirred up short-lived but significant dives in the prices of oil products. Over the last six months, the loss from derivative contracts was amounted to nearly HK$164 million, among which, the unrealized loss from derivative contracts valued at about HK$76,567,000. When the month of April saw oil prices crash to low levels, the Group recorded more than HK$200 million of loss from derivative contracts; however, such loss is believed to be cut down further when oil and gas prices continue to pick up in the future.

2.6 Finance costs

As a result of price slumps of oil products and LPG in the recent six months, coupled with the kick-start of interest reductions at a global extent in the second half of 2019, our finance costs were down to around HK$146,282,000, representing a decrease of approximately 13.73% as compared with that of approximately HK$169,569,000 in the same period of last year.

2.7 Net current assets

As of 30 June 2020, the Group had its net current assets amounting to nearly HK$2,273,648,000 and its current ratio of around 129.59%, representing a dip of approximately HK$2,773,363,000 in its net current assets, as compared to the net current assets of about HK$5,047,011,000 (current ratio: 170.63%) as of 31 December 2019.

2.8 Net cash flow incurred by the operating activities

In June 2020, a net cash inflow of approximately HK$370,105,000 had been incurred by our operating activities; contrastingly, our investing and financing activities had recorded a net cash outflow of approximately HK$650,301,000 and HK$647,790,000 respectively, which contributed to a decrease of approximately HK$927 million in our cash and cash equivalents at the end of June as compared to that of the beginning of the year. The main cash outflow incurred by investing activities included short-term advance to an independent third party amounting to approximately HK$400 million and the investment in constructing hydrogen refueling plants amounting to approximately HK$160 million, whereas the majority of cash outflow incurred by financing activities was from the repayment of bank loans.

3. Performance review

During the period, the Group continued its focused efforts in its energy products businesses. In the first half of 2020, the Group achieved a total sales volume of approximately 3,648,000 tonnes, among which, the sales volume of LPG reached nearly 1,008,000 tonnes and that of oil products reached nearly 2,640,000 tonnes, which were comparable to those for the same period of last year.

	First half of 2020	First half of 2019
Sales volume of LPG (percentage contributed to the total sales volume of the period)	**1,008,000 tonnes (27.63%)**	977,000 tonnes (26.32%)
Sales volume of oil products (percentage contributed to the total sales volume of the period)	**2,640,000 tonnes (72.37%)**	2,735,000 tonnes (73.68%)
Total sales volume	**3,648,000 tonnes (100.00%)**	3,712,000 tonnes (100.00%)

3.1 LPG business

In the first half of the year, the Group realized a sales volume of approximately 1,008,000 tonnes for LPG, representing a rise of 3.17% as compared with approximately 977,000 tonnes for the same period of last year. Such growth was mainly contributed by wholesalers. Contrastingly, the sales volume contributed by industrial clients had dropped by the cause of COVID-19, whereas that of LPG for civilian usage had also fallen given the impacts 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$3.575 billion, representing a decline of approximately 18.73% as compared with that of nearly HK$4.399 billion in the same period of last year, which was mainly due to the diminishing average price of LPG as a result of the global oil crash.

During the period, the Group had realized gross profits of approximately HK$401 million, representing a dip of approximately 10.69% as compared with that of approximately HK$449 million in the same period of last year. Dragged along by the oil price crash, LPG prices had seen a fall, but end-user markets (such as the sales of bottled LPG) did not proceed any immediate downward adjustments to their selling prices, which in turn surprisingly bolstered the performance of our gross margins amid the chaos of oil price crash. During the period, the average gross margin of LPG business was approximately 11.23%, representing a mild increment as compared to that of approximately 10.21% in the same period of last year.

Sales

In the first half of 2020, the total sales volume of LPG amounted to approximately 1,008,000 tonnes, representing a rise of approximately 3.17% as compared with approximately 977,000 tonnes in the same period of 2019.

Sales category	**First half of 2020**	First half of 2019
Wholesalers	**673,000 tonnes**	469,000 tonnes
End-users	**335,000 tonnes**	508,000 tonnes
Total	**1,008,000 tonnes**	977,000 tonnes

The improvement in LPG business was mainly due to the growth in the wholesales volume, but the domestic demand had diminished over these six months under the impact of COVID-19. The business of LPG for civilian usage (such as industrial clients) had evidenced a decline with the shrinkage in the volume of auto-gas refueling relatively more prominent. In Guangzhou, the LPG auto-gas refueling market target buses and taxis as its core customers. 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 fueled buses, which in turn directly led to a slash in the consumption of LPG. On the other hand, the taxi industry was prone to serious underutilization as affected by the improper on-line car hiring services and COVID-19. In the circumstance that the demand for LPG from buses and taxies both declined due to different grounds, the ongoing shrinkage in the business volume of auto-gas refueling business had become unavoidable, where a number of refueling stations in Guangzhou had even been shut down during the period.

3.2 Oil products business

In the first half of the year, the Group achieved a total sales volume of approximately 2,640,000 tonnes of oil products in Hong Kong, the Mainland China and Singapore, representing a decrease of approximately 3.47% as compared with approximately 2,735,000 tonnes in the same period of last year.

The oil products business recorded a revenue of approximately HK$7.460 billion in the first half of the year, representing a contraction of approximately 21.17% as compared to that of nearly HK$9.463 billion in the same period of last year, which was mainly due to the drop in the average prices of oil products.

Although the sales volume was comparable to that of the same period of last year, the gross margins had narrowed to 1.11% (first half of 2019: 4.28%). A detailed analysis on the reasons for such is in the paragraph of "2.2 Gross profits".

Sales

Sales category	**First half of 2020**	First half of 2019
Hong Kong / Singapore		
Oil products / chemical products	**1,515,000 tonnes**	2,191,000 tonnes
China		
Oil products / chemical products	**1,125,000 tonnes**	544,000 tonnes
Total	**2,640,000 tonnes**	2,735,000 tonnes

The impact of COVID-19 on global shipping businesses, together with the imbalance between supply and demand for oil products, altogether contributed to the decrease in the sales volume of our overseas markets. Nonetheless, along with the recovery in transactions of oil products as the progression of COVID-19 slowed since March, the Group had reinforced its domestic trading of oil products to secure solid sales volume.

3.3 Electronics business

During the first half of the year, the electronics business recorded a revenue amounting to nearly HK$1,611,216,000 in total that was a surge as compared to around HK$432,461,000 in the same period of last year. To be in line with the Group's estimation at beginning of the year on the rise in domestic demand, our order quantities had been lifted. However, because of the unpredicted advent of COVID-19, demands for our products both in China and Southeast Asia had seen a drawback. For mitigating the risks associated with inventories, the Group reluctantly introduced price cuts to sell its inventories, thus a sum of approximately HK$430 million of negative gross profits had been recorded.

3.4 Other businesses

Hydrogen and LNG auto-gas refueling station business – Despite the fact that the Group had established its hydrogen station in Guangzhou last year, the demand for hydrogen as the automobile power remained limited; however, under the vigorous efforts of the government in promoting eco-friendly energies, the market demand for such is expected to skyrocket substantially. Besides, the Group had also launched a plan of constructing hydrogen refueling plants, whereas the LNG efforts are still under development at this stage. We have not only screened our existing projects, but also undertaken initiatives to axe projects which only have a slim chance of making profits to our Group. We will instead focus on devoting resources to nurture other potential projects, for instance, shifting our attention from our current cooperative LNG projects with logistic companies, to the construction of refueling stations for striving for better investment returns.

Real estate business – Since the third quarter of 2019, the Group had launched sales of Block A and B of the apartment property located in Zhuhai, where more than 30 apartments had been successfully sold. At the beginning of this year, a potential buyer had made an offer to acquire the entire Block B and E (office building); nonetheless, the social movements in Hong Kong coupled with the advent of COVID-19 had overall delayed such sales plan. Following the abatement of the outbreak, the Group will set for redeploying its marketing strategies and models in hope of maximizing the profits netted from the sale of such prime property.

4. Business outlook

Over the past, the key markets of the Group were located in the Southern China region. Given the fierce domestic competitions as well as the ongoing pressure that the United States ratcheted up on trade, a shadow had been cast over the Chinese market, which may possibly deteriorate our operating environment. Exposure to those market risks is practicably difficult and one of the effective way is to set footholds in much more diversified markets.

In view of these, 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.

Given the global oil price crash and numerous adverse factors affecting the Group's business activities during the first half of 2020, the future remains clouded. At present, the Group is reviewing its development strategies, and will best deploy its limited resources into its principal businesses.

Oil products business – Our oil products business will be modestly scaled down while placing emphases on the sales of products with high gross profits as well as cost saving measures. Since the costs of refueling business in Hong Kong are relatively high, the Group is committed to selling wholesale to clients who are distributors, and to lease its existing oil tankers to wholesalers. As to our business in Singapore, certain level of its operations will remain as marine bunkering business, with oil products of relatively stable gross profits and high commodity flow being the key. Meanwhile, the Group will take the occupancy of around 100,000 tonnes among the total leased capacity of 300,000 tonnes, while the remaining 200,000 tonnes will be leased to third parties for cost saving purposes.

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 further opportunities to develop more end-user markets for our bottled LPG. Meanwhile, we will enhance our management towards distributors and back them with stronger 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 usage, the volume of LPG for industrial usage skyrockets on a year-on-year basis. Although the demand for such had decreased because of COVID-19 in the first half of 2020, the Group believes that such impact would only be short-lived. Our sales team in the Mainland China will also step up efforts to seek new industrial clients.

(3) As to the expansion of our business to the overseas markets, we have begun wholesaling LPG to Africa two years ago. At present, we are in the search of 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.

Electronic business – The Group recorded losses in this project because of the instability on the market, thus will significantly slash the resources invested in such business.

New energy business – With the promotion of eco-friendly energies by the Chinese government, the Group will take its initiative to cultivate its hydrogen business, such as constructing hydrogen refueling plants. Provided that the Guangdong market is not ripe yet for LNG usages, the Group is only investing a limited amount of resources into the planning and construction of sales network at present.

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

(1) Once the pandemic of COVID-19 subsides, the Group will look for suitable investment partners to propel the forward momentum of its refinery project in Malaysia. We are confident that the products manufactured by the refinery upon its completion will contribute a significant part of the Group's annual oil and gas sales volume. From then, the Group's oil and gas business will be able to progress from being passively dependent on the supply from external sources, to be more genuinely self-sufficient.

(2) Upon the completion of the works of such vertical integration, the Group will be able to achieve better costs management under a low-risk and cost saving ecosystem. This will also profoundly 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 business 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 23 August 2020, Mr. Siu Ka Fai, Brian ("Mr. Siu") resigned from the office of executive director as he wish to devote more time to pursue personal commitments. The Board wishes to take this opportunity to express its gratitude to Mr. Siu for his valuable services and contributions to the Company.

LIQUIDITY AND FINANCIAL REVIEW

At 30 June 2020, the net current assets of the Group amounted to approximately HK$2,273,648,000 (31 December 2019: HK$5,047,011,000) and the Group's bank balances and cash and pledged bank deposits was approximately HK$1,739,705,000 (31 December 2019: HK$2,648,902,000). At the reporting date, gearing ratio was 72.42% (31 December 2019: 55.00%) which was calculated based on total net borrowings of approximately HK$4,845,128,000 (31 December 2019: HK$4,405,508,000) and total equity attributable to owners of the Company of approximately HK$6,690,712,000 (31 December 2019: HK$8,009,678,000).

HUMAN RESOURCES

As at 30 June 2020, the Group employed approximately 1,000 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 2020.

AUDIT COMMITTEE

The audit committee, comprising all independent non-executive directors of the Company, has reviewed 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 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the directors, throughout the six months ended 30 June 2020 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 2020.

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 2020 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, 31 August 2020

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