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

2015
Interim Report

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 2015 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

13 August 2015

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Six Months Ended 30 June 2015

	Note	Six months ended 30 June 2015 (Unaudited) HK$'000	2014 (Unaudited) HK$'000
Revenue	3	**7,558,252**	10,153,289
Cost of sales		**(6,629,833)**	(9,467,090)
Gross profit		**928,419**	686,199
Other losses	4	**(94,682)**	(67,630)
Other income	5	**73,627**	120,766
Selling and distribution expenses		**(182,168)**	(125,982)
Administrative expenses		**(136,263)**	(105,362)
Changes in fair values of derivative financial instruments		**(2,640)**	9,403
Finance costs		**(99,851)**	(104,579)
Share of profits of joint ventures		**1,909**	924
Share of profits of associates		**220**	1,764
Profit before taxation	6	**488,571**	415,503
Taxation	7	**(36,617)**	(17,014)
Profit for the period		**451,954**	398,489
Other comprehensive income (expense):			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**1,043**	(12,376)
Items that may be reclassified subsequently to profit or loss:			
Fair value gain (loss) on available for sale investment		**6,144**	(14,937)
Reclassified to profit or loss upon the disposal of certain amount of available for sale investment		**4,138**	—
		11,325	(27,313)
Total comprehensive income for the period		**463,279**	371,176

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

For The Six Months Ended 30 June 2015

		Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Profit (loss) for the period attributable to:			
Owners of the Company		**453,014**	398,183
Non-controlling interests		**(1,060)**	306
		451,954	398,489
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**464,333**	370,917
Non-controlling interests		**(1,054)**	259
		463,279	371,176
Earnings per share	*8*		
Basic		**HK$0.306**	HK$0.268
Diluted		**HK$0.302**	HK$0.265

Condensed Consolidated Statement of Financial Position

At 30 June 2015

	Note	As at 30 June 2015 (Unaudited) HK$'000	As at 31 December 2014 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	10	1,609,761	1,642,891
Land use rights	11	261,339	268,426
Prepaid lease payments for coast		8,098	8,527
Goodwill		671,163	668,139
Other intangible assets		396,085	417,720
Interest in an associate		72,184	71,766
Interests in joint ventures		31,462	19,969
Available for sale investment		80,328	81,958
Deposits paid	12	326,398	120,472
Deferred tax assets		3,951	7,312
		3,460,769	3,307,180
Current assets			
Inventories		552,211	444,082
Trade debtors and bills receivable	13	2,678,863	3,053,093
Other debtors, deposits and prepayments	13	1,485,538	1,414,734
Amount due from an associate	13	303,068	342,586
Amount due from a joint venture		1,145	—
Derivative financial instruments		435	1,222
Land use rights	11	11,592	11,313
Prepaid lease payments for coast		873	872
Properties held for sales		185,197	185,035
Properties under development for sales		225,133	224,936
Pledged bank deposits	14	2,329,854	3,522,442
Bank balances and cash		1,670,822	1,738,621
		9,444,731	10,938,936

Condensed Consolidated Statement of Financial Position *(Continued)*

At 30 June 2015

	Note	As at 30 June 2015 (Unaudited) HK$'000	As at 31 December 2014 (Audited) HK$'000
Current liabilities			
Trade creditors and bills payable	15	**1,436,603**	1,378,694
Other creditors and accrued charges		**261,047**	353,592
Amount due to a joint venture		**509**	509
Derivative financial instruments		**2,399**	3,600
Tax liabilities		**68,639**	49,369
Borrowings fully secured by pledged bank deposits — repayable within one year	16	**1,462,809**	2,469,373
Borrowings partially secured by pledged bank deposits — repayable within one year	16	**1,306,609**	1,632,022
Borrowings secured by other assets — repayable within one year	16	**11,227**	11,227
Borrowings unsecured — repayable within one year	16	**1,866,547**	2,126,914
		6,416,389	8,025,300
Net current assets		**3,028,342**	2,913,636
Total assets less current liabilities		**6,489,111**	6,220,816
Capital and reserves			
Share capital	17	**148,040**	148,040
Share premium and other reserves		**5,093,187**	4,726,560
Equity attributable to owners of the Company		**5,241,227**	4,874,600
Non-controlling interests		**30,130**	31,184
Total equity		**5,271,357**	4,905,784
Non-current liabilities			
Deferred tax liabilities		**127,496**	131,147
Borrowings secured by other assets — repayable over one year	16	**36,018**	41,631
Borrowings unsecured — repayable over one year	16	**1,054,240**	1,142,254
		1,217,754	1,315,032
		6,489,111	6,220,816

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note i)	Statutory surplus reserves HK$'000 (Note ii)	Exchange reserve HK$'000	Share options reserve HK$'000	Investment revaluation reserve HK$'000	Contributed surplus accounts HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2015 (audited)	148,040	1,439,717	122,085	46,650	212,859	3,743	(49,573)	1,667	(127)	2,949,539	4,874,600	31,184	4,905,784
Profit for the period	–	–	–	–	–	–	–	–	–	453,014	453,014	(1,060)	451,954
Exchange difference arising on translation to presentation currency	–	–	–	–	1,037	–	–	–	–	–	1,037	6	1,043
Fair value gain on available for sale investment	–	–	–	–	–	–	6,144	–	–	–	6,144	–	6,144
Reclassified to profit and loss upon the disposal of certain amount of available for sale investment	–	–	–	–	–	–	4,138	–	–	–	4,138	–	4,138
Total comprehensive income (expense) for the period	–	–	–	–	1,037	–	10,282	–	–	453,014	464,333	(1,054)	463,279
Appropriations	–	–	–	794	–	–	–	–	–	(794)	–	–	–
Dividend paid *(note 9)*	–	–	–	–	–	–	–	–	–	(97,706)	(97,706)	–	(97,706)
At 30 June 2015 (unaudited)	148,040	1,439,717	122,085	47,444	213,896	3,743	(39,291)	1,667	(127)	3,304,053	5,241,227	30,130	5,271,357
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

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 2015

	Note	Six months ended 30 June **2015 (Unaudited) *HK$'000***	2014 (Unaudited) *HK$'000*
Net cash from (used in) operating activities			
Operating cash flows before movements in working capital		**594,761**	504,578
Decrease in trade debtors and bills receivable		**371,778**	37,809
Increase in inventories		**(108,284)**	(218,920)
Increase in other debtors, deposits and prepayments		**(46,493)**	(612,563)
Decrease (increase) in amounts due from associates		**39,518**	(556,121)
Increase in trade creditors and bills payable		**60,911**	397,429
Other operating cash flows (net)		**(56,541)**	38,980
		855,650	(408,808)
Net cash from (used in) investing activities			
Interest received		**42,956**	78,762
Purchase of property, plant and equipment	*10*	**(12,805)**	(74,507)
Withdrawal of pledged bank deposits		**3,599,256**	3,638,236
Placement of pledged bank deposits		**(2,411,526)**	(4,461,315)
Loans advances to independent parties		**—**	(234,929)
Cash consideration paid for acquisition of subsidiaries in prior year		**(100,000)**	—
Deposits paid for investment projects	*12*	**(190,887)**	—
Other investing cash flows (net)		**(17,944)**	(31,836)
		909,050	(1,085,589)
Net cash (used in) from financing activities			
New borrowings raised		**5,959,334**	7,287,069
Repayments of borrowings		**(7,645,814)**	(6,344,094)
Dividend paid		**(97,706)**	(84,554)
Other financing cash flows (net)		**(57,982)**	(59,014)
		(1,842,168)	799,407
Net decrease in cash and cash equivalents		**(77,468)**	(694,990)
Cash and cash equivalents at beginning of the period		**1,738,621**	1,747,612
Effect of foreign exchange rate changes		**9,669**	(5,831)
Cash and cash equivalents at end of the period represented by bank balances and cash		**1,670,822**	1,046,791

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

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, No. 189-200 Gloucester Road, Wanchai, Hong Kong.

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

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

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

2. Principal Accounting Policies

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the accounting period beginning on or after 1 January 2015.

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

3. Segment Information

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

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

1. Sales and distribution of LPG — This segment derives its revenue from selling of LPG to various customers including 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 both wholesale and retail customers and leasing of oil vessels.

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

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

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

For the six months ended 30 June 2015

3. Segment Information *(Continued)*

Information regarding the above segments is presented below.

Six months ended 30 June 2015 (Unaudited)

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

3. Segment Information *(Continued)*

Six months ended 30 June 2014 (Unaudited)

	Sales and distribution of LPG HK$'000	Oil products business HK$'000	Sales of electronic products HK$'000	Consolidated HK$'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				(21,010)
Directors' emoluments				(4,149)
Changes in fair values of derivative financial instruments				9,403
Finance costs				(104,579)
Profit before taxation				415,503

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

3. Segment Information *(Continued)*

The 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	
	2015 (Unaudited)	2014 (Unaudited)
	HK$'000	*HK$'000*
Total reportable segment revenue	**7,558,252**	10,117,251
Add: Revenue from property investment and development in the PRC	**—**	36,038
Revenue as presented in the condensed consolidated statement of profit or loss and other comprehensive income	**7,558,252**	10,153,289

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 2015 (Unaudited)	As at 31 December 2014 (Audited)
	HK$'000	*HK$'000*
Sales and distribution of LPG	**4,250,273**	3,997,348
Sales and distribution of NG	**156,230**	26,550
Oil products business	**3,286,152**	3,618,852
Sales of electronic products	**193,250**	293,590
Total segment assets	**7,885,905**	7,936,340
Available for sale investment	**80,328**	81,958
Deferred tax assets	**3,951**	7,312
Pledged bank deposits	**2,329,854**	3,522,442
Bank balances and cash	**1,670,822**	1,738,621
Derivative financial instruments	**435**	1,222
Properties held for sales	**185,197**	185,035
Properties under development for sales	**225,133**	224,936
Other unallocated assets	**523,875**	548,250
Consolidated assets	**12,905,500**	14,246,116

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

For the six months ended 30 June 2015

3. Segment Information *(Continued)*

Segment liabilities

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
	HK$'000	*HK$'000*
Sales and distribution of LPG	871,359	1,125,849
Oil products business	810,640	489,800
Sales of electronic products	120	120
Total segment liabilities	1,682,119	1,615,769
Derivative financial instruments	2,399	3,600
Tax liabilities	68,639	49,369
Deferred tax liabilities	127,496	131,147
Borrowings	5,737,450	7,423,421
Other unallocated liabilities	16,040	117,026
Consolidated liabilities	7,634,143	9,340,332

4. Other Losses

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
	HK$'000	*HK$'000*
Loss on disposal of available for sale investment	(4,138)	—
Net exchange loss	(90,544)	(67,630)
	(94,682)	(67,630)

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$59,420,000 (six months ended 30 June 2014: HK$33,527,000).

5. Other Income

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
	HK$'000	HK$'000
Interest income on pledged RMB bank deposits	58,132	72,689
Other interest income	9,668	29,482
Others	5,827	18,595
	73,627	120,766

6. Profit Before Taxation

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
	HK$'000	HK$'000
Profit before taxation has been arrived at after charging:		
Amortisation of land use rights (included in administrative expenses)	5,433	5,293
Amortisation of prepaid lease payments for coast (included in cost of sales)	434	434
Amortisation of other intangible assets (included in selling and distribution expenses)	21,871	13,614
Depreciation of property, plant and equipment	44,990	36,251
Total depreciation and amortisation	72,728	55,592
Gross rental income from leasing of oil vessels, office premises and warehouse	2,246	3,757
Less: Direct operating expenses	(144)	(697)
	2,102	3,060

7. Taxation

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
	HK$'000	*HK$'000*
Other regions in the PRC		
Current tax	**37,008**	21,276
Deferred tax		
Current period	**(391)**	(4,262)
	36,617	17,014

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 2015 and 30 June 2014.

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	
	2015 (Unaudited)	2014 (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)	**453,014**	398,183

8. Earnings Per Share *(Continued)*

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,480,398,216**	1,483,398,216
Effect of dilutive ordinary shares		
Share options	**17,651,501**	19,332,905
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,498,049,717**	1,502,731,121

9. Dividend

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
	HK$'000	*HK$'000*
Final dividend of HK6.60 cents per share for the year ended 31 December 2014 paid during the interim period (2014: Final dividend of HK5.70 cents per share for year ended 31 December 2013)	**97,706**	84,554

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

10. Movements in Property, Plant and Equipment

During the period, the Group paid approximately HK$12,805,000 (six months ended 30 June 2014: HK$74,507,000) to acquire property, plant and equipment.

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

For the six months ended 30 June 2015

11. Land Use Rights

	As at 30 June 2015 (Unaudited) HK$'000	As at 31 December 2014 (Audited) HK$'000
The Group's land use rights comprise:		
Land use rights outside Hong Kong, in the PRC under medium term leases	**272,931**	279,739
Analysed for reporting purpose as:		
Non-current asset	**261,339**	268,426
Current asset	**11,592**	11,313
	272,931	279,739

12. Deposits Paid

Deposits paid included deposits of RMB150,000,000 (equivalent to approximately HK$190,887,000) (31 December 2014: nil) paid for potential acquisition of investments projects. The Group has not entered into any formal sales and purchases agreements as at 30 June 2015. The remaining balance is mainly related to deposit paid for purchases of property, plant and equipment.

13. Trade Debtors, Bills Receivable, Other Debtors, Deposits, Prepayments and Amount Due From an Associate

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 2015 and the year ended 31 December 2014. 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 2015 (Unaudited) HK$'000	As at 31 December 2014 (Audited) HK$'000
0 to 30 days	**1,375,632**	1,089,026
31 to 60 days	**554,675**	563,023
61 to 90 days	**188,752**	111,832
91 to 180 days	**480,511**	957,868
Over 180 days	**79,293**	331,344
	2,678,863	3,053,093

13. Trade Debtors, Bills Receivable, Other Debtors, Deposits, Prepayments and Amount Due From an Associate *(Continued)*

Included in deposits, there are trade deposits paid to suppliers of approximately HK$1,104,772,000 (31 December 2014: HK$956,833,000) 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 2015 and 31 December 2014, the other debtors included a loan advance to an independent third party of approximately RMB82,319,000 (equivalent to approximately HK$105,000,000). The loan advance is carried at fixed interest rate of 5% per annum and repayable in December 2015.

The amount due from an associate is in trade nature aged within 90 days based on invoice date at 30 June 2015 and 31 December 2014. A credit period of average 90 days is granted to an associate.

14. Pledged Bank Deposits

At 30 June 2015, RMB pledged bank deposits of approximately HK$2,268,748,000 (31 December 2014: HK$3,494,770,000) were pledged for the bank loans.

15. Trade Creditors and Bills Payable

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

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
	HK$'000	*HK$'000*
0 to 30 days	**436,154**	815,956
31 to 60 days	**126,660**	107,080
61 to 90 days	**362,416**	143,285
91 to 180 days	**511,021**	312,174
Over 180 days	**352**	199
	1,436,603	1,378,694

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

16. Borrowings

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
	HK$'000	*HK$'000*
Bank trust receipts loans	1,192,599	1,433,194
Other bank loans (pledged with RMB bank deposits)	2,683,530	3,947,573
Bank trust receipts loans and other bank loans (pledged with HK$/USD bank deposits or other assets)	133,133	206,680
Other bank loans	1,728,188	1,835,974
	5,737,450	7,423,421
Repayable within one year shown under current liabilities		
Borrowings fully secured by pledged bank deposits	1,462,809	2,469,373
Borrowings partially secured by pledged bank deposits	1,306,609	1,632,022
Borrowings secured by other assets	11,227	11,227
Borrowings unsecured	1,866,547	2,126,914
	4,647,192	6,239,536
Repayable over one year shown under non-current liabilities		
Borrowings secured – more than one year, but not exceeding two years	11,227	11,227
Borrowings unsecured – more than one year, but not exceeding two years	363,765	387,594
Borrowings secured – more than two years, but not exceeding five years	24,791	30,404
Borrowings unsecured – more than two years, but not exceeding five years	690,475	754,660
	1,090,258	1,183,885
	5,737,450	7,423,421

16. Borrowings *(Continued)*

Bank borrowings include approximately HK$2,067,079,000 (31 December 2014: HK$2,955,965,000) fixed-rate borrowings which are due within one year. They carry average interest at 1.81% (31 December 2014: 1.84%) 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 0.40% to 3.50% (31 December 2014: 0.90% to 3.62%) per annum. Included in total borrowings of the Group, approximately HK$5,200,343,000 (31 December 2014: HK$6,226,134,000) is guaranteed by the Company and/or its subsidiaries. As at 30 June 2015, other bank loans of approximately HK$47,245,000 (31 December 2014: HK$52,858,000) are secured by two oil vessels owned by the Group and guaranteed by the Company.

17. Share Capital

	Number of shares	Amount *HK$'000*
Ordinary shares of HK$0.10 each (2014: HK$0.10 each)		
Authorised share capital:		
At 1 January 2014, 31 December 2014 and 30 June 2015	20,000,000,000	2,000,000
Issued and fully paid share capital:		
At 1 January 2014	1,483,398,216	148,340
Repurchase of shares *(Note)*	(3,000,000)	(300)
At 31 December 2014 and 30 June 2015	1,480,398,216	148,040

Note: During the year ended 31 December 2014, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary share of HK$0.1	Price per share highest *HK$*	Price per share lowest *HK$*	Aggregate consideration paid (excluding transaction cost) *HK$'000*
September 2014	3,000,000	3.85	3.85	11,550

The above shares were cancelled upon repurchase.

17. Share Capital *(Continued)*

There was no share option granted, exercised or lapsed for the year ended 31 December 2014 and six months ended 30 June 2015. The number of share options outstanding at 31 December 2014 and 30 June 2015 amounted to 21,537,442 which represented approximately 1.45% of the total number of issued shares of the Company at both 31 December 2014 and 30 June 2015. The share option scheme adopted on 18 June 2003 was expired on 17 June 2013. The Company has not adopted any other new option schemes.

18. Lease Commitments

The Group as lessee

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

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
	HK$'000	*HK$'000*
Within one year	**28,611**	39,560
In the second to fifth year inclusive	**44,312**	47,895
Over five years	**26,636**	22,928
	99,559	110,383

As at 30 June 2015, rentals are fixed for an average of 6 years (31 December 2014: 6 years).

18. Lease Commitments *(Continued)*

The Group as lessor

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 2015 (Unaudited) *HK$'000*	As at 31 December 2014 (Audited) *HK$'000*
Within one year	14,921	14,884
In the second to fifth year inclusive	50,903	53,695
Over five years	42,419	48,739
	108,243	117,318

At the end of the reporting period, the Group had contracted for the following future minimum lease payments for the LPG warehouses:

	As at 30 June 2015 (Unaudited) *HK$'000*	As at 31 December 2014 (Audited) *HK$'000*
Within one year	3,738	—
In the second to fifth year inclusive	5,330	—
	9,068	—

19. Other Commitments

	As at 30 June 2015 (Unaudited) HK$'000	As at 31 December 2014 (Audited) HK$'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	**374,751**	431,387

20. Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2015 and 31 December 2014.

21. Fair Value Measurements of Financial Instruments

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

Financial assets/ financial liabilities	Fair value as at 30 June 2015	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$80,328,000 (As at 31 December 2014: HK$81,958,000)	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 — nil (As at 31 December 2014: Liabilities — HK$1,479,000)	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$398,000 Liabilities — HK$1,131,000 (As at 31 December 2014: Assets — HK$1,222,000 and Liabilities — HK$2,121,000)	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$37,000 Liabilities — HK$1,268,000 (As at 31 December 2014: 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

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

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

There were no transfer between level 1 and 2 for the year ended 31 December 2014 and six months period ended 30 June 2015.

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

22. Related Party Transactions

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

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
	HK$'000	*HK$'000*
Sales to a joint venture	**1,324**	2,144
Rental expenses paid to Shum Ho, Neo *(Note 1)*	**2,280**	2,640
Sales to associates/Lianxin Energy Development Company Limited ("Lianxin Energy") *(Note 2)*	**783,583**	2,776,248
Rental income received from an associate		
(i) Oil vessels	**—**	2,050
(ii) Office premises	**—**	600
Rental income for warehouse received from Lianxin Energy *(Note 2)*	**2,246**	1,707
Subcontracting fee received from an associate	**6,343**	6,322
Information and technical fees received from Lianxin Energy *(Note 2)*	**3,806**	3,793
Bunkering services charge paid to an associate	**—**	667

22. 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 ("Sound Management"), a wholly-owned subsidiary of the Company, entered into an office tenancy agreement with Shum Ho, Neo, 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 entered into an office tenancy agreement with Ever Lucky Limited ("Ever Lucky"), a company incorporated in Hong Kong and wholly owned by Shum Ho, Neo, for the use of office premises owned by Ever Lucky located on 23rd Floor, The Sun's Group Centre, No. 189-200 Gloucester Road, Wanchai, Hong Kong at HK$380,000 per calendar month for a period of one year commencing on 1 January 2014. On 30 December 2014, Sound Management and Ever Lucky entered into another office tenancy agreement to extend the rental period for another one year to 31 December 2015 with the same monthly rental fee. The details of the transaction were set out in the announcement issued by the Company on 30 December 2014.

(2) The operation of Lianxin Energy is subcontracted to Sinopec NewOcean Energy Company Limited 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	
	2015 (Unaudited)	2014 (Unaudited)
	HK$'000	*HK$'000*
Salaries and allowances	**3,803**	4,102
Contribution to retirement benefit schemes	**53**	47
	3,856	4,149

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 2015 (six months ended 30 June 2014: nil).

Management Discussion and Analysis

1. Overview

Following the plummeting of world oil prices in 2008, the crude oil market in the second half of 2014 saw confusion and chaos as prices continued in a downward spiral. As we entered 2015, the market (mainly wholesalers) was hoping that oil prices would, rebound after hitting the bottom, as it had in 2008, and begin to surge continuously. However, the situation was that in January, the oil price was adjusted further downwards to USD 48 per barrel for OPEC crude, which rebounded slightly in February, and then hovered between US$50 to US$60 per barrel in March and April. In early May, the price rose again, holding ground between US$60 – US$70 per barrel until the end of mid-year. This seemingly steady rise in price took a downward turn in July, and the price plummeted to about US$54 per barrel in just a few days, leaving the industry completely perplexed. In summary, although the current oil price has risen approximately 13.5% in six months, it has dropped almost 50% as compared with the price one year ago (when oil prices began to collapse).

In the past six months, the oil price has been lingering at low levels. As a result, the Southern China energy market witnessed some instant changes as follows: (1) The sales to end-users benefited the most – the retail businesses (especially autogas refueling, oil refueling and bottled liquefied petroleum gas ("LPG") businesses) enjoyed lower procurement costs which effectively improved their operating profit. As the demand for energy products is relatively inelastic, price cuts across the board did not provide impetus to increase demand; (2) Slowing down of natural gas ("NG") development – a number of NG liquefaction plants in the PRC will begin to operate within this year, and will significantly increase the supply. Given the price disparity between oil products and NG was narrowed within a short period of time, the government claimed that the use of NG would remarkably reduce the costs of energy was not quite as convincing as before. Putting all these factors together, NG price fell nearly 23% from January to June 2015, while traditional petroleum price during this same period recorded a rise of approximately 7% (note: LPG price has also recorded a rise of approximately 2%); (3) The prospects of new energy products have proved to be not as optimistic as once thought – the development costs of other new energy products have continued to be high, making them difficult to compete with traditional energy products in terms of price, and the consumers' motivation to convert to new energy products was dampened. Meanwhile, we also saw reduction of resources allocated to this sector, gravely hampering the long term development of new energy products.

1. Overview *(Continued)*

In the first half of 2015, NewOcean Energy Holdings Limited (the "Group") continued with the business strategy in the second half of 2014, adopting a business model of low inventory and efficient logistics, by fully applying the cost-plus pricing or back-to-back pricing methods to carry out LPG and oil product sales.

The sales volume for LPG business during the period was very stable, with no significant changes in volume compared to second half of 2014. As the Group had already established a retail network of considerable size (including autogas refueling and bottled LPG), when the prices of crude oil and related energy product prices came down, the gross margin of the Group's retail business was able to enjoy a very significant and concrete growth. In addition to an overall cost reduction, the LPG business performance during the period was extremely encouraging.

The oil products business continued to maintain strong growth for the following reasons: (1) Two large oil tankers were successively put into operation, resulting in a significant improvement in oil product logistics capabilities; (2) The 70,000 ton oil products warehouse in Zhuhai's Gaolan Port was put into use, providing effective support to the development of on-shore and off-shore oil supply businesses; (3) At the end of last year, the Group bought back 51% of equity shares of the operation company responsible for the development of marine bunkering service in Hong Kong ("Operation Company"). Although most of the oil product sales were at the wholesale channel currently, they were still able to benefit in some ways through low oil prices, with gross profits increased significantly together with the increase in sales. When the Operation Company's operating costs are consolidated into the Group's account, the actual income for oil product business shows a mild and steady increase.

1. Overview *(Continued)*

As for the NG business, it was still in the process of developing and constructing the end-users sales network in the first half of 2015, and has not made any actual contribution to the Group's overall earnings. In addition to active cooperation with inter-provincial logistics and transportation companies and nationwide large production bases in the development of C-LNG refilling stations, the Group is also identifying sites to build stations at major hubs with heavy traffic flow within Guangdong province, with an aim to complete more C-LNG refilling station projects on favourable terms during this relatively slow (in terms of LNG) period.

2. Overall performance of the Group

The NG business in the first half of 2015 still made no real contribution. During the period, the Group's other businesses recorded total revenue of approximately HK$7,558,252,000, which was a 25.56% decrease from the revenue of approximately HK$10,153,289,000 recorded for the same period in 2014. The main reason for the significant decrease was the significant downward adjustment in sales prices of major energy products. In fact, LPG quantity of sale recorded a slight rise, with oil product sales remaining a strong growth and electronics business resuming to a normal level.

The Group's net profit during the period was approximately HK$451,954,000, which was a 13.42% increase over the approximately HK$398,489,000 net profit for the same period in 2014. During this period, the Group did not conduct any fund raising in the capital market, nor did it conduct any share repurchase activities. For the six months ended 30 June 2015, the weighted average number of the Company's ordinary shares was 1,480,398,216 (six months ended 30 June 2014: 1,483,398,216). The basic earnings per share in the first half of 2015 were HK$0.306, representing a 14.18% increase over the basic earnings per share of HK$0.268 in the same period last year.

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

The Group's total gross profit was approximately HK$928,419,000, representing a substantial increase of approximately 35.3% over the approximately HK$686,199,000 of the same period in 2014. It is noteworthy that the contribution of the electronics business to gross profit has significantly reduced. Therefore the increase in energy products' gross profit during the period was actually higher than the above mentioned 35.3%. This fully reflects the fact that the business of sales to end-users is the largest beneficiary of the fall of oil prices. Moreover, as total gross profit increased with a significant decrease in total sales revenue, the Group's gross profit margin increased substantially from 6.76% in the first half of 2014 to 12.28% in the same period in 2015.

During the period, the Group recorded a net exchange loss of approximately HK$90,544,000. In addition there was a significant increase in operating cost as a result of the repurchase of the Operation Company, thus although the Group's gross profit increased by 35.30%, the net profit increase only by 13.42%.

2.1 Segment performance

Total sales of energy products (including LPG and oil products) in the first half of 2015 was approximately 1,668,300 tons, representing an increase of approximately 24.96% (increase of approximately 333,200 tons) as compared with approximately 1,335,100 tons in the same period of 2014.

LPG Business

The sales of LPG in the first half of 2015 was approximately 884,300 tons, representing an increase of 8.73% as compared with approximately 813,300 tons recorded in the same period of 2014. At the same time while oil prices in the first half of the year remained at a low level after the collapse of oil prices, LPG revenue was down by 26.99% to approximately HK$4,544,997,000 (same period in 2014: approximately HK$6,225,189,000) on account of the significantly lower LPG price level when compared with the same period last year.

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

2.1 Segment performance *(Continued)*

LPG business (Continued)

Gross profit in the first half of 2015 was approximately HK$770,370,000, representing an increase of 59.39% as compared with approximately HK$483,310,000 for the same period in 2014. Gross margin increased to 16.95% from 7.76% in the same period last year. The substantial increase of gross margin was mainly due to: (1) The Group's LPG business had established a sizeable end-users sales network (including autogas refueling and bottled LPG), so that it was able to benefit from the widening spread brought about by the drop of oil prices; (2) Despite the significant lower revenue figure, the widened spread resulted in a substantial increase in gross margin.

Due to the continuous growth of the oil products business, the proportion of LPG business accounting for the Group's total revenue continued to decrease to approximately 60.13% (same period in 2014: approximately 61.31%; same period in 2013: approximately 84.97%).

Oil Products Business

Sales of oil products during the first half of 2015 amounted to approximately 784,000 tons, representing an increase of 50.25% as compared with approximately 521,800 tons for the same period in 2014. Again, as oil prices remained low, oil products revenue dropped slightly by 2.84% to approximately HK$2,648,930,000 (same period in 2014: approximately HK$2,726,270,000), despite the significant increase in sales.

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

2.1 Segment performance *(Continued)*

Oil Products Business (Continued)

Oil products business recorded a gross profit of approximately HK$148,593,000, representing an increase of 64.21% as compared with approximately HK$90,491,000 for the same period in 2014. The gross margin was 5.61%, representing an increase of 2.29% as compared with 3.32% for the same period in 2014. The increase in gross margin was mainly attributable to the drop in prices. In fact, after excluding the factor of the increased sales quantity, the actual growth of gross margin in the past six months was a mild but steady one. As at today, oil products business is still largely a wholesale business. As the market anticipates that oil prices will further drop, wholesalers will try their best to clear the inventory in order to avoid the risks of price fluctuations, resulting in the short term an ample supply in the market. Wholesalers sometimes undercut one another in price, temporarily offsetting the room for profit to a certain extent that could have been brought about by the drop in prices.

As at 30 June 2015, the proportion of oil products business accounting for the Group's total revenue was approximately 35.05% (same period in 2014: 26.85%; same period in 2013: 13.76%).

Electronics Business

Trading volume of mobile phones and electronics components ("electronics") recorded a significant drop in the first half of 2015. During the period, the Group did not invest in new product development nor launch sales programmes as it had in 2014, but only maintained the general trading of mobile phones and integrated circuits and electronic components for smartphones. Electronics business only recorded a revenue of approximately HK$364,325,000, representing a significant drop of 68.75% as compared with approximately HK$1,165,792,000 of revenue for the same period in 2014. Its contribution to gross profit was approximately HK$9,456,000, representing a decrease of 89.93% as compared with approximately HK$93,886,000 for the same period in 2014. At the same time gross margin also decreased to approximately 2.60% (same period in 2014: 8.05%).

As of 30 June 2015, electronics business only accounted for approximately 4.82% of the Group's total revenue (same period in 2014: 11.48%).

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

2.2 Net exchange loss and other income

The offshore exchange rate of the Reminbi ("RMB") against the United States Dollar ("US$") was 6.207 on 1 January 2015, and 6.201 on 30 June 2015. At the first glance, the appreciation of RMB in the first half of the year raised slightly. However, in fact the performance of RMB was worse in the first quarter of 2015. The offshore exchange rate fell continuously from 6.207 in the beginning of the year to the lowest point of around 6.27 in mid-March. It then abruptly climbed to the level between 6.20 to 6.21 within a few days and remained there until today. This has the following impacts on us:

(1) Due to the sharp decline of the exchange rate in the first quarter, approximately HK$38,231,000 of realised exchange loss was recorded for the imported LPG trading business.

(2) During the six-month period, we anticipated that with the structural currency matching deals arrangements for RMB deposits and US dollar loans, the net interest income generated simply could not be sufficient to offset the net exchange loss, and therefore no net income would be derived from this structural currency arrangement possibility of deriving income. As a result, we had only a limited number of newly added currency matching deals arrangements with RMB deposits and US dollar loans in the first half of the year. Furthermore, taking into consideration of the dramatic decline of the RMB, the management decided to reduce the Group's exposure to currency risks by settling the current structural currency matching deals arrangements immediately upon maturity, except special cases, and not to extend the arrangements no matter what the exchange rate would be. In the first half of the year, the corresponding balance of RMB deposits was reduced significantly from the equivalent of approximately HIK$3,494,770,000 at the end of last year to the equivalent of approximately HK$2,268,748,000 at 30 June 2015. During the period, the Group recorded the equivalent of approximately HK$54,877,000 realised exchange loss from the settlement of RMB deposits and US dollar loans arrangements. After deducting the relevant net interest income of approximately HK$24,683,000, this exchange loss caused approximately HK$ 30,194,000 of actual impact to the profit and loss in the first half of the year.

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

2.2 Net exchange loss and other income *(Continued)*

(3) As at the end of the first half of the year, the exchange rate of RMB was slightly higher than the rate at the beginning of the year. Therefore, exchange gain rather than exchange loss was recorded from the Group's intercompany current accounts and some current assets that denoted in RMB. However, this income on the book was only approximately HK$2,564,000 and had no material help in compensating the realized exchange loss.

2.3 Operating cost control

Finance costs

The Group's finance costs (in relation to liquidity required for operation) were approximately HK$66,402,000, representing an increase of approximately 11.85% as compared with approximately HK$59,368,000 for the same period in 2014. In the second half of last year, the Group completed the arrangement of a three-year syndicated loan of US$105 million. The bank charges as a result of the loan were the main reason for the increase of finance costs during the period. In the past few years, the Group has been adopting all kinds of stringent measures in finance costs. Half-year finance cost was reduced from approximately HK$108,570,000 (highest amount) in 2012 to approximately HK$89,922,000 for the same period in 2013, and then was further reduced to approximately HK$59,368,000 for the same period in 2014. This clearly demonstrates the Group's achievement in controlling finance costs. Although the finance cost for the first half of 2015 increased for the first time in the past few years, it was only a normal price the Group had to pay to cope with new cash flow demands, and not a slackening in management. The Group will continue to implement effective management to rigorously control financing costs.

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

2.3 Operating cost control *(Continued)*

Operating costs

Selling and distribution expenses plus administrative expenses in the first half of 2015 amounted to approximately HK$318,431,000, representing a substantial increase of close to 40% as compared with approximately HK$231,344,000 for the same period in 2014. The Group repurchased 51% equity interest of the Operation Company at the end of 2014. Therefore, the Group was necessary to consolidate the selling and distribution expenses, administrative expenses, and such other costs of the Operation Company into the Group's account in the first half of 2015, resulting in significant increase in the Group's operating costs. During the half-year period, selling and distribution expenses and administrative expenses of the Operation Company were approximately HK$53,315,000. In addition to that, in the first half of 2015, many infrastructural constructions of the Group were put-into use and thus commenced to depreciate, and intangible assets arising from the purchase of the Operation Company's equity interest had to be amortized. Such expenses amounted to a total of approximately HK$17,136,000, representing approximately 19.68% of the increase in operating costs.

3. Business Conditions

3.1 LPG Business

Procurement

The Group's procurement of LPG was approximately 884,300 tons in the first half year of 2015, representing an increase of 8.73% as compared with 813,300 tons for the same period in 2014. During the period, procurement from overseas was approximately 524,600 tons, representing approximately 32,400 ton, or around 5.82% decrease as compared to approximately 557,000 tons for the same period in 2014. Total LPG procurement from domestic refineries and NG processing plants amounted to approximately 359,700 tons, representing an increase of approximately 103,400 tons or around 40.34% increase as compared with approximately 256,300 tons for the same period in 2014.

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

3.1 LPG Business *(Continued)*

Procurement (Continued)

LPG procured from overseas ("imported LPG")

Imported LPG made up of approximately 59.32% of the total LPG procurement, and was directly controlled and handled by the Group headquarters in Hong Kong: (1) approximately 524,600 tons of imported LPG were settled by letters of credit which were issued by international banks; (2) there were 5 suppliers, of which Shell supplied approximately 358,620 tons (approximately 68.36% of total); two national oil companies from the Middle East and Northern Europe supplied approximately 115,310 tons (approximately 21.98% of total); the remaining procurement of approximately 50,670 tons (approximately 9.66%) were supplied by two international LPG traders; (3) the goods were predominantly from the Middle East, reaching 474,000 tons and accounting for 90% of the imported LPG procured; the remaining goods of approximately 14,600 tons were purchased from Nigeria while approximately 36,000 tons were procured from LPG bonded warehouses in the Pearl River Delta. Out of the imported LPG of approximately 524,600 tons, deliveries of approximately 90,700 tons were conducted overseas; the other approximately 433,900 tons were first shipped to bonded LPG warehouses in Guangdong (including the dock warehouse of NewOcean's Gaolan Port located in Zhuhai, and the dock warehouses of other ports). Approximately 370,600 tons of these LPG in bonded warehouses were sold domestically, while approximately 63,300 tons were re-exported to overseas markets.

3. Business Conditions *(Continued)*

3.1 LPG Business (Continued)

Procurement (Continued)

LPG sourced from domestic markets ("domestic LPG")

Domestic LPG in the first half year of 2015 procured from domestic refineries or NG processing plants increased significantly to approximately 359,700 tons, representing a 40.34% increase as compared with approximately 256,300 tons for the same period in 2014. LPG transported by land into Guangdong from refineries in the north using tank wagons increased significantly in the first half of 2015. As prices were lower, we have increased procurement from this source. In addition, we also increased procurement of domestic LPG from Sinopec's, CNPC's and CNOOC's subsidiary refineries and LPG storages in Guangdong and neighboring provinces (such as Hunan, Hubei) to satisfy the extra needs of some of the industrial customers, bottled LPG customers and other bottling plants.

Sales

During the first half of 2015, western Guangdong was still the primary sales target for the Group's LPG business. Sales volume of the half-year reached approximately 884,300 tons, representing a slight increase of 8.73% as compared with approximately 813,300 tons for the same period in 2014.

Sales category	Sales volume first half of 2015	Sales volume first half of 2014	Increase/Decrease
Overseas customers	154,000 tons	175,300 tons	-21,300 tons
Industrial customers	385,000 tons	368,000 tons	+17,000 tons
Other terminals and bottling plants	111,500 tons	29,300 tons	+82,200 tons
Bottled LPG	123,000 tons	129,200 tons	-6,200 tons
Autogas refueling	110,800 tons	111,500 tons	-700 tons

3. Business Conditions *(Continued)*

3.1 LPG Business *(Continued)*

Sales (Continued)

Overseas customers – approximately 90,700 tons of the LPG sold to overseas customers were delivered overseas. This was a significant decrease of approximately 34.98% as compared to approximately 139,500 tons for the same period in 2014; the remaining LPG of approximately 63,300 tons were all re-exported through the Zhuhai dock bonded warehouse. This quantity compared to the re-exported quantity of approximately 35,800 tons for the same period in 2014 represented a remarkable increase of around 76.82%. Re-exported goods were mainly sold to the Philippines, Vietnam, Bangladesh, and Hong Kong; insignificant quantities were sold to Australia, Malaysia, and Guam. On the whole, sales to overseas customers in the first half of 2015 declined by approximately 21,300 tons, with reduction of approximately 12.15%.

Industrial customers – Sales to industrial customers in the first half year were approximately 385,000 tons, representing a slight increase of 4.62% as compared to approximately 368,000 tons for the same period in 2014. Industrial customers in the Guangdong province can be roughly classified into 3 categories: (1) those who used LPG to produce chemical products with usages similar to gasoline and diesel oil received the heaviest hit from the fall of crude oil prices as there was no profit margin in producing these products from LPG and many chose to suspend or delay production. As a wholesaler, the Group was unable to induce demand from these customers; (2) those who used LPG as a raw material to produce other types of chemical products, including ethylene, maleic anhydride, etc. The significant decline of LPG prices concurrently lowered their production costs and improved their operating profit. It was easier for wholesalers to close deals with these customers, resulting in increased sales and reasonable profits; (3) those who used LPG as a fuel in production. These included ceramic factories, glass factories, even other vehicle LPG filling operators, etc. These customers were not very sensitive to price changes and their demands were stable regardless of price increases or falls. It is noteworthy that some customers who had the intention to switch to LNG, which had become a less attractive option because of the declined prices of traditional energy product. These customers had chosen to postpone their plans to switch to NG, and its impacts on LPG and oil product demands were thus weakened.

3. Business Conditions *(Continued)*

3.1 LPG Business (Continued)

Sales (Continued)

Other terminals and bottling plants – Sales to other terminals and bottling plants in the first half of 2015 were approximately 111,500 tons, representing a significant gain of 280.55% as compared with approximately 29,300 ton sales for the same period in 2014. Sales in this category were entirely domestic LPG, and the majority of the customers used to directly sent tank wagons or vessels to the refineries or their subsidiary's terminal to pick up the goods. As such, we simply played the role as a trading merchant. In the first half of 2015, the situation changed slightly as the domestic trade market became extremely active due to downward price adjustments. In light of the lower prices, the Group increased procurement from the refineries in the Northern provinces (using tank wagons to transport to Guangdong) and resell for considerable profit.

Bottled LPG – bottled LPG sales in the first half of 2015 were approximately 123,000 tons, representing a slight decrease of 4.80% from approximately 129,200 tons for the same period in 2014. As fuel gas pipeline network coverage slowly increases, NG will undoubtedly bring pressure to sales of bottled LPG in some Guangdong cities. However, the significant downward adjustment of LPG prices also slowed down the customers from switching to pipeline NG, and therefore, our sales for bottled LPG only recorded a slight decrease. Nevertheless, bottled LPG business' profit margin was improved by a decrease in procurement costs, and the end result was a significant improvement of overall earnings. As regard to Hong Kong's bottled LPG business, the Group currently has increased the number of dealers to 28, and the problem of market resistance encountered last year was resolved in mid-year. Despite the fact that sales in the first half year fell short of expectation, the Group is hopeful that we will catch up in the second half to achieve satisfactory performance.

3. Business Conditions *(Continued)*

3.1 LPG Business *(Continued)*

Sales (Continued)

Autogas refueling – the Group continues to be the sole supplier of LPG for vehicular use to an associate company (in collaboration with China Petroleum & Chemical Corporation's Guangdong branch). Supply in the first half of 2015 was approximately 110,800 tons, representing approximately the same level as approximately 111,500 tons for the same period in 2014, falling short by a mere approximately 700 tons (or 0.63%). As far as we know, the Guangzhou's autogas refueling market is not exactly robust at the moment, and during the first half year, approximately 800 buses switched to LNG for fuel. While some taxis lost work hours due to the introduction of Uber, resulting in a temporary setback for vehicle-use LPG. Nevertheless, through strengthened communication with bus companies, focused promotion and concessions to taxi companies, and other such activities, Lianxin Energy Development Company Limited achieved remarkable success in retaining most of its businesses (with less than 1% decline in sales). Besides, as the Group owned its own terminal warehouse, it was able to import directly from the Middle East and fully enjoy the benefits of the downward adjustment of the international LPG prices. The actual profitability of the autogas refueling business was not affected by the problems in sales mentioned above.

3. Business Conditions *(Continued)*

3.2 Oil Products Business

At the end of 2014, the Group acquired the entire equity interest of Success Pillar Limited. Prior to the acquisition, Success Pillar Limited held 51% equity rights of the Operation Company (the company developing marine bunkering in Hong Kong). The other 49% was held by the Group through a wholly owned subsidiary. After completion of the acquisition, the Operation Company changed from an associate company to a wholly owned subsidiary of the Group. Through this acquisition the Group was able to fully acquire the operational control of the marine bunkering business in Hong Kong, improve business chain of oil products, and allow the business to maintain and sustain growth momentum.

The Group completed the sale of approximately 784,000 tons of oil products in Hong Kong and in the Mainland in the first half of 2015, representing an increase of 50.25% as compared with approximately 521,800 tons in the same period in 2014, and sustaining the business growth momentum (by comparing first half of 2014 with first half of 2013, the growth was approximately 157.04%).

Hong Kong Marine Bunkering Business

Fuel oil procurement

In the first half of 2015, the Group procured a total of approximately 546,000 tons of fuel oil for use in Hong Kong's marine bunkering, of which fuel for marine use (commonly known as "black oil") was approximately 441,000 tons, representing an increase of 46.90% as compared with approximately 300,200 tons for the same period in 2014. Marine diesel (commonly known as "red oil") purchase was approximately 105,000 tons, representing an increase of 34.62% as compared with approximately 78,000 tons for the same period in 2014. During the first half of the year, most of the black oil (FO380CST) was purchased from a terminal with bonded warehouse located along the coast in the Pearl River Delta. A small portion of the black oil especially designated by customers (FO180CST or FO120CST), and all the red oil, were purchased from Hong Kong oil companies' oil terminals located on Tsing Yi Island.

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

3.2 Oil Products Business *(Continued)*

Hong Kong Marine Bunkering Business (Continued)

Logistics

The Group uses primarily two 4,500-ton load capacity oil tankers to pick up black oil delivery from mainland bonded warehouses, transport the black oil to Hong Kong waters, and supply to the small oil delivery vessels operated by the Group. For deliveries of over 2,000 tons, the oil tanker can also berth alongside the vessel requiring fueling to directly deliver the fuel after returning to Hong Kong. As for red oil, we will dispatch smaller vessels to the oil terminals to pick up delivery and then hand over to the marine bunkering terminal located in Yaumatei waters, which in turn provides fuel filling service to customers.

Sales

Black oil sales targets are such ocean-going vessels as merchant ships, container ships, oil tankers and bulk cargo carriers. Red oil sales target the various types of vessels operating in Hong Kong waters, including fishing vessels, pilot boats, ferries, engineering ships, pontoons, small cargo ships, cruise liners, etc. The oil bunkering volume in Hong Kong in the first half of 2015 was about 546,000 tons (including 441,000 tons of black oil and 105,000 tons of red oil), which was a 44.37% increase over the approximately 378,200 tons (including approximately 300,200 tons of black oil and approximately 78,000 tons of red oil) of the same period in 2014.

3. Business Conditions *(Continued)*

3.2 Oil Products Business *(Continued)*

Domestic Oil Products Business

Procurement

In the first half of 2015, the Group procured a total of approximately 238,000 tons of all sorts of oil products, which include marine diesel, vehicular diesel, fuel oil and industrial heavy oil. Traditionally, only Sinopec, CNPC, Sinochem, and CNOOC had the potential and capability to supply petroleum, diesel and fuel oil in domestic markets. However, in recent years, many local refineries have joined the supply chain, while privately run oil storage facilities are gradually improved, the Group can now procure all sorts of oil products of various specifications through various channels, and can also make special arrangements according to customers' special requirements to help expand the scope of sales.

Logistics facilities

Construction of the 70,000 tons oil storage depots in Zhuhai's Gaolan Port is completed, and the oil storage has been put into operation. Until approval of the application to be a bonded warehouse, it will act as warehouse and wholesale center for the domestic petroleum business. On approval, the bonded portion will be used to store imported diesel for supply to Hong Kong to help further expand the Hong Kong marine and vehicular diesel markets and to reduce diesel procurement costs.

3. Business Conditions *(Continued)*

3.2 Oil Products Business (Continued)

Domestic Oil Products Business (Continued)

Sales

In the first half of 2015, total domestic sales of different oil products were approximately 238,000 tons, representing an increase of 65.74% as compared with approximately 143,600 tons for the same period in 2014. The significant increase was attributable to the Group's ability to use its own warehouse as base for stock up and shipments. In addition, the Group had expanded many wholesale channels during the period, including filling stations located west of the Pearl River, industrial customers and transportation companies. The Group is also prepared to implement a layout plan of end-users sales network jointly with Conch Group, which includes (1) setting up supply stations in Conch Group's Guangdong production base to supply fuel filling service to its transportation fleet; (2) setting up of marine bunkering stations in appropriate locations along river channels at the Pearl River Delta to supply marine diesel filling service to Conch Group transportation fleets and other vessels (including cargo vessels, engineering vessels and fishing vessels).

3.3 NG Business

The NG business during the period was still in the process of end-users sales network construction. The Group continued to adhere to the strategy of driving development through end-users sales network by strengthening exchange and cooperation with end-users (including bus companies, logistics companies, transportation companies, and large scale production centers or network). In addition to Conch Group and Guangdong Sinopec, the Group has begun exploring various cooperation opportunities with other enterprises in areas including research and development in LNG technologies, construction of LNG filling stations for vehicles, LNG marine and land transportation, construction of LNG receiving stations, and the exploration of overseas NG sources. Although the current NG market in the PRC is not a thriving one, this will allow the Group more room and more time to fully establish the supply chain to ensure we will maintain long term competitiveness in the NG Business in the China market.

4. Business Prospects

4.1 LPG Business

With respect to the development of LPG Business, the Group's first consideration in exploring new markets will be profitability. Points of focus in the development plan include:

(1) The downward price adjustments of NG will extend the pipeline network investors' payback period and delay network construction. As NG's impacts on the LPG Business are relatively small, we may re-start LPG bottling plant acquisitions in Guangdong's second and third tier cities within a short period of time, utilizing the already complete logistics resources to penetrate the market in these cities;

(2) As current price levels are favourable, we will further strengthen the cooperation with non-vehicular diesel type chemical product manufacturers to secure more long-term supply contracts so as to increase sales to industrial customers;

(3) We will continue to put in more human resources to promote Hong Kong's bottled LPG business to acquire a larger market share, and we will continue to seek opportunity to enter Hong Kong's vehicular LPG fueling market, with an aim to operate the LPG filling business for vehicles in an innovative and safe business model;

(4) We are in the process of studying ways to expand beyond the Guangdong province, and how to utilize Zhuhai as a distribution center to extend our LPG business model to neighboring developing countries. There is a strong possibility that we will invest in these neighboring countries to develop more emerging markets through the construction of LPG docks, warehouses, transportation and retail networks.

4. Business Prospects *(Continued)*

4.2 Oil Products Business

Hong Kong's oil products business includes mainly marine bunkering, where the Group's competitive edge in the red oil market is already obvious. Solid foundation for this business has been laid, and it will not be long before the Group to achieve 60% share of the Hong Kong marine diesel market, and the red oil market will become the major profit source in Hong Kong's oil products business. Competition in the black oil market is ferocious, and we still need to further enhance the efficiency in logistics, improve service qualities, and continue to identify oil sources which are more stable and with lower procurement costs, in order to enhance our competitiveness in the black oil market for continued sales growth and profitability. At present we are considering the feasibility to extend our business to Singapore (the world' largest marine bunkering market). As our existing customers (mainly shipping companies) are operating international routes, we will be able to develop more long term and closer cooperation relations if we can supply to them the same fueling service in South East Asia and other major Chinese ports.

The domestic oil products business will continue to focus on developing the market of vehicle filling stations for vehicles, marine bunkering market, and oil products wholesale market within the province of Guangdong.

(1) In all our cooperation with end-users in constructing NG filling stations for vehicles, we also request our partners to add petroleum filling stations in the projects, so that vehicles that have not been converted to NG consumption can immediately be our oil product customers. Apart from that, we are proactively seeking opportunities to acquire ready-to-operate filling stations to gradually establish a sizeable network;

4. Business Prospects *(Continued)*

4.2 Oil Products Business *(Continued)*

(2) Regarding the marine bunkering business, we will cooperate with Conch Group, and deploy a number of filling station points at sea along Pearl River, Beijiang River, and Xijiang River so as to provide exclusive fuel filling service to Conch's vessels (transporting cement and materials for cement production) that shuttle between the Guangdong and Guangxi provinces;

(3) Regarding the oil products wholesale market, we will continue to improve the warehousing and distribution system in the Pearl River Delta region. We do not rule out the possibility of acquisition and merger to expedite the establishment of a complete sea and land transportation business chain of oil products.

4.3 The NG Business

The NG Business is the Group's priority in development, with a view to maintain the Group's long term interests. We understand that current market environment is not ideal, but we will still be increasing input of human and other resources to secure premium geographical locations for the construction of NG filling stations for vehicles. The objective is to establish an effective filling stations network to bring long term and stable earnings to the Group. In addition to the cooperation with the Conch Group and Guangdong Sinopec, the projects currently handled by the Group include:

(1) The Group is investing in Shunde to establish and operate one LNG filling station for vehicles by way of an operation under a lease arrangement. The project is currently in the process of construction and is expect to be complete by year-end.

4. Business Prospects *(Continued)*

4.3 The NG Business *(Continued)*

(2) Lianxin Energy Development Company Limited is developing on its own 4 stations in Guangzhou, one of which is under construction, and is expected to be complete by year-end; one has been approved and construction can be started immediately; 2 stations are in the process of seeking approvals.

(3) Stations that the Group is developing on its own include one LNG filling station in Zhaoqing. Application procedures are complete, and the project is currently applying for permission to construct. Another project is the Guangzhou Xintang LNG filling station. The Development and Reform Commission has approved the initiation of this project, which is currently at the stage of plan approval.

(4) The Group is cooperating with Zhuhai City Gas Pipe Co., Ltd. to form a JV company to seek land within Zhuhai to construct 3 L-CNG vehicle filling stations. The project is at the application stage;

(5) The Group is cooperating with YATFAI Logistics Group (a cross border logistics company operating between Hong Kong and mainland China), and intends to build one LNG filling station in Dongguan. The project is currently at the stage of seeking an appropriate location for the project;

(6) The Group is currently negotiating with a non-related party to acquire one project company which owns about 10 LNG filling stations currently at the stage of application for construction in Guangdong. The acquisition is at the stage of negotiation and the Group has not yet entered into any sale and purchase agreement.

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

As at 30 June 2015, the interests of certains directors and chief executives and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Secu-rities 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	49,842,358	3.37%
	Corporate interest *(Note 1)*	490,779,280	33.15%
		540,621,638	36.52%
Shum Chun, Lawrence	Beneficial owner	57,623,558	3.89%
	Other *(Note 2)*	73,616,892	4.97%
		131,240,450	8.86%
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 Lim-ited ("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 2015
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 2015.

SHARE OPTIONS

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

	Option type	Outstanding at 1 January 2015 and 30 June 2015
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").

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 May 2006	16 May 2006 to 16 June 2006	17 June 2006 to 31 December 2015	0.625
2006B	16 June 2006	—	17 June 2006 to 31 December 2015	0.625

Note: 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' Interests in Shares and Underlying Shares

As at 30 June 2015, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that other than the interests disclosed above in respect of certain directors and chief executives, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

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

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Uniocean	Beneficial owner	490,779,280	33.15%
Tong Shiu Ming	Family interest *(note 1)*	490,779,280	33.15%
	Family interest *(note 2)*	49,842,358	3.37%
FFMC Holdings Pte. Ltd.	Interest of controlled corporation *(note 3)*	75,706,000	5.11%
Fullerton Fund Management Company Ltd.	Investment manager *(note 3)*	75,706,000	5.11%

Notes:

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

2. These represents the same block of 49,842,358 shares held beneficially by Shum Siu Hung, spouse of Tong Shiu Ming as referred to in the paragraph headed "Directors' and Chief Executives' Interests in Shares and Underlying Shares" above, and were deemed to be the family interest of Tong Shiu Ming.

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

Other than disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 30 June 2015.

Corporate Governance and Other Information

Compliance with the Corporate Governance Code

In the opinion of the directors, throughout the six months ended 30 June 2015 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 2015.

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 instal-ments, commencing 15 months after the date of first drawdown.

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

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 instal-ments, commencing 15 months after the date of first drawdown.

On 15 October 2014, Sound Agents Limited, a wholly owned subsidiary of the Company, entered into a facility agreement for a syndication loan facility of US$105,000,000 for the purpose of financing the general working capital requirements of the Group and refinancing of any existing indebtedness of any member of the Group. The loan to be made to Sound Agents Limited upon utilization of the facility will be repayable in 3 instalments, 10% of the utilized amount is repayable on the date which falls 24 months after the date of first drawdown, 15% of the utilized amount is repayable on the date which falls 30 months after the first drawdown and the remaining 75% of the utilized amount is repayable on the date which falls 36 months from the date of first drawdown.

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 2015 the Shum Family beneficially own approximately 40.41% in aggregate of the issued share capital of the Company.

Liquidity and Financial Review

At 30 June 2015, the net current assets of the Group amounted to approximately HK$3,028,342,000 (31 December 2014: HK$2,913,636,000) and the Group's bank balances and cash and pledged bank deposits was approximately HK$4,000,676,000 (31 December 2014: HK$5,261,063,000). At the reporting date, gearing ratio was 0.33:1 (31 December 2014: 0.44:1) which was calculated based on total net borrowings of approximately HK$1,736,774,000 (31 December 2014: HK$2,162,358,000) and total equity attributable to owners of the Company of approximately HK$5,241,227,000 (31 December 2014: HK$4,874,600,000).

Corporate Governance and Other Information *(Continued)*

Human Resources

As at 30 June 2015, the Group employed approximately 1,218 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 2015.

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 2015.

By order of the Board
Shum Siu Hung
Chairman

Hong Kong, 13 August 2015