



NewOcean Energy Holdings Limited 新海能源集團有限公司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

Stock Code 股份代號 : 342



Interim Report **2019**

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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 41, which comprise the condensed consolidated statement of financial position as of 30 June 2019 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 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

26 August 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

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

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

For the six months ended 30 June 2019

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

Condensed Consolidated Statement of Financial Position

At 30 June 2019

		As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	10	2,351,333	2,407,720
Right-of-use assets	10	569,414	—
Land use rights	11	—	382,845
Prepaid lease payments for coast		—	4,523
Goodwill		755,881	742,051
Other intangible assets		200,677	222,360
Interest in an associate		6,994	6,483
Interests in joint ventures		9,158	27,995
Deposits paid	12	356,965	245,956
Deferred tax assets		833	1,231
		4,251,255	4,041,164
Current assets			
Inventories		1,744,640	1,720,504
Trade receivables	13	4,865,164	4,726,261
Other debtors, deposits and prepayments	13	2,273,051	2,232,484
Amount due from an associate	13	5,424	10,821
Amount due from a joint venture	13	—	2,036
Derivative financial instruments		12,770	4,886
Land use rights	11	—	19,087
Prepaid lease payments for coast		—	783
Properties held for sales		149,008	150,274
Properties under development for sales		753,987	724,928
Pledged bank deposits	14	241,048	243,095
Bank balances and cash		1,604,263	2,295,797
		11,649,355	12,130,956

Condensed Consolidated Statement of Financial Position *(Continued)*

At 30 June 2019

		As at 30 June 2019 (Unaudited) <i>HK\$'000</i>	As at 31 December 2018 (Audited) <i>HK\$'000</i>
	Notes		
Current liabilities			
Trade payables	15	764,087	858,439
Other creditors and accrued charges		261,464	328,646
Contracts liabilities		153,344	149,776
Lease liabilities		31,961	—
Amount due to an associate		11,355	14,530
Amount due to a joint venture		5,658	8,674
Derivative financial instruments		12,498	9,912
Tax liabilities		104,089	105,206
Borrowings secured by pledged bank deposits — repayable within one year	16	227,347	227,347
Borrowings secured by other assets — repayable within one year	16	14,962	20,575
Borrowings unsecured — repayable within one year	16	4,182,439	4,537,417
		5,769,204	6,260,522
Net current assets		5,880,151	5,870,434
Total assets less current liabilities		10,131,406	9,911,598
Capital and reserves			
Share capital	17	146,812	146,812
Share premium and other reserves		7,638,717	7,318,674
Equity attributable to owners of the Company		7,785,529	7,465,486
Non-controlling interests		(68,957)	(23,604)
Total equity		7,716,572	7,441,882
Non-current liabilities			
Deferred tax liabilities		77,314	81,684
Borrowings secured by other assets — repayable over one year	16	27,520	33,832
Borrowings unsecured — repayable over one year	16	2,172,500	2,354,200
Lease liabilities		137,500	—
		2,414,834	2,469,716
		10,131,406	9,911,598

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	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	Contributed surplus accounts HK\$'000	Other reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2019 (audited)	146,812	1,415,719	122,085	68,523	(146,599)	1,667	(127)	1,228	5,856,178	7,465,486	(23,604)	7,441,882
Profit (loss) for the period	—	—	—	—	—	—	—	—	370,568	370,568	(69,380)	301,188
Exchange difference arising on translation to presentation currency	—	—	—	—	(81,068)	—	—	—	—	(81,068)	1,072	(79,996)
Exchange difference arising on translation of foreign operations	—	—	—	—	30,543	—	—	—	—	30,543	(131)	30,412
Total comprehensive (expense) income for the period	—	—	—	—	(50,525)	—	—	—	370,568	320,043	(68,439)	251,604
Appropriations	—	—	—	996	—	—	—	—	(996)	—	—	—
Capital contribution from a non-controlling interest of a subsidiary	—	—	—	—	—	—	—	—	—	—	23,086	23,086
At 30 June 2019 (unaudited)	146,812	1,415,719	122,085	69,519	(197,124)	1,667	(127)	1,228	6,225,750	7,785,529	(68,957)	7,716,572
At 1 January 2018 (restated)	147,303	1,423,025	122,085	59,488	14,510	1,667	(127)	737	5,106,662	6,875,350	69,198	6,944,548
Profit (loss) for the period	—	—	—	—	—	—	—	—	337,651	337,651	(12,109)	325,542
Exchange difference arising on translation to presentation currency	—	—	—	—	(48,298)	—	—	—	—	(48,298)	(977)	(49,275)
Total comprehensive (expense) income for the period	—	—	—	—	(48,298)	—	—	—	337,651	289,353	(13,086)	276,267
Appropriations	—	—	—	7,054	—	—	—	—	(7,054)	—	—	—
Repurchase of ordinary shares	(491)	(7,306)	—	—	—	—	—	491	(491)	(7,797)	—	(7,797)
At 30 June 2018 (Unaudited)	146,812	1,415,719	122,085	66,542	(33,788)	1,667	(127)	1,228	5,436,768	7,156,906	56,112	7,213,018

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 2019

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000
Net cash generated from (used in) operating activities		
Operating cash flows before movements in working capital	577,352	616,990
Increase in inventories	(25,242)	(235,660)
Increase in trade receivables	(149,684)	(325,466)
Increase in other debtors, deposits and prepayments	(28,488)	(239,566)
(Decrease) increase in trade payables	(93,934)	183,077
Other operating cash flows (net)	(124,425)	(1,671)
	155,579	(2,296)
Net cash used in investing activities		
Interest received	13,467	16,858
Purchase of property, plant and equipment	10 (57,683)	(29,576)
Acquisition of a subsidiary	18 (18,086)	—
Other investing cash flows (net)	(80,803)	(14,201)
	(143,105)	(26,919)

Condensed Consolidated Statement of Cash Flows *(Continued)*

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in financing activities		
New borrowings raised	12,081,460	8,363,482
Repayments of borrowings	(12,626,657)	(8,866,040)
Payment on repurchase of ordinary shares	—	(7,797)
Other financing cash flows (net)	(143,103)	(132,690)
	(688,300)	(643,045)
Net decrease in cash and cash equivalents	(675,826)	(672,260)
Cash and cash equivalents at beginning of the period	2,295,797	1,789,191
Effect of foreign exchange rate changes	(15,708)	(5,936)
Cash and cash equivalents at end of the period, represented by bank balances and cash	1,604,263	1,110,995

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

1. General Information and Basis of Preparation

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate and immediate holding company is Uniocean Investments Limited, a company incorporated in the British Virgin Islands. The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business is 23rd Floor, The Sun's Group Centre, 200 Gloucester Road, Wanchai, Hong Kong.

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

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

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

2. Principal Accounting Policies

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and an interpretation, the accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs and an interpretation

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

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

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

For the six months ended 30 June 2019

2. Principal Accounting Policies *(Continued)*

Except as described below, the application of the new and amendments to HKFRSs and an interpretation in the current period has had no material impact on the Group's financial position and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 *Impacts and changes in accounting policies of application on HKFRS 16 "Leases"*

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

2.1.1 *Key changes in accounting policies resulting from application of HKFRS 16*

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

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

For the six months ended 30 June 2019

2. Principal Accounting Policies *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of certain properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability; and
- any initial direct costs incurred by the Group.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

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

For the six months ended 30 June 2019

2. Principal Accounting Policies *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

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

For the six months ended 30 June 2019

2. Principal Accounting Policies *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees. As at 1 January 2019, the adjustments for fair value is considered to be insignificant.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

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

For the six months ended 30 June 2019

2. Principal Accounting Policies *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *(Continued)*

Definition of a lease *(Continued)*

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;
- (ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

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

For the six months ended 30 June 2019

2. Principal Accounting Policies *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities, adjusted by additional lease payments by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The lessee's incremental borrowing rate applied is ranged from 4.35% to 6.72%.

	At 1 January 2019
	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	266,374
Lease liabilities discounted at relevant incremental borrowing rates	223,470
Less: Recognition exemption — short-term leases with lease term ends within 12 months of the date of initial application	(36,166)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	187,304
Analysed as	
Current	32,863
Non-current	154,441
	187,304

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

For the six months ended 30 June 2019

2. Principal Accounting Policies *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	187,304
Reclassified from prepaid lease payments	407,238
	<hr/> 594,542
By class:	
Leasehold land	448,259
Coast	5,306
buildings	1,374
Gas and oil plant and facilities	68,316
Oil vessels	71,287
	<hr/> 594,542

Note: Upfront payments for leasehold lands and coast in the PRC and Hong Kong were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to approximately HK\$387,368,000 and approximately HK\$19,870,000 respectively were reclassified to right-of-use assets.

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

For the six months ended 30 June 2019

2. Principal Accounting Policies *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *(Continued)*

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK\$'000
Non-current Assets			
Land use rights <i>(Note)</i>	382,845	(382,845)	—
Prepaid lease payments for coast <i>(Note)</i>	4,523	(4,523)	—
Right-of-use assets	—	594,542	594,542
Current Assets			
Land use rights <i>(Note)</i>	19,087	(19,087)	—
Prepaid lease payments for coast <i>(Note)</i>	783	(783)	—
Current Liabilities			
Lease liabilities	—	32,863	32,863
Non-current liabilities			
Lease liabilities	—	154,441	154,441

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

As a lessor

Based on the assessment of the directors of the Company, the application of HKFRS 16 as a lessor has no material impact to these condensed consolidated financial statements as at date of initial application, 1 January 2019 and for the period ended 30 June 2019.

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

For the six months ended 30 June 2019

3. Revenue and Segment Information

A. Disaggregation of revenue

Six months ended 30 June 2019 (unaudited)

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

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

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

For the six months ended 30 June 2019

3. Revenue and Segment Information *(Continued)*

A. Disaggregation of revenue *(Continued)*

Six months ended 30 June 2018 (unaudited)

Types of goods and services	Sales and distribution of LPG HK\$'000	Oil/chemical products business HK\$'000	Sales of electronic products HK\$'000	Total HK\$'000
Sales and distribution of LPG				
Wholesalers	1,396,400	—	—	1,396,400
End users	2,630,509	—	—	2,630,509
	4,026,909	—	—	4,026,909
Oil/chemical products business				
Oil products				
Sale of oil products	—	5,211,584	—	5,211,584
Provision of agency services	—	14,303	—	14,303
	—	5,225,887	—	5,225,887
Chemical products				
	—	2,403,158	—	2,403,158
	—	7,629,045	—	7,629,045
Sales of electronic products				
Integrated circuit	—	—	273,500	273,500
Mobile phones	—	—	67,770	67,770
	—	—	341,270	341,270
Total	4,026,909	7,629,045	341,270	11,997,224
Geographical markets, based on shipment destination				
Mainland China	3,473,868	3,855,920	341,270	7,671,058
Hong Kong	14,621	1,499,547	—	1,514,168
Singapore	—	1,031,398	—	1,031,398
Others (Note)	538,420	1,242,180	—	1,780,600
Total	4,026,909	7,629,045	341,270	11,997,224

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

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

For the six months ended 30 June 2019

3. Revenue and Segment Information *(Continued)*

B. Segment Information

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

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

1. Sales and distribution of LPG — This segment derives its revenue from selling of LPG to various customers including industrial customers, auto-gas operators, overseas wholesaler customers, bottled LPG end-users, auto-gas end-users.
2. Oil/chemical products business — This segment derives its revenue from selling of oil/chemical products to both wholesale and retail customers, including revenue from oil products in which the Group acts as an agent.
3. Sales of electronic products — This segment derives its revenue from trading of electronic products such as integrated circuit and mobile phones.
4. Sales and distribution of NG — In prior years, the Group began to venture into sales and distribution of NG industry, but still in preliminary stage, the segment information reported below includes assets related to the sales and distribution of NG business. The NG business is still in development stage and no revenue is contributed during the period. The segment information reported below only includes assets and liabilities related to the sales and distribution of NG industry.

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

For the six months ended 30 June 2019

3. Revenue and Segment Information *(Continued)*

B. Segment Information *(Continued)*

Information regarding the above segments is presented below.

Six months ended 30 June 2019 *(Unaudited)*

	Sales and distribution of LPG	Oil/chemical products business	Sales of electronic products	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	4,399,337	9,463,342	432,461	14,295,140
Segment profit	263,187	199,695	33,263	496,145
Share of profit of an associate	608	—	—	608
Share of loss of a joint venture	(287)	—	—	(287)
	263,508	199,695	33,263	496,466
Other income				12,871
Central administration costs				(32,286)
Directors' emoluments				(3,840)
Changes in fair values of derivative financial instruments				10,446
Finance costs				(169,569)
Profit before taxation				314,088

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

For the six months ended 30 June 2019

3. Revenue and Segment Information *(Continued)*

B. Segment Information *(Continued)*

Six months ended 30 June 2018 *(Unaudited)*

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

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

The Group has a subsidiary engages in the property investment and development in the PRC which is considered as ordinary course of business. There was no property sold for the six months ended 30 June 2019 and 2018. The operating results and other financial information of this subsidiary are not reviewed by the CODM for the purpose of resources allocation and performance assessments.

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

For the six months ended 30 June 2019

3. Revenue and Segment Information *(Continued)*

B. Segment Information *(Continued)*

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

Segment assets

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Sales and distribution of LPG	4,487,187	4,725,085
Sales and distribution of NG	47,744	46,771
Oil/chemical products business	6,979,022	6,636,396
Sales of electronic products	727,150	603,500
Total segment assets	12,241,103	12,011,752
Deferred tax assets	833	1,231
Pledged bank deposits	241,048	243,095
Bank balances and cash	1,604,263	2,295,797
Derivative financial instruments	12,770	4,886
Properties under development for sales	753,987	724,928
Properties held for sales	149,008	150,274
Other unallocated assets	897,598	740,157
Consolidated assets	15,900,610	16,172,120

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

For the six months ended 30 June 2019

3. Revenue and Segment Information *(Continued)*

B. Segment Information *(Continued)*

Segment liabilities

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

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

For the six months ended 30 June 2019

4. Other Gains and Losses

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Changes in fair values of derivative financial instruments <i>(Note)</i>	10,446	(43,264)
Gain on deemed disposal of a joint venture <i>(Note 18(ii))</i>	1,065	—
Gain on disposal of property, plant and equipment	21,521	—
Net exchange loss	(20,125)	(15,257)
	12,907	(58,521)

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

5. Other Income

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

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

For the six months ended 30 June 2019

6. Profit Before Taxation

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

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

For the six months ended 30 June 2019

7. Taxation

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

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

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

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

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

For the six months ended 30 June 2019

8. Basic Earnings per Share

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

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to the owners of the Company)	370,568	337,651

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

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

9. Dividend

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

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

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

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

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

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

For the six months ended 30 June 2019

11. Land Use Rights

As at
31 December
2018
(Audited)
HK\$'000

The Group's land use rights comprise:

Land use rights in Hong Kong	23,906
Land use rights outside Hong Kong, in the PRC	378,026
	<hr/>
	401,932

Analysed for reporting purpose as:

Non-current asset	382,845
Current asset	19,087
	<hr/>
	401,932

12. Deposits Paid

The amount included refundable deposits of approximately RMB180,364,000 (equivalent of approximately HK\$204,115,000) (31 December 2018: RMB79,971,000) (equivalent of approximately HK\$91,270,000) paid for several potential acquisition of investment projects. The Group has not entered into any formal sale and purchase agreement as at 30 June 2019 and 31 December 2018. The remaining amounts mainly represent the deposits paid for purchase of property, plant and equipment.

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

For the six months ended 30 June 2019

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

The Group allows an average credit period of 30 to 180 days to its trade receivables. The following is an aged analysis of trade debtors at the end of the reporting period presented based on the invoice date or goods delivery date, which approximated the respective revenue recognition dates:

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

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

The Group assessed credit impaired balances individually. In addition, for non-credit impaired balances the Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL, trade receivables are assessed individually for debtors with significant balances and collectively using a provision matrix for the remaining balances, which is grouped based on shared credit risk characteristics and the historical observed default rates adjusted for forward-looking estimates that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

Included in deposits, there are trade deposits paid to suppliers of approximately HK\$1,959,681,000 (31 December 2018: HK\$1,867,676,000) 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.

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

For the six months ended 30 June 2019

13. Trade Receivables, Other Debtors, Deposits, Prepayments and Amounts Due from an Associate and a Joint Venture *(Continued)*

As at 30 June 2019, the other debtors included loan advances to independent third parties of approximately HK\$75,616,000 (31 December 2018: HK\$64,754,000). The loan advances are carried at fixed interest rates ranged from 4% to 13% per annum and repayable within one year. Except for those had been determined as credit impaired, the Group applies 12-month ECL basis to measure the ECL of these balances as there had been no significant increase in credit risk since initial recognition.

Amount due from an associate and a joint venture is in trade nature aged within 90 days based on invoice date as at 30 June 2019 and 31 December 2018. A credit period of 90 days is granted to an associate and a joint venture. The balances are neither past due nor impaired at the end of the reporting period.

14. Pledged Bank Deposits

The amounts represent deposits pledged to banks to secure banking facilities granted to the Group.

15. Trade Payables

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

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

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

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

For the six months ended 30 June 2019

16. Borrowings

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Bank trust receipts loans	2,818,893	3,604,590
Bank loans (pledged with RMB bank deposits)	227,347	227,347
Bank loans (pledged with other assets)	42,482	54,407
Bank and other loans	3,536,046	3,287,027
	6,624,768	7,173,371
Repayable within one year shown under current liabilities		
Borrowings secured by pledged bank deposits	227,347	227,347
Borrowings secured by other assets	14,962	20,575
Borrowings unsecured	4,182,439	4,537,417
	4,424,748	4,785,339
Repayable over one year shown under non-current liabilities		
Borrowing secured — more than one year, but not exceeding two years	12,623	12,623
Borrowings unsecured — more than one year, but not exceeding two years	1,114,020	1,130,910
Borrowings secured — more than two years, but not exceeding five years	14,897	21,209
Borrowings unsecured — more than two years, but not exceeding five years	1,058,480	1,223,290
	2,200,020	2,388,032
	6,624,768	7,173,371

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

For the six months ended 30 June 2019

16. Borrowings *(Continued)*

Bank borrowings of approximately HK\$661,845,000 (31 December 2018: HK\$457,274,000) carry at fixed-rate. They carry interest rates ranging from 2.93% to 5.22% (31 December 2018: ranging from 3.17% to 4.27%) per annum. The remaining bank borrowings are variable-rate borrowings which carry annual interest rate at 1 month to 3 months London Interbank Offered Rate plus certain basis points and Hong Kong Interbank Offered Rate plus certain basis points per annum ranging from 2.44% to 6.17% (31 December 2018: 2.98% to 6.19%) per annum. Included in total borrowings of the Group, approximately HK\$5,707,748,000 (31 December 2018: HK\$6,809,980,000) is guaranteed by the Company and/or its subsidiaries. As at 30 June 2019, bank loans of approximately HK\$42,482,000 (31 December 2018: HK\$54,407,000) are secured by six (31 December 2018: six) 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		
Authorised share capital:		
As at 1 January 2018, 31 December 2018 and 30 June 2019	20,000,000,000	2,000,000
Issued and fully paid share capital:		
As at 1 January 2018	1,473,030,216	147,303
Repurchase of shares <i>(Note)</i>	(4,906,000)	(491)
As at 30 June 2018	1,468,124,216	146,812
As at 1 January 2019 and 30 June 2019	1,468,124,216	146,812

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

For the six months ended 30 June 2019

17. Share Capital *(Continued)*

Note: During the six months ended 30 June 2018, the Company repurchased its own shares through the Stock Exchange as follows:

Six months ended 30 June 2018

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

The above shares were cancelled upon repurchase.

18. Acquisition of a Business through Purchase of Additional Interest in a Joint Venture

On 2 April 2019, Qing Yuan Shi Qingxin District Bai Fu Yang Petrol Chemical Company Limited ("BFY"), a wholly owned subsidiary of the Company, entered into a Sales and Purchase Agreement, pursuant to which an independent third party agreed to sell, and BFY agreed to purchase additional 51% equity interest of 廣州市橋新燃氣有限公司 ("橋新") (the "Acquisition"). The principal business of 橋新 is sales and distribution of bottled LPG. The consideration for the Acquisition was RMB18,000,000 (equivalent to approximately HK\$20,373,000).

The remaining 49% equity interest of 橋新 is owned by the Group through BFY. The acquisition was completed on 31 May 2019, on which date control in 橋新 was passed to the Group. Since then, 橋新 ceased to be a joint venture of the Group and become a wholly-owned subsidiary of the Company.

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

For the six months ended 30 June 2019

18. Acquisition of a Business through Purchase of Additional Interest in a Joint Venture *(Continued)*

Provisional fair value of assets acquired and liabilities assumed at the date of acquisition recognised by the Group:

	<i>HK\$'000</i>
<hr/>	
Non-Current assets	
Property, plant and equipment	4,467
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Current assets	
Inventories	1,353
Trade debtors	714
Other debtors, deposits and prepayments	15,599
Amounts due from the Group	2,932
Bank balances and cash	2,287
<hr/>	
	22,885
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Current liabilities	
Trade creditors	171
Other creditors and accrued charges	1,280
Amounts due to the Group	2,574
<hr/>	
	4,025
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Net assets at Acquisition Date	23,327
Goodwill on Acquisition <i>(Note i)</i>	16,617
Provisional fair value of previously held 49% equity interest of 橋新 <i>(Note ii)</i>	(19,571)
<hr/>	
	20,373
<hr/>	
Satisfied by:	
Cash consideration paid	(20,373)
Cash and cash equivalent acquired	2,287
<hr/>	
Net cash outflow in respect of the Acquisition of 橋新	(18,086)
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Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 30 June 2019

18. Acquisition of a Business Through Purchase of Additional Interest in a Joint Venture *(Continued)*

Notes:

- (i) None of the goodwill is expected to be deductible for tax purpose.
- (ii) The gain on deemed disposal of previously held 49% equity interest of 橋新 of approximately HK\$1,065,000 was remeasured as the excess of the fair value of the 49% equity interest of 橋新 of approximately HK\$19,571,000 at 30 May 2019 over the carrying amount of 49% equity interest previously held in 橋新 of approximately HK\$18,506,000 at 30 May 2019 in accordance with HKFRS 3 (Revised) Business Combination. Pursuant to agreements entered between BFY and the joint venture partner of 橋新 in year 2006 and 2015, the whole operation of 橋新 has been subcontracted to BFY till the Acquisition Date.
- (iii) The initial accounting for the Acquisition has been determined provisionally, awaiting the receipt of professional valuation in relation to the business valuation.

19. Other Commitments

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

20. Contingent Liabilities

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

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

For the six months ended 30 June 2019

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).

As at 30 June 2019, derivative financial instruments comprise cross currency swaps, commodities swaps, foreign exchange option, interest rate cap, range exchange forward and interest rate swaps are measured at fair values at the end of the reporting period at Level 2 fair value hierarchy. No further disclosures on valuation techniques and key inputs are provided as the directors of the Company consider that the amount of derivative financial instruments is insignificant.

There were no transfer between level 1 and 2 for the year ended 31 December 2018 and the six months period ended 30 June 2019.

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.

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

For the six months ended 30 June 2019

22. Related Party Transactions

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

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

Notes:

- (1) Shum Ho, Neo is the employee of the Group and also the son of Shum Siu Hung and Tong Shiu Ming. Shum Siu Hung is the executive director of the Company. On 19 December 2017, Sound Management Service Limited ("Sound Management", a subsidiary of the Group) entered into an office tenancy agreement with Ever Lucky Limited ("Ever Lucky"), a company incorporated in Hong Kong and wholly owned by Shum Ho, Neo, to extend the existing leasing agreement for the use of office premises owned by Ever Lucky located on 23rd Floor, The Sun's Group Centre, 200 Gloucester Road, Wanchai, Hong Kong at HK\$398,000 per calendar month for another year commencing on 1 January 2018. On 17 December 2018, Sound Management and Ever Lucky entered into another office tenancy agreement to extend the rental period for another one year at HK\$398,000 per calendar month to 31 December 2019. The details of the transaction were set out in the announcement issued by the Company on 17 December 2018.
- (2) On 2 November 2018, Baifuyang Macao Commercial Offshore Limited, a wholly owned subsidiary of the Company, entered into a bareboat chartered agreement with Link Harvest Enterprise Limited ("Link Harvest") for the lease of a very large crude carrier at the monthly rate of hire of US\$290,000 (equivalent to approximately HK\$2,256,000 per month) for a term of 36 months commencing from 1 December 2018. The controlling shareholder of Link Harvest is Shum Chun, Lawrence who is the managing director and substantial shareholder of the Company. The details of the transactions were set out in the announcement issued by the Company on 2 November 2018.

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

For the six months ended 30 June 2019

22. Related Party Transactions *(Continued)*

Compensation of key management personnel

The remuneration of executive directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Salaries and allowances	3,789	5,695
Contribution to retirement benefit schemes	51	54
	3,840	5,749

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Interim Dividend

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

Management Discussion and Analysis

Market Overview

1.1 *International crude oil market*

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

Management Discussion and Analysis

(Continued)

1.2 The oil and gas consumer market in China

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

1.3 The exchange rate of Renminbi

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

Management Discussion and Analysis

(Continued)

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

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

2.1 Operating Income

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

Management Discussion and Analysis

(Continued)

2.2 Gross profits

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

2.3 Net profit and basic earnings per share

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

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

Management Discussion and Analysis

(Continued)

2.4 Net exchange gain and loss

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

2.5 Changes in fair values of derivative financial instruments

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

2.6 Finance costs

Due to the price raise of oil products and LPG, together with the Group's proactive exploration of the Singapore oil products market, it had seen growth both in the volumes of and the sum of purchases; correspondingly, our inventories of oil products also enlarged along with the decrease in the inventory turnover as compared with the previous records. For such, we had utilized a substantial amount of short-term bank loans to meet the needs induced by the increase in liquidity in the first half of the year. The finance costs had accordingly increased to approximately HK\$169,569,000, representing an increase of approximately 34.77% as compared with the that of approximately HK\$125,818,000 in the same period of last year.

Management Discussion and Analysis

(Continued)

2.7 Net current assets

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

2.8 Net cash flow incurred by the operating activities

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



Management Discussion and Analysis

(Continued)

3. Performance review

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

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

Management Discussion and Analysis

(Continued)

3.1 LPG business

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

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

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

Procurement

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

Management Discussion and Analysis

(Continued)

3.1 LPG business (Continued)

Sales

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

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

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

Management Discussion and Analysis

(Continued)

3.2 Oil products business

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

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

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

Procurement

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



Management Discussion and Analysis

(Continued)

3.2 Oil products business (Continued)

Sales

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

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

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

Management Discussion and Analysis

(Continued)

3.3 Electronics business

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

3.4 Other businesses

LNG auto-gas refueling station business — Currently, the LNG efforts are still under development. Our existing projects have been screened, through which we have also undertaken initiatives to abandon projects which only have a slim chance of making a profit to our Group. Instead, we have focused on devoting our resources to invest into other potential projects, for instance, we will also shift our attention from the current LNG project jointed conducted with logistic companies, to the constructions of refueling stations in order to strive for better investment returns.

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

4. Business outlook

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

Management Discussion and Analysis

(Continued)

4. **Business outlook** (Continued)

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

Oil products business — The development of our oil products business will be expedited.

- (1) As for our marine bunkering business, since Hong Kong or ports along the coastal lines of the Mainland China are not considered as embodying with any geographical advantage, our foothold established in Singapore plays a very crucial role for improving our marine bunkering business. Additionally, leasing a floating warehouse with a size of 300,000 tonnes as a procurement centre in Malaysia had already sufficiently helped lowering the procurement costs of marine fuel oil, and successfully helped the Group to tap into the marine bunkering market in Singapore. Our ultimate goal is to further increase the market share and explore stable and long-term high-end clients.
- (2) We are currently planning to expand our marine bunkering business to all of the ports in Malaysia, where our establishments at Port Klang in Malaysia have started trading and refueling business since early August this year. Meanwhile, our company in Singapore will provide supply services of oil products and technical support for these new markets.
- (3) We are not only facilitating our cooperation with our partners in the Mainland China to construct refueling stations at prime locations in the Guangdong Province, but also considering establishing sales networks of automotive refueling stations by means of acquisition and mergers.

Management Discussion and Analysis

(Continued)

4. Business outlook (Continued)

- (4) Other than laying the groundwork for operations in the Mainland China, we also acquired shareholdings of three companies which engaged in auto-fuel trading and oil products transportation in Hong Kong in late 2017, which in turn allowed the Group to become the primary agent of the four major oil companies in Hong Kong and officially tap into the auto-fuel market in Hong Kong. In the first half of 2019, the oil sales volume on land amounted to approximately 56,150 tonnes.

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

- (1) We are currently exploring more opportunities to develop more end-user markets for our bottled LPG. Meanwhile, we will enhance our management towards distributors and provide them with more support in order to improve our sales volume, and thus our profitability.
- (2) We are actively seeking industrial users of LPG. When the emergence of new energies has already affected our business of auto-gas refueling for civilian uses, the volume of LPG for industrial uses skyrockets on a year-on-year basis, for such our sales team in the Mainland China will step up efforts to seek new industrial clients.
- (3) As to the expansion of our business to the overseas markets, we began wholesaling LPG to Africa two years ago. At present, we are seeking suitable land parcels in Africa for the construction of LPG terminal gas plants and bottling plants. We aim to tap into the local end-user markets as soon as possible, which are expected to yield healthy return on capital.

Management Discussion and Analysis

(Continued)

4. **Business outlook** (Continued)

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

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

- (1) The Group is now pressing ahead with the establishment of its refinery project in Malaysia. Being delayed because of the changes in the Malaysian government during 2018, the project has now been brought back onto the right track. We believe that a significant part of the Group's annual sales volume of oil and gas will come from the products manufactured by the refinery upon its completion. From then, the oil and gas business of the Group will be able to be largely self-sufficient, instead of relying on the supply from other sources.
- (2) After the works of such vertical integration, the Group will be able to achieve better costs management under a low-risk and low-cost ecosystem. This will also enhance the Group's bargaining power on the international markets, thus broadening its procurement channels and realizing its promise on creating more sales opportunities.

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

Change in Directorship

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



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

As at 30 June 2019, the interests of certain directors and chief executives and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

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	81,238,358	5.53%
	Corporate interest (Note 1)	490,779,280	33.43%
		572,017,638	38.96%
Shum Chun, Lawrence	Beneficial owner	57,623,558	3.92%
	Other (Note 2)	73,616,892	5.01%
		131,240,450	8.93%

Notes:

- These represent the block of 490,779,280 shares beneficially owned by Uniocan Investments Limited ("Uniocan") 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. Uniocan 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.
- These interests reflect 15% proportional interest of Mr. Shum Chun, Lawrence in the 490,779,280 shares held by Uniocan.

Substantial Shareholders' Interest in Shares and Underlying Shares

As at 30 June 2019, 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	33.43%
Tong Shiu Ming	Family interest (Note 1)	490,779,280	33.43%
	Family interest (Note 2)	81,238,358	5.53%
Yam Tak Cheung	Interest of controlled corporation (Note 3)	83,000,000	5.65%

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 the paragraph headed "Directors' and Chief Executives' Interest 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 81,238,358 shares held beneficially by Shum Siu Hung, spouse of Tong Shiu Ming as referred to in the paragraph headed "Directors' and Chief Executives' Interest in Shares and Underlying Shares" above, and were deemed to be the family interest of Tong Shiu Ming.
3. 83,000,000 shares of the Company are held by Integrated Asset Management (Asia) Limited ("Integrated Asset"). Mr. Yam Tak Cheung owned 100% of Integrated Asset and was deemed to be the controlling shareholder of Integrated Asset.

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 2019.

Corporate Governance and Other Information

Compliance with the Corporate Governance Code

In the opinion of the directors, throughout the six months ended 30 June 2019 the Company has complied with the code provisions (the “CG Code”) contained in the Code on Corporate Governance Practices and Corporate Governance Report as set out in Appendix 14 of the Listing Rules with the exception that the independent non-executive directors are not appointed for a specific term as provided in the Corporate Governance Code. Under the Bye-laws of the Company, independent non-executive directors of the Company shall retire by rotation and their appointment will be reviewed when they are due for re-election. In the opinion of the directors, this arrangement meets the same objectives as the CG Code.

Compliance with the Model Code for Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Securities Transactions Code”) as its own code of conduct regarding securities transactions. Having made specific enquiry of all directors, all directors of the Company have complied with the required standards as set out in the Securities Transactions Code during the six months ended 30 June 2019.

Disclosure Pursuant to Rule 13.18 of The Listing Rules

On 25 August 2016, the Company entered into the Facility Agreement for a term loan facility of US\$150,000,000 (equivalent to approximately HK\$1,167,000,000) for the purpose of refinancing of any existing indebtedness of any member of the Group and financing the general working capital requirements of the Group. The loan to be made to the Company upon utilisation of the facility will be repayable in four instalments, 10% of the utilised amount is repayable on the date which falls 30 months after the date of first drawdown, 10% of the utilised amount is repayable on the date which falls 36 months after the date of first drawdown, 10% of the utilised amount is repayable on the date which falls 42 months after the date of first drawdown, and the remaining 70% of the utilised amount is repayable on the date which falls 48 months after the date of the first drawdown.

Corporate Governance and Other Information *(Continued)*

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

On 26 April 2017, Sound Agents Limited (“Sound Agents”), a wholly owned subsidiary of the Group, entered into the Facility Agreement for a revolving short term advance facility up to HK\$150,000,000 or the equivalent in other major foreign currencies for financing the Group’s general working capital requirements. The loan advance to be made to Sound Agents upon utilisation of the facility will be repayable in six months and the loan advance is subjected to revolve for another six months upon each repayment date.

On 28 May 2018, the Company entered into a facility agreement for a term loan facility with two tranches: tranche A of US\$145,000,000 (equivalent to approximately HK\$1,128,100,000) and tranche B of HK\$195,000,000 for the purpose of refinancing of any existing indebtedness of any member of the Group and financing the general working capital requirements of the Group. The loan to be made to the Company upon utilisation of the facility will be repayable in four instalments, 10% of the utilised amount is repayable on the date which falls 30 months after the date of first drawdown, 10% of the utilised amount is repayable on the date which falls 36 months after the date of first drawdown, 10% of the utilised amount is repayable on the date which falls 42 months after the date of first drawdown, and the remaining 70% of the utilised amount is repayable on the date which falls 48 months after the date of the first drawdown.

On 30 August 2018, the Company entered into a facility agreement for a term loan of HK\$130,000,000 for the purpose of financing the general working capital requirement of the Group. The loan to be made to the Company will be repayable in four instalments, 25% of the utilized amount is repayable on the date which falls 15 months after the date of first drawdown, 25% of the utilized amount is repayable on the date which falls 18 months after the date of first drawdown, 25% of the utilized amount is repayable on the date which falls 21 months after the date of first drawdown, the remaining 25% is repayable on the date which falls 24 months after the date of first drawdown.

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

As at 30 June 2019 the Shum Family beneficially own approximately 42.89% in aggregate of the issued share capital of the Company.

Corporate Governance and Other Information *(Continued)*

Liquidity and Financial Review

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

Human Resources

As at 30 June 2019, the Group employed approximately 1,310 employees in Hong Kong, Macau, Malaysia, Singapore and mainland China. The Group remunerated the employees based on their performance, experience and prevailing market practices.

Audit Committee

The audit committee, comprising two executive directors and all independent non-executive directors of the Company, has reviewed with the Company's external auditor the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the directors, including a review of the unaudited condensed consolidated accounts for the six months ended 30 June 2019.

By order of the Board
Shum Siu Hung
Chairman

Hong Kong, 26 August 2019