NewOcean Energy Holdings Limited

新海能源集團有限公司

(Incorporated in Bermuda with limited liability)

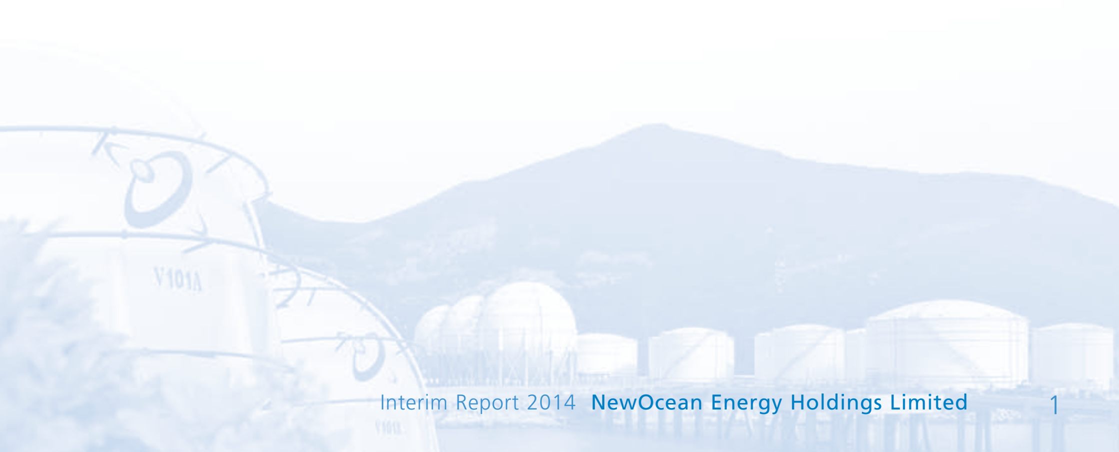
(於百慕達註冊成立之有限公司)

Stock Code 股份代號：342


# INTERIM REPORT 2014

# Contents





# Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
NEWOCEAN ENERGY HOLDINGS LIMITED

**Introduction**

We have reviewed the condensed consolidated financial statements of NewOcean Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 4 to 29, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

# Report on Review of Condensed Consolidated Financial Statements *(Continued)*

**Scope of Review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

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

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong

15 August 2014

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

*For The Six Months Ended 30 June 2014*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2014 (Unaudited)** | 2013 (Unaudited) |
| | *Note* | ***HK$'000*** | *HK$'000* |
| Revenue | *3* | **10,153,289** | 6,857,440 |
| Cost of sales | | **(9,467,090)** | (6,294,529) |
| Gross profit | | **686,199** | 562,911 |
| Net exchange (loss) gain | *4* | **(67,630)** | 89,307 |
| Other income | *5* | **120,766** | 83,459 |
| Selling and distribution expenses | | **(125,982)** | (107,812) |
| Administrative expenses | | **(105,362)** | (105,224) |
| Changes in fair values of derivative financial instruments | | **9,403** | (15,458) |
| Changes in fair values of convertible bonds | | **—** | 1,385 |
| Finance costs | | **(104,579)** | (123,995) |
| Share of profit of a joint venture | | **924** | 546 |
| Share of profits of associates | | **1,764** | 9,878 |
| Profit before taxation | *6* | **415,503** | 394,997 |
| Taxation | *7* | **(17,014)** | (16,415) |
| Profit for the period | | **398,489** | 378,582 |
| Other comprehensive (expense) income: | | | |
| Item that will not be reclassified to profit or loss: | | | |
| Exchange differences arising on translation to presentation currency | | **(12,376)** | 35,472 |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Fair value loss on available for sale investment | | **(14,937)** | (3,177) |
| | | **(27,313)** | 32,295 |
| Total comprehensive income for the period | | **371,176** | 410,877 |

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

*For The Six Months Ended 30 June 2014*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2014 (Unaudited)** | 2013 (Unaudited) |
| | *Note* | ***HK$'000*** | *HK$'000* |
| Profit (loss) for the period attributable to: | | | |
| Owners of the Company | | **398,183** | 378,754 |
| Non-controlling interests | | **306** | (172) |
| | | **398,489** | 378,582 |
| Total comprehensive income (expense) for the period attributable to: | | | |
| Owners of the Company | | **370,917** | 411,013 |
| Non-controlling interests | | **259** | (136) |
| | | **371,176** | 410,877 |
| Earnings per share | 8 | | |
| Basic | | **HK$0.268** | HK$0.277 |
| Diluted | | **HK$0.265** | HK$0.272 |

# Condensed Consolidated Statement of Financial Position

*At 30 June 2014*

| | Note | As at 30 June 2014 (Unaudited) *HK$'000* | As at 31 December 2013 (Audited) *HK$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *10* | **1,574,834** | 1,507,951 |
| Land use rights | *11* | **240,025** | 246,759 |
| Prepaid lease payments for coast | | **8,914** | 9,403 |
| Goodwill | | **294,832** | 296,060 |
| Other intangible assets | | **326,705** | 342,315 |
| Interests in associates | | **307,711** | 306,327 |
| Interest in a joint venture | | **12,748** | 11,893 |
| Available for sale investment | | **121,597** | 136,534 |
| Deposits paid | | **107,386** | 112,135 |
| Deferred tax assets | | **1,358** | 1,358 |
| | | **2,996,110** | 2,970,735 |
| **Current assets** | | | |
| Inventories | | **950,904** | 732,710 |
| Trade debtors and bills receivable | *12* | **2,331,740** | 2,376,246 |
| Other debtors, deposits and prepayments | *12* | **1,616,527** | 751,203 |
| Amounts due from associates | *12* | **975,086** | 418,965 |
| Derivative financial instruments | | **1,705** | 1,313 |
| Land use rights | *11* | **10,260** | 10,321 |
| Prepaid lease payments for coast | | **867** | 872 |
| Properties held for sales | | **192,779** | 211,541 |
| Properties under development for sales | | **207,002** | 208,218 |
| Pledged bank deposits | *13* | **4,678,817** | 3,862,030 |
| Bank balances and cash | | **1,046,791** | 1,747,612 |
| | | **12,012,478** | 10,321,031 |

# Condensed Consolidated Statement of Financial Position *(Continued)*

*At 30 June 2014*

| | Note | As at 30 June 2014 (Unaudited) HK$'000 | As at 31 December 2013 (Audited) HK$'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade creditors and bills payable | 14 | **2,564,304** | 2,173,145 |
| Other creditors and accrued charges | | **268,467** | 161,276 |
| Amount due to a joint venture | | **131** | 509 |
| Derivative financial instruments | | **14,294** | 20,302 |
| Tax liabilities | | **42,545** | 40,770 |
| Borrowings fully secured by pledged bank deposits – repayable within one year | 15 | **3,732,363** | 2,876,760 |
| Borrowings partially secured by pledged bank deposits – repayable within one year | 15 | **1,556,000** | 1,661,424 |
| Borrowings secured by other assets – repayable within one year | 15 | **—** | 192,166 |
| Borrowings unsecured – repayable within one year | 15 | **1,634,689** | 1,352,309 |
| | | **9,812,793** | 8,478,661 |
| **Net current assets** | | **2,199,685** | 1,842,370 |
| **Total assets less current liabilities** | | **5,195,795** | 4,813,105 |
| **Capital and reserves** | | | |
| Share capital | 16 | **148,340** | 148,340 |
| Share premium and other reserves | | **4,233,559** | 3,947,196 |
| Equity attributable to owners of the Company | | **4,381,899** | 4,095,536 |
| Non-controlling interests | | **21,520** | 21,261 |
| Total equity | | **4,403,419** | 4,116,797 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **137,828** | 144,031 |
| Borrowings unsecured – repayable over one year | 15 | **654,548** | 552,277 |
| | | **792,376** | 696,308 |
| | | **5,195,795** | 4,813,105 |

# Condensed Consolidated Statement of Changes in Equity

*For the six months ended 30 June 2014*

| | Attributable to owners of the Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital<br>*HK$'000* | Share premium<br>*HK$'000* | Special reserve<br>*HK$'000*<br>*(Note i)* | Statutory surplus reserves<br>*HK$'000*<br>*(Note ii)* | Exchange reserve<br>*HK$'000* | Share options reserve<br>*HK$'000* | Investment revaluation reserve<br>*HK$'000* | Contributed surplus accounts<br>*HK$'000* | Other reserve<br>*HK$'000* | Retained profits<br>*HK$'000* | Total<br>*HK$'000* | Non-controlling interests<br>*HK$'000* | Total<br>*HK$'000* |
| At 1 January 2014 (audited) | 148,340 | 1,450,967 | 122,085 | 40,799 | 208,046 | 3,743 | (19,658) | 1,667 | (127) | 2,139,674 | 4,095,536 | 21,261 | 4,116,797 |
| Profit for the period | – | – | – | – | – | – | – | – | – | 398,183 | 398,183 | 306 | 398,489 |
| Exchange difference arising on translation to presentation currency | – | – | – | – | (12,329) | – | – | – | – | – | (12,329) | (47) | (12,376) |
| Fair value loss on available for sale investment | – | – | – | – | – | – | (14,937) | – | – | – | (14,937) | – | (14,937) |
| Total comprehensive (expense) income for the period | – | – | – | – | (12,329) | – | (14,937) | – | – | 398,183 | 370,917 | 259 | 371,176 |
| Appropriations | – | – | – | 3,418 | – | – | – | – | – | (3,418) | – | – | – |
| Dividend paid *(note 9)* | – | – | – | – | – | – | – | – | – | (84,554) | (84,554) | – | (84,554) |
| At 30 June 2014 (unaudited) | 148,340 | 1,450,967 | 122,085 | 44,217 | 195,717 | 3,743 | (34,595) | 1,667 | (127) | 2,449,885 | 4,381,899 | 21,520 | 4,403,419 |
| At 1 January 2013 (audited) | 130,586 | 711,250 | 122,085 | 36,220 | 143,746 | 5,663 | – | 1,667 | (127) | 1,417,314 | 2,568,404 | 16,572 | 2,584,976 |
| Profit (loss) for the period | – | – | – | – | – | – | – | – | – | 378,754 | 378,754 | (172) | 378,582 |
| Exchange difference arising on translation to presentation currency | – | – | – | – | 35,436 | – | – | – | – | – | 35,436 | 36 | 35,472 |
| Fair value loss on available for sale investment | – | – | – | – | – | – | (3,177) | – | – | – | (3,177) | – | (3,177) |
| Total comprehensive income (expense) for the period | – | – | – | – | 35,436 | – | (3,177) | – | – | 378,754 | 411,013 | (136) | 410,877 |
| Appropriations | – | – | – | 273 | – | – | – | – | – | (273) | – | – | – |
| Dividend paid *(note 9)* | – | – | – | – | – | – | – | – | – | (56,369) | (56,369) | – | (56,369) |
| Issued of shares pursuant to a placement *(note 16(a))* | 16,650 | 762,570 | – | – | – | – | – | – | – | – | 779,220 | – | 779,220 |
| Issued of shares pursuant to exercise of share options *(note 16(b))* | 1,104 | 7,719 | – | – | – | (1,920) | – | – | – | – | 6,903 | – | 6,903 |
| Transaction costs attributable to issue of shares | – | (30,572) | – | – | – | – | – | – | – | – | (30,572) | – | (30,572) |
| At 30 June 2013 (unaudited) | 148,340 | 1,450,967 | 122,085 | 36,493 | 179,182 | 3,743 | (3,177) | 1,667 | (127) | 1,739,426 | 3,678,599 | 16,436 | 3,695,035 |

*Notes:*

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

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

# Condensed Consolidated Statement of Cash Flows

*For the six months ended 30 June 2014*

| | Note | Six months ended 30 June 2014 HK$'000 (Unaudited) | 2013 HK$'000 (Unaudited) |
|---|---|---|---|
| Net cash used in operating activities | | | |
| Operating cash flows before movements in working capital | | **504,578** | 508,066 |
| Decrease in trade debtors and bills receivable | | **37,809** | 609,594 |
| Increase in inventories | | **(218,920)** | (32,967) |
| (Increase) decrease in other debtors, deposits and prepayments | | **(612,563)** | 125,319 |
| Increase in amounts due from associates | | **(556,121)** | (75,806) |
| Increase (decrease) in trade creditors and bills payable | | **397,429** | (1,249,547) |
| Other operating cash flows (net) | | **38,980** | (54,987) |
| | | **(408,808)** | (170,328) |
| Net cash (used in) from investing activities | | | |
| Interest received | | **78,762** | 75,429 |
| Purchase of property, plant and equipment | *10* | **(74,507)** | (133,734) |
| Withdrawal of pledged bank deposits | | **3,638,236** | 3,412,792 |
| Placement of pledged bank deposits | | **(4,461,315)** | (2,585,690) |
| Loans advances to independent parties | | **(234,929)** | (20,087) |
| Other investing cash flows (net) | | **(31,836)** | (11,528) |
| | | **(1,085,589)** | 737,182 |
| Net cash from (used in) financing activities | | | |
| Proceeds from issued of shares pursuant to a placement | | **—** | 779,220 |
| Proceeds from issued of shares pursuant to exercise of share options | | **—** | 6,903 |
| Expenses on issue of shares | | **—** | (30,572) |
| New borrowings raised | | **7,287,069** | 5,954,974 |
| Repayments of borrowings | | **(6,344,094)** | (7,190,967) |
| Dividend paid | | **(84,554)** | (56,369) |
| Other financing cash flows (net) | | **(59,014)** | (123,995) |
| | | **799,407** | (660,806) |
| Net decrease in cash and cash equivalents | | **(694,990)** | (93,952) |
| Cash and cash equivalents at beginning of the period | | **1,747,612** | 1,196,143 |
| Effect of foreign exchange rate changes | | **(5,831)** | 10,830 |
| Cash and cash equivalents at end of the period represented by bank balances and cash | | **1,046,791** | 1,113,021 |

# Notes to the Condensed Consolidated Financial Statements

*For the six months ended 30 June 2014*

## 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 ("Uniocean"), 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"), oil products business and sales of electronic products.

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

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

## 2. Principal Accounting Policies

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013.

**2. Principal Accounting Policies** *(Continued)*

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities;
- Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities;
- Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting; and
- HK(IFRIC) – INT 21 Levies.

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

**3. Segment Information**

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

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

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

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

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

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

*For the six months ended 30 June 2014*

## 3. Segment Information *(Continued)*

Information regarding the above segments is presented below.

***Six months ended 30 June 2014 (Unaudited)***

| | Sales and distribution of LPG | Oil products business | Sales of electronic products | Consolidated |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Segment revenue | 6,225,189 | 2,726,270 | 1,165,792 | 10,117,251 |
| Segment profit | 234,195 | 85,229 | 93,043 | 412,467 |
| Share of profits (losses) of associates | 5,192 | (3,428) | — | 1,764 |
| Share of profit of a joint venture | 924 | — | — | 924 |
| | 240,311 | 81,801 | 93,043 | 415,155 |
| Other income | | | | 102,171 |
| Profit from property investment and development in the PRC | | | | 18,512 |
| Central administration costs and directors' salaries | | | | (25,159) |
| Changes in fair values of derivative financial instruments | | | | 9,403 |
| Finance costs | | | | (104,579) |
| Profit before taxation | | | | 415,503 |

## 3. Segment Information *(Continued)*

***Six months ended 30 June 2013 (Unaudited)***

| | Sales and distribution of LPG *HK$'000* | Oil products business *HK$'000* | Sales of electronic products *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|
| Segment revenue | 5,826,929 | 943,570 | 58,441 | 6,828,940 |
| Segment profit | 449,321 | 2,500 | 4,023 | 455,844 |
| Share of profits of associates | — | 9,878 | — | 9,878 |
| | 449,321 | 12,378 | 4,023 | 465,722 |
| Other income | | | | 75,429 |
| Profit from property investment and development in the PRC | | | | 11,100 |
| Central administration costs and directors' salaries | | | | (19,186) |
| Changes in fair values of derivative financial instruments | | | | (15,458) |
| Changes in fair values of convertible bonds | | | | 1,385 |
| Finance costs | | | | (123,995) |
| Profit before taxation | | | | 394,997 |

All of the segment revenue reported above is from external customers, associates or a joint venture. Segment profit represents the profit earned by each segment without allocation of certain other income, profit from property investment and development in the PRC, central administration costs and directors' salaries, changes in fair values of derivative financial instruments and convertible bonds and finance costs.

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

*For the six months ended 30 June 2014*

## 3. Segment Information *(Continued)*

The total reportable segment revenue can be reconciled to the revenue as presented in condensed consolidated statement of profit or loss and other comprehensive income as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2014 (Unaudited)** | 2013 (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Total reportable segment revenue | **10,117,251** | 6,828,940 |
| *Add:* Revenue from property investment and development in the PRC | **36,038** | 28,500 |
| Revenue as presented in the condensed consolidated statement of profit or loss and other comprehensive income | **10,153,289** | 6,857,440 |

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

## 3. Segment Information *(Continued)*

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

***Segment assets***

| | **As at 30 June 2014 (Unaudited)** | As at 31 December 2013 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Sales and distribution of LPG | **5,387,410** | 4,538,210 |
| Oil products business | **1,533,679** | 1,272,686 |
| Sales of electronic products | **956,071** | 698,448 |
| Total segment assets | **7,877,160** | 6,509,344 |
| Available for sale investment | **121,597** | 136,534 |
| Deferred tax assets | **1,358** | 1,358 |
| Pledged bank deposits | **4,678,817** | 3,862,030 |
| Bank balances and cash | **1,046,791** | 1,747,612 |
| Derivative financial instruments | **1,705** | 1,313 |
| Properties held for sales | **192,779** | 211,541 |
| Properties under development for sales | **207,002** | 208,218 |
| Other unallocated assets | **881,379** | 613,816 |
| Consolidated assets | **15,008,588** | 13,291,766 |

## 3. Segment Information *(Continued)*

***Segment liabilities***

| | As at 30 June 2014 (Unaudited) HK$'000 | As at 31 December 2013 (Audited) HK$'000 |
|---|---|---|
| Sales and distribution of LPG | 2,702,079 | 2,279,918 |
| Oil products business | 55,371 | 4,181 |
| Sales of electronic products | 13,093 | 7 |
| Total segment liabilities | 2,770,543 | 2,284,106 |
| Derivative financial instruments | 14,294 | 20,302 |
| Tax liabilities | 42,545 | 40,770 |
| Deferred tax liabilities | 137,828 | 144,031 |
| Borrowings | 7,577,600 | 6,634,936 |
| Other unallocated liabilities | 62,359 | 50,824 |
| Consolidated liabilities | 10,605,169 | 9,174,969 |

## 4. Net Exchange (Loss) Gain

During the period, the amount included net exchange loss arising from pledged RMB bank deposits for United States Dollars ("USD") borrowings amounted to approximately HK$33,527,000 (six months ended 30 June 2013: net exchange gain of HK$42,038,000).

## 5. Other Income

| | **Six months ended 30 June** | |
|---|---|---|
| | **2014 (Unaudited)** | 2013 (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Interest income on pledged RMB bank deposits | **72,689** | 45,281 |
| Other interest income | **29,482** | 30,148 |
| Others | **18,595** | 8,030 |
| | **120,766** | 83,459 |

## 6. Profit Before Taxation

| | **Six month ended 30 June** | |
|---|---|---|
| | **2014 (Unaudited)** | 2013 (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Profit before taxation has been arrived at after charging: | | |
| Amortisation of land use rights (included in administrative expenses) | **5,293** | 4,406 |
| Amortisation of prepaid lease payments for coast (included in cost of sales) | **434** | 426 |
| Amortisation of other intangible assets (included in selling and distribution expenses) | **13,614** | 13,748 |
| Depreciation of property, plant and equipment | **36,251** | 42,492 |
| Total depreciation and amortisation | **55,592** | 61,072 |
| Gross rental income from leasing of oil vessels | **2,050** | 1,000 |
| *Less:* Direct operating expenses | **(653)** | (243) |
| | **1,397** | 757 |

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

*For the six months ended 30 June 2014*

## 7. Taxation

| | Six months ended 30 June | |
|---|---|---|
| | **2014** **(Unaudited)** | 2013 (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Other regions in the PRC | | |
| Current tax | **21,276** | 18,100 |
| Deferred tax | | |
| Current period | **(4,262)** | (1,685) |
| | **17,014** | 16,415 |

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Company's subsidiaries operating in Hong Kong incurred tax losses or the assessable profits are wholly absorbed by tax losses brought forward for the six months periods ended 30 June 2014 and 30 June 2013.

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

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

## 8. Earnings Per Share

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

| | Six months ended 30 June | |
|---|---|---|
| | **2014** **(Unaudited)** | 2013 (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) | **398,183** | 378,754 |

## 8. Earnings Per Share (Continued)

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | **1,483,398,216** | 1,367,040,244 |
| Effect of dilutive ordinary shares | | |
| Share options | **19,332,905** | 25,602,319 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **1,502,731,121** | 1,392,642,563 |

## 9. Dividend

| | Six months ended 30 June | |
|---|---|---|
| | **2014 (Unaudited)** | 2013 (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Final dividend of HK5.70 cents per share for the year ended 31 December 2013 paid during the interim period (2013: Final dividend of HK3.80 cents per share for year ended 31 December 2012) | **84,554** | 56,369 |

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

## 10. Movements in Property, Plant and Equipment

During the period, the Group paid approximately HK$74,507,000 (six months ended 30 June 2013: HK$133,734,000) to acquire property, plant and equipment. In addition, a deposit paid for the construction of an oil vessel amounted to approximately HK$35,014,000 which was classified as deposits paid as at 31 December 2013 was transferred to property, plant and equipment upon the completion of construction and physical delivery of the oil vessel in late June 2014.

## 11. Land Use Rights

| | **As at 30 June 2014 (Unaudited)** | As at 31 December 2013 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| The Group's land use rights comprise: | | |
| Land use rights outside Hong Kong, in the PRC under medium term leases | **250,285** | 257,080 |
| Analysed for reporting purposes as: | | |
| Non-current asset | **240,025** | 246,759 |
| Current asset | **10,260** | 10,321 |
| | **250,285** | 257,080 |

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

The Group allows an average credit period of 90 days to its trade debtors. The bills receivable are matured within the range of 30 days to 180 days for the period ended 30 June 2014 and the year ended 31 December 2013. The following is an aged analysis of trade debtors and bills receivable at the end of the reporting period presented based on the invoice date, which approximated the respective revenue recognition dates:

| | **As at 30 June 2014 (Unaudited)** | As at 31 December 2013 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 30 days | **1,036,920** | 1,155,625 |
| 31 to 60 days | **595,829** | 467,009 |
| 61 to 90 days | **156,355** | 238,606 |
| 91 to 180 days | **505,741** | 509,110 |
| Over 180 days | **36,895** | 5,896 |
| | **2,331,740** | 2,376,246 |

**12. Trade Debtors, Bills Receivable, Other Debtors, Deposits, Prepayments and Amounts Due From Associates** *(Continued)*

Included in deposits, there are trade deposits paid to suppliers of approximately HK$819,729,000 (31 December 2013: HK$278,639,000) in relation to the purchase of LPG and oil products which will be delivered within one year commencing from the date of the signed purchase contract.

As at 30 June 2014, included in other debtors, there are loan receivables of approximately HK$506,724,000 (31 December 2013: HK$274,729,000). Included in the loan receivables, there is amount of approximately HK$273,124,000 (31 December 2013: HK$274,729,000) denoted in RMB. All the loan receivables are short term loan advances to several independent parties with an average interest rate of 10% (31 December 2013: 7%) per annum and repayable within one year. A loan receivable with amount of HK$116,700,000 was repaid according to the repayment schedule after period ended 30 June 2014. The Group reviewed the recoverable amount of each loan receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The amounts due from associates are in trade nature aged within 90 days based on invoice date at 30 June 2014 and 31 December 2013. A credit period of average 90 days is granted to associates.

**13. Pledged Bank Deposits**

At 30 June 2014, RMB pledged bank deposits of approximately HK$4,665,730,000 (31 December 2013: HK$3,859,479,000) were pledged to banks to secure the bank loans.

**14. Trade Creditors and Bills Payable**

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

| | **As at 30 June 2014 (Unaudited)** | As at 31 December 2013 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 30 days | **1,384,463** | 881,477 |
| 31 to 60 days | **170,979** | 796,791 |
| 61 to 90 days | **498,293** | 154,561 |
| 91 to 180 days | **510,569** | 180,928 |
| Over 180 days | **—** | 159,388 |
| | **2,564,304** | 2,173,145 |

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

## 15. Borrowings

| | As at 30 June 2014 (Unaudited) HK$'000 | As at 31 December 2013 (Audited) HK$'000 |
|---|---|---|
| Bank trust receipts loans | 1,116,317 | 1,147,367 |
| Bank trust receipts loans and other bank loans (pledged with RMB bank deposits) | 5,288,363 | 4,432,760 |
| Bank trust receipts loans and other bank loans (pledged with HK$/USD bank deposits) | — | 105,424 |
| Other bank loans | 1,172,920 | 949,385 |
| | 7,577,600 | 6,634,936 |
| Repayable within one year shown under current liabilities | | |
| Borrowings fully secured by pledged bank deposits | 3,732,363 | 2,876,760 |
| Borrowings partially secured by pledged bank deposits | 1,556,000 | 1,661,424 |
| Borrowings secured by other assets | — | 192,166 |
| Borrowings unsecured | 1,634,689 | 1,352,309 |
| | 6,923,052 | 6,082,659 |
| Repayable over one year shown under non-current liabilities | | |
| Borrowings unsecured – more than one year, but not exceeding two years | 495,008 | 318,727 |
| Borrowings unsecured – more than two years, but not exceeding five years | 159,540 | 233,550 |
| | 654,548 | 552,277 |
| | 7,577,600 | 6,634,936 |

Bank borrowings include approximately HK$3,684,872,000 (31 December 2013: HK$2,779,279,000) fixed-rate borrowings which are due within one year. They carry average interest at 2.26% (31 December 2013: 2.36%) per annum. The remaining bank borrowings are variable-rate borrowings which carry interest at 1 month London Interbank Offered Rate plus certain basis points and Hong Kong Interbank Offered Rate plus certain basis points per annum ranging from 0.92% to 3.49% (31 December 2013: 0.92% to 3.64%) per annum. Included in total borrowings of the Group, approximately HK$4,713,939,000 (31 December 2013: HK$3,430,058,000) is guaranteed by the Company and/or its subsidiaries. At 31 December 2013, other bank loans of approximately HK$192,166,000 was secured by the Group's bills receivable and guaranteed by the Company and its subsidiary.

## 16. Share Capital

| | Number of shares | Amount HK$'000 |
|---|---|---|
| Ordinary shares of HK$0.10 each (2013: HK$0.10 each) | | |
| Authorised share capital: | | |
| At 1 January 2013, 31 December 2013 and 30 June 2014 | 20,000,000,000 | 2,000,000 |
| Issued and fully paid share capital: | | |
| At 1 January 2013 | 1,305,853,374 | 130,586 |
| Issued of shares pursuant to placements *(Note a)* | 166,500,000 | 16,650 |
| Issued of shares pursuant to exercise of share options *(Note b)* | 11,044,842 | 1,104 |
| At 31 December 2013 and 30 June 2014 | 1,483,398,216 | 148,340 |

*Notes:*

(a) On 22 April 2013, arrangements were made in accordance with a placing and subscription agreement dated 17 April 2013 (the "Placing and Subscription Agreement") for a private placement to independent placees of 166,500,000 shares of HK$0.10 each in the Company held by Uniocean, at a price of HK$4.68 per share representing a discount of approximately 13.49% to the closing market price of the Company's shares on 17 April 2013.

Pursuant to the Placing and Subscription Agreement, Uniocean subscribed for 166,500,000 new shares of HK$0.10 each in the Company at a price of HK$4.68 per share on 29 April 2013. The net proceeds of approximately HK$748,648,000 would be used as follows: (i) to upgrade and expand the handling capacity of LPG facilities at the Group's LPG terminal in Zhuhai, Guangdong Province, the PRC; (ii) for funding of the set up of Sinopec NewOcean Energy Company Limited ("Sinopec NewOcean") as set out in the announcement of the Company dated 10 April 2013; (iii) for the installation of LPG or Liquefied Natural Gas facilities in certain gas stations owned by China Petroleum & Chemical Corporation; (iv) to build two propylene tanks in Zhuhai Terminal to support the upgraded sea terminal in Zhuhai, Guangdong Province, the PRC; (v) to acquire LPG bottles in relation to the Company's business in Hong Kong and (vi) for general capital purposes. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 21 May 2013 and rank pari passu with other shares in issue in all respects.

**16. Share Capital** *(Continued)*

*Notes: (Continued)*

(b) During the period ended 30 June 2013, the Company issued and allotted a total of 11,044,842 shares of HK$0.10 each in the Company at exercise price of HK$0.625 each to certain share options holders who exercised their share options. These shares issued rank pari passu with other shares issue in all respects. There was no share options exercised by the share option holders during the six months period ended 30 June 2014.

The table below discloses movement of the Company's share options held by the Group's employees (including directors):

| Number of share options outstanding at 1 January 2013 | Exercised during the year ended 31 December 2013 | Number of share option outstanding at 31 December 2013 and 30 June 2014 |
|---|---|---|
| 32,582,284 | (11,044,842) | 21,537,442 |

There was no share option granted for the year ended 31 December 2013 and six months period ended 30 June 2014.

**17. Lease Commitments**

***The Group as lessee***

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | **As at 30 June 2014 (Unaudited)** | As at 31 December 2013 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **22,606** | 27,154 |
| In the second to fifth year inclusive | **30,188** | 35,001 |
| Over five years | **17,751** | 19,572 |
| | **70,545** | 81,727 |

## 17. Lease Commitments *(Continued)*

***The Group as lessee*** *(Continued)*

As at 30 June 2014, rentals are fixed for an average of 6 years (31 December 2013: 6 years). Operating lease payments mainly represent rentals payable by the Group for LPG gas stations owned by a wholly owned subsidiary, Lianxin Energy Development Limited ("Lianxin Energy") amounting to approximately HK$60,943,000 (31 December 2013: HK$67,041,000) as at 30 June 2014. Since 1 November 2013, the business of Lianxin Energy has been subcontracted to an associate of the Group, Sinopec NewOcean.

***The Group as lessor***

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

| | **As at 30 June 2014 (Unaudited)** | As at 31 December 2013 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **6,421** | 2,038 |
| In the second to fifth year inclusive | **1,505** | 1,803 |
| | **7,926** | 3,841 |

At the end of the reporting period, the Group had contracted with an associate and an independent party for the following future subcontracting payments:

| | **As at 30 June 2014 (Unaudited)** | As at 31 December 2013 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **15,417** | 12,691 |
| In the second to fifth year inclusive | **55,811** | 50,904 |
| Over five years | **43,421** | 61,503 |
| | **114,649** | 125,098 |

## 18. Other Commitments

| | As at 30 June 2014 (Unaudited) HK$'000 | As at 31 December 2013 (Audited) HK$'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 | 531,720 | 532,497 |

## 19. Contingent Liabilities

The Group had no significant contingent liabilities at both 30 June 2014 and 31 December 2013.

## 20. Fair Value Measurements of Financial Instruments

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

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

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

## 20. Fair Value Measurements of Financial Instruments *(Continued)*

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

| Financial assets/ financial liabilities | Fair value as at 30 June 2014 | Fair value hierarchy | Valuation techniques and key inputs |
|---|---|---|---|
| Equity securities classified as available for sale investment in the condensed consolidated statement of financial position | Listed equity securities in Korea — HK$121,597,000 (As at 31 December 2013: HK$136,534,000) | Level 1 | Quoted bid prices in an active market |
| Cross currency interest rate swaps contracts classified as derivative financial instruments in the condensed consolidated statement of financial position | Liabilities — HK$3,966,000 (As at 31 December 2013: Liabilities — HK$10,345,000) | Level 2 | Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties |
| Interest rate swaps contracts classified as derivative financial instruments in the condensed consolidated statement of financial position | Assets — HK$765,000 Liabilities — HK$9,588,000 (As at 31 December 2013: Assets — HK$1,313,000 and Liabilities — HK$9,957,000) | Level 2 | Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties |
| Commodities swaps contracts classified as derivative financial instruments in the condensed consolidated statement of financial position | Assets — HK$940,000 Liabilities — HK$740,000 (As at 31 December 2013: Assets — nil and Liabilities — nil) | Level 2 | Discounted cash flow. Future cash flows are estimated based on forward commodities price (from observable forward commodities price at the end of the reporting period) and contracted price, discounted at a rate that reflects the credit risk of various counterparties |

## 20. Fair Value Measurements of Financial Instruments *(Continued)*

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

There were no transfer between level 1 and 2 for the year ended 31 December 2013 and six months period ended 30 June 2014.

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

## 21. Related Party Transactions

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

| | **Six months ended 30 June** | |
|---|---|---|
| | **2014 (Unaudited)** | 2013 (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Sales to a joint venture | **2,144** | 1,025 |
| Rental expenses paid to Shum Ho, Neo *(Note 1)* | **2,640** | 480 |
| Sales to associates | **2,776,248** | 942,145 |
| Rental income received from associates | | |
| (i) Oil vessels | **2,050** | 1,000 |
| (ii) Office premises | **600** | 330 |
| Rental income for warehouse received from Lianxin Energy *(Note 2)* | **1,707** | — |
| Subcontracting fee received from an associate | **6,322** | — |
| Information and technical fees received from Lianxin Energy *(Note 2)* | **3,793** | — |
| Bunkering services charge paid to an associate | **667** | — |

## 21. Related Party Transactions *(Continued)*

*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 16 May 2013, Sound Management Services Limited, a wholly-owned subsidiary of the Company, entered into an office tenancy agreement with Shum Ho, Neo, son of Shum Siu Hung, for the use of office premises provided by Shum Ho, Neo located on 20th Floor, Times Tower, 393 Jaffe Road, Wanchai, Hong Kong at HK$80,000 per calendar month for a period of one year commencing on 16 May 2013. The agreement was expired on 15 May 2014. On 18 December 2013, Sound Management Services Limited, a wholly-owned subsidiary of the Company, entered into an office tenancy agreement with Ever Lucky Limited, a company incorporated in Hong Kong and wholly owned by Shum Ho, Neo, for the use of office premises owned by Ever Lucky Limited located on 23rd Floor, The Sun's Group Centre, No. 200 Gloucester Road, Wanchai, Hong Kong at HK$380,000 per calendar month for a period of one year commencing on 1 January 2014. The details of the transaction were set out in the announcement issued by the Company dated on 18 December 2013.

2. The operation of Lianxin Energy is subcontracted to Sinopec NewOcean from 1 November 2013 onward.

***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 | |
|---|---|---|
| | **2014 (Unaudited)** | 2013 (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Salaries and allowances | **4,102** | 4,334 |
| Contribution to retirement benefit schemes | **47** | 45 |
| | **4,149** | 4,379 |

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 2014 (six months ended 30 June 2013: nil).

# Management Discussion and Analysis

## 1. Overview

The Central Government's promotion of liquefied natural gas ("LNG") is now having an influence on the economics of the energy market in the Guangdong province and is spurring investment in this sector. Although currently substantive demand for LNG only comes from a limited number of user groups, under the strong market influence, it is bound to be the new dominant force of the energy market in Guangdong.

We have long identified LNG to be the Group's growth driver going forward. The Group has adopted the strategy of expansion through developing the end-point market. In the first half of 2014, the Group has adopted a strategy to cooperate with large transport companies, to build LNG stations across the major transportation hubs in the Guangdong province. As the same time, we have targeted vehicle fleets of transport companies to be our long term customers for the LNG stations.

As the current market expectation for of LNG is much higher than other energy products, it causes a tapering in the demand growth for traditional energy products. At the same time, the current economic climate is also discouraging investors to invest in the manufacturing industry, resulting in a slowdown in energy demand. Other than LNG and other environmental friendly energy products, the Guangdong energy market is currently facing a stage of stagnation.

## 1. Overview *(Continued)*

During first half of this year, apart from the increase in market demand for liquefied petroleum gas ("LPG") as feedstock for chemical plants, we see a slight decrease in both LPG demand as heat fuel for household and industrial consumption, and for auto-gas refilling. During the period the Group has been strieving to maintain the LPG sales volume, and also actively expand distribution channels for the oil products, due to rapid sales growth in our oil product division. The Group will continue to invest in capital expenditures, to refine, optimize, and integrate the operational chain of our oil products division, to lower the logistical cost in order to achieve the target of increasing our bottom line.

Among the fixed asset investment of the Group: (1) the operation of the 70,000 ton oil storage depot and ancillary berth project was delayed due to the complexity of government approval procedures involving different departments, we expect the depot to commence operation in the fourth quarter of 2014; (2) the construction of two LPG tanks in the transit warehouse in the Zhuhai terminal was fully completed, inspected and in operation in May 2014; (3) the first LNG station with our joint venture partner China Petroleum and Chemical Corp ("Sinopec") Guangdong branch is in operation from April 2014; (4) the first 4,500 tons bunker ship funded by the Group was completed construction on 4 July 2014 and now in operation, the second 4,500 tons bunker ship will arrive Hong Kong in September 2014. These facilities will enable the Group to increase its operational efficiency and will bring financial benefits in the second half of this year.

## 2. Overall performance of the Group

The Group recorded a total turnover of approximately HK$10.153 billion in the first half of 2014, representing a growth of 48.07% as compared to the total turnover of approximately HK$6.857 billion in the same period of 2013. The main reasons for the increase in turnover include: (A) turnover of oil products increased almost twofold; (B) electronics business, which almost halted in first half of 2013, started to recover during second half of 2013, and we see a significant increase in turnover during the first half of 2014.

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

The Group recorded a net profit of approximately HK$398 million during the period, representing an increase of 5.01% as compared to the net profit of approximately HK$379 million in the same period of 2013. The Group did not engage in any capital raising activities during the period. As of 30 June 2014, the Company's weighted average number of ordinary shares was 1,483,398,216 shares (30 June 2013: 1,367,040,244 shares). Basic earnings per share for the first half of 2014 was HK$0.268 (for the half year ended 30 June 2013: HK$0.277), representing a slight decrease of 3.25% as compared to the same period of last year.

During the first half of 2014, the Group's aggregate gross profit reached approximately HK$686 million, representing an increase of 21.85% as compared to approximately HK$563 million in the same period of 2013 (i.e. Increase of approximately HK$123 million). Sales of oil products showed a rapid increase during the period. Although the profitability of oil products showed a significant improvement, when compared to our existing LPG and electronics businesses, profit margin from oil products still remains relatively thin, hence the Group's overall profit margin decreased to 6.76% (same period of 2013: 8.21%).

### *2.1 Segment performance*

Total sales of energy products (including LPG and oil products) in the first half of 2014 was approximately 1,335,100 tons, representing an increase of 25.63% as compared to approximately 1,062,700 tons in the same period of 2013 (i.e. Increase of 272,400 tons).

*LPG business*

For the first half of 2014, the Group's sales and turnover of LPG reached approximately 813,300 tons and approximately HK$6.225 billion respectively. Sales and turnover of LPG in same period of 2013 were approximately 859,700 tons and approximately HK$5.827 billion respectively. Comparing the two periods, sales decreased 5.40% while turnover increased 6.83%. Turnover recorded an increase despite the decrease in sales volume as a result of a 4% to 5% price hike in the international LPG market compared to last year, while the price of domestic LPG increased even more significantly.

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

### *2.1 Segment performance* *(Continued)*

*LPG business (Continued)*

Gross profit of LPG in the first half of 2014 was approximately HK$483 million, a decrease of approximately HK$62 million from the gross profit of approximately HK$545 million from the same period of 2013. Meanwhile, gross margin decreased to 7.76% from 9.35% in the same period last year. Decrease in gross profit and gross margin was mainly due to (A) the joint venture with Sinopec started to operate and manage the wholly-owned subsidiary of the Group, Lianxin Energy Development Limited ("Lianxin Energy") by way of subcontract since November 2013 (including 17 autogas refueling stations in Guangzhou) in return, the joint venture will pay a subcontracting fee of RMB10 million to the Group each year and the Group is allowed to charge Lianxin Energy for information and technical services fee up to RMB48.3 million each year and the Group will be the sole supplier of LPG to the joint venture. During the period, turnover of autogas refueling stations of Lianxin Energy was no longer consolidated to the Group's consolidated financial statements. Although the Group still carried out wholesale business of LPG supply for the joint venture, yet the gross profit from end market was transferred to the joint venture, as a result, gross profit of the Group's autogas refueling business was reduced, leading to a decrease in gross margin; (B) the sluggish market demand led to the decrease in sale and resulted a decrease in gross profit; (C) among the LPG sales, a certain amount was direct sales which the price was determined by cost plus a fixed dollar amount, the absolute amount of the gross profit of these sales would not be decreased by a rise in cost, however, the gross margin would be decreased.

As of 30 June 2014, the ratio of LPG business accounting for the Group's total turnover further decreased to 61.31% (same period of 2013: 84.98%) due to an increase in both oil products and electronics business volume.

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

### *2.1 Segment performance* *(Continued)*

*Oil products business*

Total sales of the Group's oil products during first half of 2014 amounted to approximately 521,800 tons, representing an increase of 157.04% as compared to the approximately 203,000 tons in the same period of 2013. Turnover increased from approximately HK$944 million in the same period of 2013 to approximately HK$2.726 billion, representing an increment of 188.77%.

The Group adopted different measures to enhance the profitability of marine bunkering business during the period. The Group directly purchased marine fuel oil in bulk from overseas, in order to save transportation expenses and overall procurement cost. The Group also used fuel oil derivatives for price hedging to lock in price differences. These initiatives successfully improved the profitability of the oil products business, achieving a gross profit of approximately HK$90.491 million (same period of 2013: HK$3.781 million), while at the same time boosted the gross margin of oil products business to 3.3%.

As of 30 June 2014, the ratio of oil products business accounting for the Group's total turnover increased from 13.77% in the same period of 2013 to 26.85%.

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

### *2.1 Segment performance* *(Continued)*

*Electronics business*

Trading volume of mobile phones and electronic components ("electronics") greatly rebounded in the first half of 2014, with turnover increased to approximately HK$1.166 billion. Key customers in Thailand immediately restored purchase of electronics products from the Group after they completed business restructuring in the second half of last year. The major electronic products are the integrated circuit ("IC") and other parts for the manufacturing of smart phone. After the business restructuring in the first half year of 2013, the customers in Thailand is now mainly focused on developing and manufacturing advance model of smart phone and thus increased the demand on newly developed IC. Trading volume raise instantly. Turnover in second half of last year bounced back to approximately HK$874 million from approximately HK$58 million in first half of the year 2013. During the first half of 2014, trading volume further increased to approximately HK$1.166 billion. Contribution to the gross profit of electronics business during the period amounted to approximately HK$93.89 million, more than three times over the annual profit margin of approximately HK$22.29 million in 2013, with a gross margin jumping back to a normal level of approximately 8.05% (entire year of 2012: 9.93%; entire year of 2013: 2.55%).

As of 30 June 2014, electronics business accounted for 11.48% of the Group's total turnover.

### *2.2 Foreign exchange gain/(loss) and other income*

Since January, the RMB/USD exchange rate started to drop from historical high. The exchange rate rose slightly in May and is now stabilizing at approximately 1 USD to RMB6.18.

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

### *2.2 Foreign exchange gain/ (loss) and other income* *(Continued)*

The Group recorded a net exchange loss of approximately HK$67.63 million during first half of the year, which was mainly due to a net exchange loss of approximately HK$33.53 million in RMB bank deposit resulted from structured matching arrangements (including last year's balance and this year's new account). Meanwhile, these structured matching arrangements brought a net interest income of approximately HK$27.48 million (approximately HK$72.69 million income interest of secured deposits minus approximately HK$45.21 million interest expense of borrowings secured by pledged bank deposits) in the six months period. After deducting the net interest income from the net exchange loss, actual impact made to profit and loss during first half of the year was approximately HK$6.05 million. Assuming that the exchange rate of RMB could remain its existing level at the end of the year, the Company's net interest income from structured matching arrangements could fully compensate the annual net exchange loss and might even leave behind a revenue.

The remaining net exchange loss of approximately HK$34.10 million was contributed by RMB current accounts within the Group and certain RMB current assets. As a Hong Kong enterprise whose sales mainly arising from Mainland China, we were inevitably affected by RMB exchange rate fluctuation. However, these were mainly unrealised net exchange loss in the consolidated financial statements, no actual material effects were caused to the Group's cash flow yet.

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

### *2.3 Operating costs control*

*Finance costs*

The Group's finance costs (excluding the interest expenses on borrowings secured by pledged bank deposits) for first half of 2014 was approximately HK$59.37 million, representing a decrease of 33.98% as compared to approximately HK$89.93 million in the same period of 2013. During the first half of 2014, the Group mainly utilized USD borrowings raised in Hong Kong and retained only a small portion of RMB denominated short term loans. Although the outstanding amount of total bank loans was 74.71% higher than that in the same period of 2013, finance costs during the period was significantly reduced.

*Operating costs*

Selling and distribution expenses plus administrative expenses during first half of the year amounted to approximately HK$231 million (same period of 2013: HK$213 million). The Group devoted enormous resources to accelerate the expansion of oil products business and to develop various LNG related projects during the period. Based on business volume growth, the actual operating costs increase was around 20%. However, as Lianxin Energy (including its 17 autogas refueling stations) was operated by joint venture by way of a subcontracting arrangement during the period, its selling and distribution expenses and administrative expenses (approximately HK$30 million) was no longer consolidated to the Group's consolidated financial statements. Taking into account such factors, operating costs of the Group only increased by 8.45%.

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

### *2.4 Conclusion*

During the first half of 2014, demand for LPG was relatively weak, the Group's LPG business contribution did not grow as fast as expected, but remain stable as a whole. On the other hand, the oil products business performed extremely well, not only sales volume doubled, we also see significant improvement in gross profit. A significant reduction in finance costs has offset the effect of net exchange loss, enabling the Group to weather the challenging environment.

## 3. LPG business condition

The Group accomplished approximately 813,300 tons of LPG sales during first half of 2014, representing a decrease of 5.40% as compared to the sales of approximately 859,700 tons in the same period of 2013. During the period, the Group purchased approximately 557,000 tons of LPG from the international market and approximately 256,300 tons of domestic LPG from local oil refining plants.

### *Industrial customers*

Sales to industrial customers in the Guangdong province was approximately 368,000 tons in the first half of 2014, representing a decrease of 3.41% as compared to the sales of approximately 381,000 tons in the same period of 2013. However, if compared to the sales of approximately 362,800 tons in second half of 2013, there was a slight increase of 1.43%. The slight decrease was a combined result of the following factors: (A) certain customers switched to natural gas as production energy which led to a decrease in demand for LPG; (B) many new chemical plants (that uses exclusively LPG as raw material in producing chemical products) that could potentially be our major customers were still under construction and the completion date was delayed, as a result, these new plants did not bring any additional demand to the Group; (C) existing plants in operation are more active, their production volume increased, as so as demand for LPG. During the first half of 2014, sales to industrial customers increased slightly, we expect the sales to grow significantly when the new chemical plants commence production in the second half of 2014.

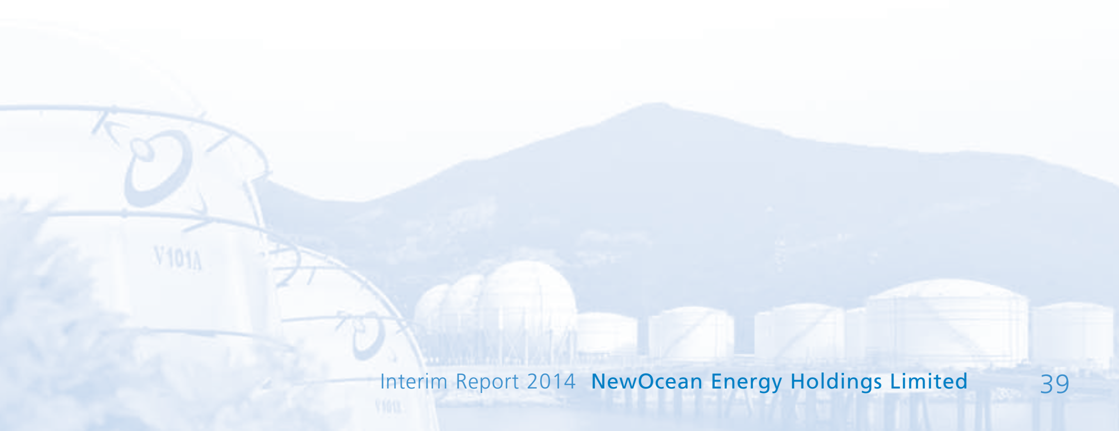
### 3. LPG business condition *(Continued)*

***Overseas customers***

Sales to overseas customers during first half of the year was approximately 175,300 tons, representing an increase of 5.41% as compared to approximately 166,300 tons in the same period of last year. Among which approximately 35,800 tons was shipped to South East Asia via the bonded warehouses in the Zhuhai Terminal, the remaining cargo was directly shipped to the customers' overseas cargo terminal after loading from the export port. These kind of businesses only generated minimal profit, however, since all overseas customers are renowned international oil companies or oil traders, a healthy cooperation with them would enable us to enjoy a favourable price while purchasing from overseas, and at the same time boost the Group's reputation and status in the international market.

***Other terminals and bottling plants***

Sales of other terminals and bottling plants during first half of the year was approximately 29,300 tons, representing a decrease of 47.68% as compared to approximately 56,000 tons in the same period last year, yet a significant increase as compared to the sales of approximately 9,000 tons in second half of last year. Sales in first half of the year approximated to the average annual sales of last year. These kind of business only generated minimal profit, yet we ought to maintain certain cooperations with other players in the industry in order to steadily expand our business in the area.



## 3. LPG business condition *(Continued)*

### *Bottled LPG*

Sales of the Group's bottled LPG during first half of 2014 was approximately 129,200 tons, representing a decrease of 8.76% as compared to the sales of approximately 141,600 tons in same period of 2013. Supply of natural gas among various cities in the Guangdong province was gradually increasing and the pipe network coverage extended to large volume commercial users (including hotels, restaurants and eateries), coupled with the high LPG price due to high cost, led customers who were sensitive to energy cost switched to piped natural gas, which in turn affected the sales of bottled LPG. Among the bottling plants of the Group, the delivering efficiency of the two plants located in Wuzhou and Guangzhou were severely affected by the laying of city roads, resulting in a loss of customers. The two plants received relocation notification from the Government, it was expected that the sales of bottled LPG would be under pressure in the short run. The Group had laid out plans to cooperate closely with Sinopec and build additional bottling plants in Tier two or Tier three cities in the Guangdong province, with an aim to attract local existing customers to compensate the customer lost due to relocation of the bottling plants.

The Group's bottled LPG business officially commenced in Hong Kong in December 2013. We are the first Hong Kong registered gas supplier that does not require a large infrastructure and facilities in Tsing Yi. For the past six months, we have been actively attracting gas distributors to sell bottled LPG for our Group, but encountered some market obstacles which delayed our development speed and target. As of now, we have 20 distributors to carry our bottled LPG and the number of distributor is constantly increasing. Although the sales volume of the first half fall short of target but we expect the second half to improve, and we insist on providing high quality products and services to our customers without engaging in any price wars or rigorous price competition in the market.

### 3. LPG business condition *(Continued)*

***Autogas refueling***

Since the Group's joint venture with Sinopec officially commenced operation in November 2013 to operate and manage Lianxin Energy (including 17 autogas refueling stations in Guangzhou) of the Group and 3 autogas refueling stations of Sinopec Guangdong branch by way of subcontract, the Group transformed into the exclusive LPG supplier for the joint venture from an autogas refueling station operator. During the first half of 2014, the Group supplied approximately 111,500 tons of auto LPG to the joint venture, representing a slight decrease of 2.71% as compared to the approximately 114,600 tons of Lianxin Energy's autogas in the same period of 2013. Although 3 refueling stations of Sinopec Gurangdong branch were added to the Group during first half of the year, the overall sales of all 20 refueling stations dropped. It was mainly due to certain buses having already switched to LNG as fuel and commenced operation, resulting in a drop of LPG sales of specific refueling stations. The joint venture accelerated the application pace of adding LPG autogas refueling facilities in Sinopec's five refueling stations, and promoted LPG consolidation among other small to middle scale automobiles (including learner-driven automobiles) in order to attract taxi customers. While at the same time actively created new demands to stabilize the sales volume of autogas refueling business.

### 4. Oil products business condition

The Group continued its wholesale business of supplying oil to the bunkering project company (Note: 51% equity interest of the project company was sold to a listed company in Korea, the project company became an associate of the Group instead of a subsidiary) during first half of 2014, during such period, the Group supplied approximately 378,200 tons of fuel oil to the project company for its marine bunkering business in Hong Kong. Meanwhile, the Group expanded direct sales and wholesaling of fuel oil in China, the sales of which reached approximately 143,600 tons.

# Management Discussion and Analysis

*(Continued)*

## 4. Oil products business condition *(Continued)*

The bunkering project company continued to use two key models to carry out marine bunkering business in territorial waters of Hong Kong: (A) supply marine diesel oil through the bunker ship "NewOcean Three" (marine bunkering station with a fixed berth) anchored in Yau Ma Tei Typhoon Shelter and four small oil tankers. Its major customers included pilot vessels, cruises anchoring in the Victoria Harbour, jetfoils of Cotai Water Jet sailing between Hong Kong and Macau, engineering ships in the territorial waters of Hong Kong, small cargo vessels and fishing vessels sailing between the PRC and Hong Kong. The project company entered into agreement with Hong Kong and Kowloon Ferry in August 2014 to provide fixed oil supply service for the ferry company's 15 ferries running through Hong Kong; (B) 4 to 6 bunker ships of different size would directly anchor beside the large ships and deliver fuel oil to them. Bunker ships would provide service for customers including import and export merchant ships, container ships, cruises, ore carrier and even foreign warships visiting Hong Kong.

The Group actively expanded its marine bunkering business in China during first half of 2014. This business could be categorized into: (A) domestic trade business – the Group had pre-positioned bunker ships in Zhuhai and Taishan in the Guangdong province to supply duty paid marine diesel to local fishing boats and supply bunkering service (duty paid marine fuel) to cargo ships entering and exiting Guangzhou; (B) duty free oil business – through the cooperation with Sinopec, the Group could use the duty free marine fuel supply license owned by China Shipping & Sinopec Suppliers Co., Ltd. starting August 2014 and provide duty free bunkering service to ships anchored in the territorial waters of Pearl River Delta.

In addition, the Group rented oil products warehouses in the Guangdong province and other provinces to facilitate the purchase of fuel oil, and at the same time supply fuel oil to gas refueling stations and industrial customers.

## 5. Business outlook

### *LPG business*

In accordance with the LPG business strategy developed in 2013, the Group would focus on quality rather than quantity, and continue to explore markets with high profitability potential. We will put particular emphasis on chemical production enterprises that uses our LPG as raw material feedstock, to secure a group of long term and stable bulk customers. We will also invest in human resources in the Hong Kong bottled LPG market, to smooth out our market entry and to capture a larger market share.

Within our cooperation framework with Sinopec Guangdong branch, in addition to building LNG autogas refueling stations, we will also leverage on existing gas stations of Sinopec by adding more LPG autogas refueling facilities to capture more taxi customers. As for bottled LPG business development, we will leverage on Sinopec's existing stations to enhance transport efficiency, we will also use idle land resources of Sinopec to build LPG bottling stations, to compensate for the loss of customers because of shut down or relocation of existing bottling plants.

### *Oil products business*

The Group spent the last two years laying a robust foundation in the Hong Kong marine bunkering business. Our existing bunker ships and marine bunker stations located in the territorial waters in Hong Kong have a total capacity capable of taking up 60% of the business volume of Hong Kong marine diesel fuel market. Besides, the two new bunker ships, both with 4,500 tons capacity, were the biggest and fastest bunker ships in the territorial waters of Hong Kong. They would provide us a wide competitive edge in bulk marine fuel supply contract for international ships.

In terms of the development of marine bunkering business in Pearl River Delta within the territorial waters of China, the cooperation with Sinopec enabled us to rent their license and supplied bonded marine fuel for ships anchored in the territorial waters of China. In addition, the Group is intensively positioning marine bunker stations in the Pearl River and XiJiang district as well as perfecting the delivery system in the Pearl River Delta area. This series of foundation-laying work would enable us to gradually expand our market share in the marine bunker business in the area.

## 5. Business outlook *(Continued)*

### ***Oil products business*** *(Continued)*

As of today, the Group has basically opened up all marine bunker channels in the Pearl River Delta area. We would complete the pre-delivery inspection of oil storage depots in Zhuhai and berth project (including the application for operation permit of bonded warehouses) as soon as possible to establish a complete operational chain for the oil products business in order to enhance profitability.

### ***LNG business***

The Group has designated LNG business as the Group's priority for its future development. In the past two years, the group has fine-tuned our business strategy, and has since been actively cooperating with the transportation and logistical industry in accordance with this strategy, thereby laying a solid foundation for the Group's LNG business development.

The Group selected autogas refueling as the entering point to the LNG industry. We strived to set up joint ventures with end users to build and operate LNG autogas refueling stations, and for this purpose we have targeted a group of refueling station end users. We are convinced that we ought to target the end users in order to ensure anticipated economic efficiency brought forward by these projects. The selected business partners must have large actual or potential demand for auto LNG, which included bus companies, logistic companies, transportation companies and large scale production site or network that required logistic transportation. The partners also must be able to offer sufficient land resources so that the joint venture could establish LNG refueling stations at prime locations, in order to provide the most convenience gas refueling services to its customers.

The Group will in the near future established a technology company with a heavy duty truck manufacturer in China. It provides retrofitting, repair, maintenance and inspection services to LNG automobiles and LNG ships, which help canvassing customers for our up-coming refueling stations.

## 5. Business outlook *(Continued)*

### ***LNG business*** *(Continued)*

The Group has entered into cooperation agreements with many large scale enterprises (including bus companies, transportation companies, cross boarder logistic group enterprises and mega building material manufacturing bases etc.) since April 2013 to collectively establish 20 autogas refueling stations across cities such as Guangzhou, Foshan, Shunde, Dong Guan and Shenzhen. Among which the first refueling station co-developed under the joint venture with Sinopec has commenced operation in April this year. it is expected that more refueling stations will gradually commence operation in the next three years and contribute to the Group's revenue growth.

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

As at 30 June 2014, the interests of the directors and chief executives and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### (a) Long positions of ordinary shares of HK$0.10 each of the Company

| Name of director | Capacity | Number of issued ordinary shares held | Percentage of the issued share capital of the Company |
|---|---|---|---|
| Shum Siu Hung | Beneficial owner | 35,244,358 | 2.38% |
| | Corporate interest *(Note 1)* | 490,779,280 | 33.08% |
| | | 526,023,638 | 35.46% |
| Shum Chun, Lawrence | Beneficial owner | 56,623,558 | 3.82% |
| | Other *(Note 2)* | 73,616,892 | 4.96% |
| | | 130,240,450 | 8.78% |
| Cheung Kwan Hung, Anthony | Beneficial owner | 614,484 | 0.04% |

*Notes:*

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

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

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

## (b) Share options

| Name of director | Date of grant | Exercise price per share *(HK$)* | Exercise period | Number of underlying shares | Outstanding share options as at 30 June 2014 |
|---|---|---|---|---|---|
| Chiu Sing Chung, Raymond | 16/6/2006 | 0.625 | 17/6/2006 — 31/12/2015 | 6,626,905 | 6,626,905 |
| Siu Ka Fai, Brian | 15/5/2006 | 0.625 | 17/6/2006 — 31/12/2015 | 4,970,179 | 4,970,179 |

*Note:* The share options in this section are held by the relevant directors in the capacity of beneficial owner.

Other than disclosed above and nominee shares in certain subsidiaries held by certain directors in trust for the Group, none of the directors, chief executives nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2014.

# Share Options

The following table discloses movements in the Company's share options during the period:

| | Option type | Outstanding at 1 January 2014 and 30 June 2014 |
|---|---|---|
| Category 1: Directors | | |
| Chiu Sing Chung, Raymond | 2006B | 6,626,905 |
| Siu Ka Fai, Brian | 2006A | 4,970,179 |
| | | 11,597,084 |
| Category 2: Employees | 2006A | 9,940,358 |
| | | 21,537,442 |

*Notes:*

1. The Company's share options were granted under a share option scheme adopted on 18 June 2003 ("Option Scheme"). The Option Scheme was expired on 17 June 2013. Pursuant to the terms of the Option Scheme, the options granted prior to the expiration of the Option Scheme are continued to be valid and exercisable in accordance with the Option Scheme.

2. Details of the types of options granted under the Option Scheme are as follows:

| Option Type | Date of Grant | Vesting Period | Exercise Period | Exercise Price *HK$* |
|---|---|---|---|---|
| 2006A | 15/5/2006 | 16/5/2006 to 16/6/2006 | 17/6/2006 to 31/12/2015 | 0.625 |
| 2006B | 16/6/2006 | — | 17/6/2006 to 31/12/2015 | 0.625 |

3. Under the Option Scheme, the number and exercise price of the share options are subject to adjustment in case of rights issue, bonus issue, or other similar changes in the Company's share capital. The number and exercise price shown in the tables above represent the number and exercise price of share options as adjusted.

# Substantial Shareholders' Interest in Shares and Underlying Shares

As at 30 June 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that other than the interests disclosed above in respect of certain directors and chief executives, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

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

| Name of shareholder | Capacity | Number of issued ordinary shares held | Percentage of the issued share capital of the Company |
|---|---|---|---|
| Uniocean | Beneficial owner | 490,779,280 | 33.08% |
| Tong Shiu Ming | Family interest *(note 1)* | 490,779,280 | 33.08% |
| | Family interest *(note 2)* | 35,244,358 | 2.38% |
| FIL Limited | Investment manager | 133,650,000 | 9.01% |

*Notes:*

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

2. These represents the same block of 35,244,358 shares held beneficially by Mr. Shum Siu Hung, spouse of Ms. Tong Shiu Ming as referred to in the paragraph headed "Directors' and Chief Executives' Interest in Shares and Underlying Shares" above, and were deemed to be the family interest of Ms. Tong Shiu Ming.

Other than disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 30 June 2014.

# Corporate Governance and Other Information

## Compliance with the Corporate Governance Code

In the opinion of the directors, throughout the six months ended 30 June 2014 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 2014.

## Disclosure Pursuant to Rule 13.18 of the Listing Rules

On 1 August 2013 the Company entered into a facility agreement A for a term loan facility divided into two tranches: (a) an aggregate amount of US$60,000,000 and (b) an aggregate amount of HK$156,000,000 for the purpose of financing the general working capital requirements of the Group. The loan to be made to the Company upon utilization of the facility will be repayable in instalments, with the last instalment falling due 36 months from the date of the utilization.

On 27 November 2013 the Company entered into facility agreement B for a bilateral term facility of US$20,000,000 for the purpose of financing the general working capital requirements of the Group. The loan to be made to the Company upon utilization of the facility will be repayable in 8 quarterly instalments, commencing 15 months after the date of first drawdown.

On 27 November 2013 the Company entered into facility agreement C for a bilateral term loan facility US$20,000,000 for the purpose of financing the general working capital requirements of the Group. The loan to be made to the Company upon utilization of the facility will be repayable in 6 quarterly instalments, commencing 15 months after the date of first drawdown.

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

As at 30 June 2014, the Shum Family beneficially own approximately 39.28% in aggregate of the issued share capital of the Company.

**Liquidity and Financial Review**

At 30 June 2014, the net current assets of the Group amounted to approximately HK$2.200 billion (31 December 2013: HK$1.842 billion) and the Group's bank balances and cash was approximately HK$1.047 billion (31 December 2013: HK$1.748 billion). At the reporting date, gearing ratio was 0.15:1 (31 December 2013: 0.13:1) which was calculated based on total long term borrowings of approximately HK$655 million (31 December 2013: HK$552 million) and total equity of approximately HK$4.403 billion (31 December 2013: HK$4.117 billion).

**Human Resources**

As at 30 June 2014, the Group employed approximately 1,142 employees in Hong Kong, Macau and mainland China. The Group remunerated the employees based on their performance, experience and prevailing market practices.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

# Corporate Governance and Other Information *(Continued)*

## 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 2014.

By order of the Board
**Shum Siu Hung**
*Chairman*

Hong Kong, 15 August 2014