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

(Incorporated in Bermuda with limited liability)
(Stock Code: 342)
website: http://www.newoceanhk.com

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHT

- Total sales volume of energy products increased by 33.56% to approximately 5,190,100 tons. However, revenue from operations for the year was only increased slightly by approximately 1.20% to approximately HK$15,700 million reflecting the substantially low price for energy products compared with last year in 2016.

- Mainly due to the decline in auto-gas sales volume, the gross profits decreased by approximately 4.51% to approximately HK$1,757 million. The growth in sales volume in this year mainly came from wholesaling of oil products with low gross profit margin, therefore the overall gross profit margin dropped from 11.86% in 2015 to 11.19%.

- Profit for the year attributable to owners of the Company from operations decreased by 0.96% to approximately HK$749 million.

- Basic earnings per share from operations is HK$0.51 which remains the same as last year.

- Equity attributable to owners of the Company increased by 9.47% to approximately HK$5,857 million.

The Board of Directors (the "Board") of NewOcean Energy Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 together with comparative figures for the year ended 31 December 2015 as follows:

* *For identification purposes only.*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	**2016** ***HK$'000***	2015 *HK$'000*
Revenue	*3*	**15,700,406**	15,514,990
Cost of sales		**(13,943,529)**	(13,675,086)
Gross profit		**1,756,877**	1,839,904
Other gains and losses	*5*	**(122,258)**	(343,596)
Other income	*5*	**63,525**	113,141
Selling and distribution expenses		**(383,641)**	(352,071)
Administrative expenses		**(307,937)**	(282,310)
Finance costs	*6*	**(180,087)**	(194,953)
Share of profits of joint ventures		**3,807**	2,631
Share of (losses) profits of associates		**(945)**	13,009
Profit before taxation	*8*	**829,341**	795,755
Taxation	*7*	**(79,181)**	(36,783)
Profit for the year		**750,160**	758,972
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(230,219)**	(210,056)
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on available for sale investment		**35,617**	8,932
Reclassified to profit or loss upon the disposal of certain amount of available for sale investment		**(12,874)**	17,898
		(207,476)	(183,226)
Total comprehensive income for the year		**542,684**	575,746

	Note	**2016**	2015
		HK$'000	*HK$'000*
Profit for the year attributable to:			
Owners of the Company		**749,397**	756,643
Non-controlling interests		**763**	2,329
		750,160	758,972
Total comprehensive income (expense) attributable to:			
Owners of the Company		**543,814**	573,529
Non-controlling interests		**(1,130)**	2,217
		542,684	575,746
Earnings per share			
Basic	*9*	**HK$0.51**	HK$0.51
Diluted	*9*	**N/A**	HK$0.51

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	Notes	**2016** *HK$'000*	2015 *HK$'000*
Non-current assets			
Property, plant and equipment		**2,160,093**	1,506,653
Land use rights		**401,633**	266,611
Prepaid lease payments for coast		**5,983**	7,214
Goodwill		**639,308**	658,648
Other intangible assets		**399,926**	357,310
Interests in associates		**7,739**	15,960
Interests in joint ventures		**23,600**	21,332
Available for sale investment		**-**	37,770
Deposits paid		**375,280**	663,005
Deferred tax assets		**352**	3,197
		4,013,914	3,537,700
Current assets			
Inventories		**933,534**	260,285
Trade debtors and bills receivable	*10*	**3,289,310**	2,518,348
Other debtors, deposits and prepayments	*10*	**1,773,808**	1,890,558
Amounts due from associates		**2,938**	124,303
Amount due from a joint venture		**4,275**	1,078
Derivative financial instruments		**45**	12,378
Land use rights		**19,452**	11,701
Prepaid lease payments for coast		**769**	822
Properties held for sales		**147,670**	157,754
Properties under development for sales		**388,665**	211,959
Pledged bank deposits		**112,151**	1,108,142
Bank balances and cash		**1,857,597**	1,569,937
		8,530,214	7,867,265
Current liabilities			
Trade creditors and bills payable	*11*	**1,599,956**	641,816
Other creditors and accrued charges		**482,367**	214,952
Amount due to an associate		**13,819**	8,706
Amount due to a joint venture		**2,916**	479
Derivative financial instruments		**1,961**	25,785
Tax liabilities		**109,767**	60,031
Borrowings secured by pledged bank deposits - repayable within one year	*12*	**108,920**	1,370,614
Borrowings secured by other assets – repayable within one year	*12*	**15,560**	11,227
Borrowings unsecured – repayable within one year	*12*	**1,930,837**	1,532,972
		4,266,103	3,866,582
Net current assets		**4,264,111**	4,000,683
Total assets less current liabilities		**8,278,025**	7,538,383

	Notes	**2016** *HK$'000*	2015 *HK$'000*
Capital and reserves			
Share capital	*13*	**148,040**	148,040
Share premium and other reserves		**5,709,187**	5,202,383
Equity attributable to owners of the Company		**5,857,227**	5,350,423
Non-controlling interests		**83,718**	38,193
Total equity		**5,940,945**	5,388,616
Non-current liabilities			
Deferred tax liabilities		**99,856**	116,012
Borrowings secured by other assets – repayable over one year	*12*	**37,429**	30,404
Borrowings unsecured – repayable over one year	*12*	**2,199,795**	2,003,351
		2,337,080	2,149,767
		8,278,025	7,538,383

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. General

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate and immediate holding company is Uniocean Investments Limited ("Uniocean"), a company incorporated in the British Virgin Islands. The Company acts as an investment holding company. The principal activities of the Group are the sales and distribution of liquefied petroleum gas ("LPG") and natural gas ("NG"), oil products business and sales of electronic products.

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 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 consolidated financial statements.

2. Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2019.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2017.

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipates that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of approximately HK$156,945,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

In the opinion of the directors, the application of the other new and amendments to HKFRS issued but not yet effective is not expected to have a material effect on the consolidated financial statements.

3. Revenue

Revenue represents the fair value of amounts received and receivable for goods sold by the Group to outside customers, less discount, related taxes and returns, sales of properties and rental income of oil vessels and LPG bottles and subcontracting fee for the year. An analysis of the Group's revenue for the year is as follows:

	2016	2015
	HK$'000	*HK$'000*
Sales and distribution of LPG	**6,797,470**	8,460,373
Sales of oil products	**8,689,014**	6,331,336
Sales of electronic products	**201,730**	659,404
Sales of properties	**-**	35,731
Rental of LPG bottles	**12,192**	18,744
Subcontracting fee	**-**	9,402
	15,700,406	15,514,990

4. 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 etc. The operation is carried out in Hong Kong, the People's Republic of China ("PRC") and Macau for both onshore and offshore customers.

2. Oil products business – This segment derives its revenue from selling of oil products to both wholesaler and retailer customers and leasing of oil vessels.

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

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 year.

In December 2016, the Group acquired a technical know-how for production of charcoals through acquisition of two companies incorporated and operated in the PRC. The Group will be engaged in manufacturing and distribution of charcoals in year 2017. The segment information reported below includes assets and liabilities related to the manufacturing and distribution of charcoals.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 December 2016

	Sales and distribution of LPG *HK$'000*	Oil products business *HK$'000*	Sales of electronic products *HK$'000*	Consolidated *HK$'000*
Segment revenue	**6,809,662**	**8,689,014**	**201,730**	**15,700,406**
Segment profit	**773,649**	**201,167**	**10,061**	**984,877**
Share of profits of joint ventures	**3,807**	**-**	**-**	**3,807**
Share of losses of associates	**(945)**	**-**	**-**	**(945)**
	776,511	**201,167**	**10,061**	**987,739**
Other income				**49,385**
Central administration costs				**(48,994)**
Gain on disposal of available for sale investment				**12,874**
Directors' emoluments				**(10,542)**
Changes in fair values of derivative financial instruments				**18,966**
Finance costs				**(180,087)**
Profit before taxation				**829,341**

For the year ended 31 December 2015

	Sales and distribution of LPG *HK$'000*	Oil products business *HK$'000*	Sales of electronic products *HK$'000*	Consolidated *HK$'000*
Segment revenue	8,488,519	6,331,336	659,404	15,479,259
Segment profit	799,457	144,905	21,345	965,707
Share of profits of joint ventures	2,631	-	-	2,631
Share of profits of associates	13,009	-	-	13,009
	815,097	144,905	21,345	981,347
Other income				110,808
Profit from property investment and development in the PRC				18,354
Central administration costs				(59,734)
Loss on disposal of available for sale investment				(17,898)
Directors' emoluments				(8,479)
Changes in fair values of derivative financial instruments				(33,690)
Finance costs				(194,953)
Profit before taxation				795,755

The accounting policies of the reportable segments are the same as the Group's accounting policies. All of the segment revenue reported above is from external customers, joint ventures or associates. Segment profit represents the profit earned by each segment without allocation of interest income, profit from property investment and development in the PRC, central administration costs, gain (loss) on disposal of available for sale investment, directors' emoluments, changes in fair values of derivative financial instruments and finance costs.

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

	2016 ***HK$'000***	2015 *HK$'000*
Total reportable segment revenue	**15,700,406**	15,479,259
Add: Revenue from property investment and development in the PRC	**-**	35,731
Revenue as presented in the consolidated statement of profit or loss and other comprehensive income	**15,700,406**	15,514,990

The Group has a subsidiary engages in the property investment and development in the PRC and the revenue generate from this business is included as the consolidated revenue of the Group. The operating result and other financial information of this subsidiary are not reviewed by the CODM for the purpose of resources allocation and performance assessments.

Segment assets and liabilities

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

Segment assets

	2016 *HK$'000*	2015 *HK$'000*
Sales and distribution of LPG	**3,968,170**	4,333,157
Sales and distribution of NG	**158,696**	148,626
Oil products business	**5,140,369**	3,177,649
Sales of electronic products	**213,500**	98,660
Manufacturing and distribution of charcoals	**102,519**	-
Total segment assets	**9,583,254**	7,758,092
Available for sale investment	**-**	37,770
Deferred tax assets	**352**	3,197
Pledged bank deposits	**112,151**	1,108,142
Bank balances and cash	**1,857,597**	1,569,937
Derivative financial instruments	**45**	12,378
Properties under development for sales	**388,665**	211,959
Properties held for sales	**147,670**	157,754
Other unallocated assets	**454,394**	545,736
Consolidated assets	**12,544,128**	11,404,965

Segment liabilities

	2016 *HK$'000*	2015 *HK$'000*
Sales and distribution of LPG	**912,102**	462,493
Sales and distribution of NG	**123**	-
Oil products business	**1,155,596**	384,021
Sales of electronic products	**114**	120
Manufacturing and distribution of charcoals	**1**	-
Total segment liabilities	**2,067,936**	846,634
Derivative financial instruments	**1,961**	25,785
Tax liabilities	**109,767**	60,031
Deferred tax liabilities	**99,856**	116,012
Borrowings	**4,292,541**	4,948,568
Other unallocated liabilities	**31,122**	19,319
Consolidated liabilities	**6,603,183**	6,016,349

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments (other than available for sale investment, deferred tax assets, pledged bank deposits, bank balances and cash, derivative financial instruments, and certain deposits paid, certain other receivables, properties under development for sales, properties held for sales and certain property, plant and equipment); and
- all liabilities are allocated to reportable segments (other than current and deferred tax liabilities, borrowings, derivative financial instruments and certain other payables).

The Group has allocated goodwill to the relevant segments as segment assets.

Geographical information

The Group's operations are located in Hong Kong (country of domicile), Macau and the PRC.

Information about the Group's revenue from external customers is presented based on customers' location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets:

	Revenue from external customers		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (country of domicile)	**3,421,432**	3,867,146	**668,102**	666,571
The PRC (excluding Hong Kong)	**8,096,377**	7,864,302	**3,343,430**	2,828,316
Other countries	**4,182,597**	3,783,542	**2,030**	1,846
Total	**15,700,406**	15,514,990	**4,013,562**	3,496,733

Note: Non-current assets excluded deferred tax assets and available for sale investment.

5. Other gains and losses and other income

	2016	2015
	HK$'000	*HK$'000*
Change in fair values of derivative financial instruments	**18,966**	(33,690)
Gain (loss) on disposal of available for sale investment	**12,874**	(17,898)
Net exchange loss *(Note)*	**(154,098)**	(292,008)
Other gains and losses	**(122,258)**	(343,596)
Interest income on pledged RMB bank deposits	**20,081**	87,866
Interest income	**33,218**	22,942
Others	**10,226**	2,333
Other income	**63,525**	113,141

Note: The amount included net exchange loss arising from pledged RMB bank deposits for United States Dollars ("USD") borrowings amounted to approximately HK$12,627,000 (2015: HK$123,453,000).

6. Finance costs

	2016	2015
	HK$'000	*HK$'000*
Interests on bank trust receipts loans and other loans	**54,625**	69,004
Interests on bank loans pledged with RMB bank deposits	**16,446**	51,775
Interests on bank borrowings wholly repayable within five years	**109,016**	74,174
	180,087	194,953

7. Taxation

The amount of taxation charged to the consolidated statement of profit or loss and other comprehensive income represents:

	2016	2015
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**3,635**	-
Other regions in the PRC	**81,484**	40,640
	85,119	40,640
Deferred tax		
Current year	**(5,938)**	(3,857)
	79,181	36,783

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. For the year ended 31 December 2015, there was no provision for Hong Kong Profits Tax had been made in the consolidated financial statements as the Company and other subsidiaries had no assessable profits arising in Hong Kong or the assessable profits were wholly absorbed by tax losses brought forward.

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%.

8. Profit before taxation

	2016 *HK$'000*	2015 *HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of land use rights (included in administrative expenses)	**10,498**	10,806
Amortisation of prepaid lease payments for coast (included in cost of sales)	**806**	860
Amortisation of other intangible assets (included in selling and distribution expenses)	**41,621**	43,404
Auditor's remuneration	**4,228**	4,130
Depreciation of property, plant and equipment	**99,868**	88,587
Loss on disposal and written off of property, plant and equipment	**5,294**	4,632
Minimum lease payments under operating leases for offices, oil vessels, leasehold land and LPG station	**41,208**	37,274
Gross rental income from leasing of office premises, leasehold land and warehouses	**(2,309)**	(1,518)
Less: Direct operating expenses	**254**	88
	(2,055)	(1,430)
Staff costs		
Directors' fees	**330**	330
Directors' other emoluments	**10,212**	8,149
Contributions to retirement benefits schemes excluding HK$108,000 (2015: HK$105,000) included in directors' emoluments	**10,126**	6,171
Staff salaries and bonus	**121,534**	111,339
	142,202	125,989

9. Earnings per share

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

	2016 *HK$'000*	2015 *HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to the owners of the Company)	**749,397**	756,643

	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,480,398,216**	1,480,398,216
Effect of dilutive ordinary shares		
Share options	**N/A**	17,514,459
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**N/A**	1,497,912,675

No diluted earnings per share is presented as there are no potential earning shares in issue during the year ended 31 December 2016.

10. Trade debtors, bills receivable, other debtors, deposits and prepayments

	2016	2015
	HK$'000	*HK$'000*
Trade debtors	**3,164,818**	2,477,122
Bills receivable	**124,492**	41,226
	3,289,310	2,518,348

The Group allows an average credit period of 90 days. The bills receivable are matured within the range of 30 days to 180 days for the years ended 31 December 2016 and 2015. The following is an aged analysis of trade debtors and bills receivable at the end of the reporting period presented based on the invoice date, which approximated the respective revenue recognition dates:

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**888,521**	1,263,989
31 to 60 days	**969,440**	316,609
61 to 90 days	**782,864**	297,171
91 to 180 days	**441,294**	584,914
Over 180 days	**207,191**	55,665
	3,289,310	2,518,348

Included in other debtors, there are trade deposits paid to suppliers of approximately HK$1,423,804,000 (2015: HK$1,530,080,000) 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.

11. Trade creditors and bills payable

	2016	2015
	HK$'000	*HK$'000*
Trade creditors	**667,521**	261,981
Bills payable	**932,435**	379,835
	1,599,956	641,816

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

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**600,476**	430,564
31 to 60 days	**605,781**	72,582
61 to 90 days	**321,186**	884
91 to 180 days	**51,970**	136,584
Over 180 days	**20,543**	1,202
	1,599,956	641,816

12. Borrowings

	2016	2015
	HK$'000	*HK$'000*
Bank trust receipts loans	**1,292,488**	844,442
Other loans (pledged with RMB bank deposits)	**108,920**	1,370,614
Other loans (pledged with other assets)	**52,989**	41,631
Other loans	**2,838,144**	2,691,881
	4,292,541	4,948,568
Repayable within one year shown under current liabilities		
Borrowings secured by pledged bank deposits	**108,920**	1,370,614
Borrowings secured by other assets	**15,560**	11,227
Borrowings unsecured	**1,930,837**	1,532,972
	2,055,317	2,914,813
Repayable over one year shown under non-current liabilities		
Borrowing secured – more than one year, but not exceeding two years	**15,688**	11,227
Borrowing unsecured – more than one year, but not exceeding two years	**990,005**	1,032,795
Borrowings secured – more than two years, but not exceeding five years	**21,741**	19,177
Borrowings unsecured – more than two years, but not exceeding five years	**1,209,790**	970,556
	2,237,224	2,033,755
	4,292,541	4,948,568

13. Share capital

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.1 each (2015: HK$0.1 each)		
Authorised share capital:		
At 1 January 2015, 31 December 2015 and 2016	20,000,000,000	2,000,000
Issued and fully paid share capital:		
At 1 January 2015, 31 December 2015 and 2016	1,480,398,216	148,040

MANAGEMENT DISCUSSION AND ANALYSIS

1. Market Overview

In the past year, unexpected incidents such as the frequent terror attacks, the unceasing flood of refugees reaching Europe, the BREXIT and Trump being the elected US President had led to political instability in many countries, resulting that each country could hardly put forward their effective economic policies. With the absence of driving forces stimulating the consumption in the global market, the overall demand remained staggered. Under the weakness of the economy over the long term, prices of bulk commodities not only failed to remain stable, but also appeared with frequent fluctuations. Such might be due to the speculations in the OTC market. Such changes had worsened the instability, resulting in more difficulties in foreseeing the uncertain market trends. As a result, an utmost difficult operational environment was formed.

In fact, the turmoil in Europe, North Africa and the Middle-East regions did not pose any significant impact on China. Theoretically speaking, such period in turn allowed China to focus on tackling the issue of overcapacity. As revealed by figures, the rectification seemed efficient to a certain extent, the crisis of deflation was also relieved (particularly in the third quarter where a slight inflation of 1.1% was shown). Nonetheless, only the state-owned enterprises could indeed receive the financial assistance from the government for conducting reforms, whereas there lied an insignificant possibility that private-owned enterprises could receive any assistance from banks. Therefore, there were only critical battles relating to the survival of the fitness between private-owned enterprises, in where the issue of reforms did not even exist. For these enterprises, overcapacity was still a serious matter and the competition among them remained extremely severe, resulting that further narrowing down of the gross profits became unavoidable.

Regarding the importers, the disappointing performance of Renminbi resulted in additional problems for the existing poor business environment. At the beginning of the first half of the year, the exchange rate of Renminbi dropped from 6.4683 to the then lowest level of 6.6480 as of the end of the first half of the year (30 June), representing a depreciation of approximately 2.78% of Renminbi in six months. In the second half of the year, such situation became even more severe. During this half of the year, the highest price level was 6.6254 on 16 August, whereas the lowest level was 6.9615 on 16 December. At the end of the year (30 December), the closing price was 6.9450 (almost was the lowest price throughout the year), representing a depreciation of Renminbi of approximately 7.37% in total in the entire year. During such period, those in the market gradually lost their confidence in Renminbi, which triggered the crisis of capital outflow and massive drain-out of the national foreign exchange reserves. For these reasons, the government adopted a stricter approach for foreign exchange control in the second half of the year (especially in the fourth quarter). In the event that foreign trading companies need to purchase the US dollars to pay for the overseas borrowings, they are required to notify the bank with one-month notice in advance. If they do not allow the bank to reserve for swap lines, the bank would reject handling any request even when such purchases of foreign exchange are practical and compliant. Under these strict regulations, the delay of overseas payment frequently occurred, which aggravated the difficulties the importers faced when conducting procurement in the global market. Meanwhile, such also raised the actual procurement costs for the importers.

Due to the fact that the Federal Reserve plans to hike rates three times in 2017, those in the market expects that the US dollars will continue its strong momentum, so the future of Renminbi does not look optimistic. In general, it is expected that the exchange rate will soon drop to 7.15, whereas a further decline to 7.50 will also be possible. Overall, the ongoing depreciation of Renminbi in 2017 appears to be very likely to happen. Also, the importing businesses in the Chinese market are expected to lead an even more difficult year.

The trend of oil prices in the first half of the year in 2016 saw notably fluctuations, from US$37.28 per barrel at the beginning of the year dropping to US$27.88 per barrel within 20 days. Later, such price picked up gradually, reaching US$49.68 per barrel in the middle of the year (30 June). Overall, the oil prices showed an upward trend in most of the time during the first half of the year, those in the market, therefore, then expected that such trend in the second half of the year would remain stable and mark a gradual improvement, and the final result was in line with those as expected in the market. In the second half of the year, the lowest price level was US$42.14 per barrel on 1 August, whereas the highest level was US$56.82 per barrel, which was the closing price on 30 December at the end of the year. The increment in the second half of the year was only 14.37%, which was far less than the 33.26% of the first half of the year. However, the rebound of oil prices over the year reached 52.41%. In the first half of the year, other than the drastic drop in oil prices in February had stimulated the purchasing desire of some importers, transactions at other times remained extremely quiet. At the second half of the year, oil prices showed a steady upward trend and importing activities became active indeed. Nonetheless, due to the fact that Renminbi was undergoing depreciation at the same time, in the situation where one advances whilst the other one falls behind, importers in China indeed were not able to enjoy any benefits led by the price rebound.

Those in the market expected that the international crude price will have a moderate but rapid fluctuation between US$50 to US$65 in 2017. The market believes that the supply and demand for petroleum during the year will regain its balance so that oil prices can gradually climb with a stable pace. However, there are increasing factors which influence oil prices, the trend of oil prices is indeed hard to foresee. Although it is believed that the market lives with its expectation of oil prices rebound, such rebound will encounter substantial resistance when the agreement on oil output cut between the OPEC and non-OPEC countries fails to implement effectively, the Federal Reserve frequently hikes rates, the US dollars experience huge appreciation, and even China sees the economic downturn.

2. Overall performance of the Group

2.1 Overview

The business environment of 2016 became even worse than that of 2015. During the year, the depreciation of Renminbi was also higher than that of last year. As for the importers, the decrease in profitability became inevitable. Under such circumstance, the Group could only adopt short-term approach, which was to boost the sales volumes to compensate the decrease in gross profits so as to retain the actual total gains of the Group. During the year, the liquefied petroleum gas ("LPG") and oil products were still the energy products the Group focused on. However, due to the relatively poor operational environment, such businesses failed to achieve outstanding results as they did before, with their overall performances were just average.

The sales volume of LPG was generally comparable with that of last year, in which both the sales of bottled LPG and re-exported gas had increased. As for the auto-gas refueling business in Guangzhou, due to the fact that some buses had switched to the use of NG as the fuel and taxis were prone to underemployment under the influence of informal passenger service, the demand for auto-gas refueling decreased significantly, whereas the sales of other categories did not show any huge differences as compared with those of last year. The Group's LPG business owns a history of more than 15 years, in which a comprehensive supply chain in the Southern China Region has been established long ago. Such advantage has always been protecting the Group's LPG business from the impact of the surrounding environment. For this reason, despite of the unsatisfying operational environment, the profitability of the LPG business had never been severely undermined. The Group expected that the future operational environment for LPG business is still full of uncertainties. Especially for the auto-gas business which is continuously shrinking over the years, given that if its business dropped further in the coming years, the overall profitability of LPG would be affected.

During the year, the sales volume of oil products increased considerably, whereas the Group continued to promote the development of oil products business in both China and Hong Kong in 2016. In the Hong Kong market, other than remaining the bunkering service of ships, the Group also progressively increased the supply of vessel oil to other bunkering operators. Besides, it also strengthened the trading of oil products/ chemical products, which had become another source of income for the Group, and at the same time raised the recognition of the Group on the global market and so as its procurement capability. In 2016, the Group devoted relatively more resources into the Chinese market. The addition of several second handed bunkering ships helped meeting the increasing demand in marine bunkering services. In addition, a large batch of oil products/ chemical products from overseas were purchased, so as to conduct the marine and land wholesaling businesses via the oil storage depot located in the Pearl River Delta Region. During such period, we had successfully expanded the oil products business from Guangdong to Fujian to realize the significant growth in the oil products business.

Other than LPG and oil products, natural gas ("NG), another core business to be operated by the Group in the future, remained in the stage of building up the sale network. Since the dissolution of co-operation with Sinopec in the Guangdong Province and the discontinuation of partnership regarding liquefied natural gas ("LNG") auto-gas refueling stations, we had prepared to seek for appropriate location and partners to propel the construction and development of LNG auto-gas refueling stations. However, in the last one or two years, the drop in oil prices indeed had significantly lowered the attractiveness of NG as an alternate fuel. Switching to the use of NG could not see any significant cut in costs, resulting that NG had lost its former competiveness. In addition, after the incident of serious explosion in Tianjin in 2015, all the approval processes of the governmental authorities had become abnormally complicated and cautious, leading to the stagnation of the NG business development. However, as the NG business is the direction of the Group's development in the long run, we will not abandon such business due to the current difficulties, not to mention that suspending such development will not bring any actual and negative impact on the Group's overall performance.

The Group and the Shanghai Conch International Investment and Development Co., Ltd. jointly established the Guangdong Shenhai New Energy Company Limited ("Shenhai") in Hengqin. In the past year, such company continued to develop the land and marine refueling stations project around the Conch's cement production base located in the Guangdong Province (the place where logistics are centralized). Despite of the unavoidable obstacles related to policies in the application process, the development progress was satisfying. Besides, the Group had engaged into other investments in 2016, one of which was the production and sales of anthracite and active charcoal. Such project created better profitability, and required shorter timeframe for development.

Overall, the Group's profitability in 2016 was weakened due to the vigorous competitions in the market. The depreciation of Renminbi still led to certain losses to us, resulting that the overall profitability performance was slightly worse than that of 2015. As revealed by the situation of this year, the energy market in Guangdong was becoming saturated. Substantial profits were not expected even when there was still room for development. We will certainly continue to regard the energy market in the Southern China Region as our bases, however, we have also made our decision to invest more resources to seek for any potential opportunities in the overseas markets, in order to achieve the two goals of expanding businesses and profitability at the same time.

2.2 Overall performance

In 2016, the NG business had not yet brought any actual revenue or profits to the Group, whereas the other businesses (including LPG, oil products and electronic products) recorded a total revenue of approximately HK$15,700,406,000 (among which, the revenue of energy products was approximately HK$15,498,676,000, representing approximately 98.72% of the total revenue), representing a slight increase of approximately 1.20% as compared with the total revenue of approximately HK$15,514,990,000 (among which, the revenue of energy products was approximately HK$14,819,855,000, representing approximately 95.52% of the total revenue) for the same period in 2015. The total revenue showed only a slight increase, which was mainly due to: (1) the significant decrease of approximately HK$457,674,000 in the revenue of the electronics business; (2) the average prices of LPG in the year were roughly 20% lower than those of the same period in 2015, and the prices of oil products were 15% to 17% lower than those of the same period of year. Therefore, the total revenue did not increase correspondingly along with the significant increase in the sales volumes.

During the year, the net profit attributable to the owners of the Company of approximately HK$749,397,000 was recorded; comparing to the net profit of approximately HK$756,643,000 for the same period in 2015, such number was almost the same as that of 2015, representing a decrease of only approximately 0.96%. During the year, the total sales volume of LPG could be retained, however, the performance of the most profitable auto-gas refueling business was worsen significantly, resulting that the gross profits of the sales of LPG decreased around 10%. The competition in the oil products market was very severe, in which the Group had adopted the approach of lowering the selling prices to stimulate the sales volumes. Such approach aimed at retaining the profitability of the oil products business, meanwhile to compensate for the losses in the gross profits of the LPG business. It should be an effective rectifying measures, however, the depreciation of Renminbi during 2016 was much higher than that of 2015. Despite the fact that we had minimize the balances of the structured matching of pledged deposits in Renminbi and corresponding loans in the US dollars, the Group's intra-group current accounts and other current financial assets denominated in Renminbi still generated a huge exchange loss. These were the main reasons why the Group, at last, could just barely retain the gains of last year.

During the year, the LPG business, oil product business and electronics business, the core businesses operated by the Group, generated a total gross profits of approximately HK$1,756,877,000, representing a decrease of approximately 4.51% as compared with the total gross profits of approximately HK$1,839,904,000 in 2015. The Group's overall gross margin decreased from around 11.86% of last year to around 11.19%. The reasons for such decrease in total gross profits have been explained as abovementioned, which would not further explain herein.

In 2016, the Company did not conduct any fund raising in the capital market in the forms of share places or rights issue, nor did it conduct any share repurchasing activities. As of 31 December 2016, the weighted average number of the Company's issued ordinary shares was 1,480,398,216, which was the same as the number of shares for the 12 months ended 31 December 2015. The basic earnings per share of the year were approximately HK$0.51, which was the same as compared to the basic earnings per share of approximately HK$0.51 for the same period of last year.

The net cash inflow from operating activities of the year was approximately HK$903,761,000. In regards to the net cash outflow from operating activities of approximately HK$323,075,000 in the first half of the year, the Group had adopted different measures including the collection of trade receivables in large amounts and obtaining the reasonable credit terms from suppliers. In the second half of the year, the return of the Group's capital was highly improved, resulting that the net cash flow from operating activities of the Group could become positive.

2.3 Segment performance

In 2016, the Group had approximately 5,190,100 tons of sales of energy products, representing a significant increase of approximately 1,304,100 tons or an increment of approximately 33.56% as compared with the sales volume of approximately 3,886,000 tons for the same period in 2015. Among all these businesses, the sales volume of oil products increased with the highest rate; after its 5-year-development, the current sales volume of oil products had exceeded that of LPG, which was attributed to more than 60% of the sales volume of the Group's energy products:

Year	Sales volume of LPG (tons)		Sales volume of oil products (tons)		Total sales volume (tons)
2016	**1,913,100**	**36.86%**	**3,277,000**	**63.14%**	**5,190,100**
2015	1,893,000	48.71%	1,993,000	51.29%	3,886,000

In 2016, the Group's LPG business, oil product business and electronics business achieved an operating revenue of approximately HK$15,700,406,000 in total, representing a slight increase as compared with the operating revenue of approximately HK$15,479,259,000 for the same period in 2015. The proportions of these three business in the total revenue of the Group were as follow:

Year	LPG *(HK$'000)*		Oil products *(HK$'000)*		Electronics *(HK$'000)*	
2016	**6,809,662**	**43.37%**	**8,689,014**	**55.34%**	**201,730**	**1.29%**
2015	8,488,519	54.71%	6,331,336	40.81%	659,404	4.25%

During the year, these three businesses achieved a total gross profits of approximately HK$1,756,877,000, their respective contribution to the total gross profits of the Group was as follows:

Year	LPG *(HK$'000)*		Oil products *(HK$'000)*		Electronics *(HK$'000)*	
2016	**1,317,194**	**74.97%**	**429,537**	**24.45%**	**10,146**	**0.58%**
2015	1,476,097	80.23%	316,950	17.23%	28,503	1.55%

LPG business

Due to the comprehensive supply chain of the Group, the operations of the LPG business had always been less likely to be affected by the neighboring factors. Despite the fact that the operational environment was indeed not encouraging in 2016, the sales volume of LPG was still able to remain. The sales volume of the year was approximately 1,913,100 tons; comparing to the approximately 1,893,000 tons for the same period of last year, such was almost the same as that of last year (with only an approximately 1.06% increment). During the year, the average market prices of LPG were approximately 20% lower than those of last year, therefore, a revenue of only approximately HK$6,809,662,000 was recorded, representing a decrease of around 19.78% as compared with the revenue of approximately HK$8,488,519,000 for the same period of last year. The decrease in revenue and the downward adjustment of average prices were roughly comparable.

Throughout the year, the LPG business achieved a gross profit of approximately HK$1,317,194,000, representing a decrease of approximately HK$158,903,000 or a decline of approximately 10.77% as compared with the gross profits of approximately HK$1,476,097,000 for the same period in 2015. During the year, the sales volume of auto-gas refueling business which had the highest profitability decreased by 20.05%. Other sales volumes with lower profitability (e.g. overseas customers) increased, however, they were far from generating sufficient additional gross profits to compensate the losses in the profits of auto-gas refueling business. Given that the average prices of the period were lower than those of last year, the gross margin, on the contrary, climbed to 19.34% (2015: 17.39%) even with the decline of approximately 10.77% in the gross profits.

Because of the ongoing expansion of the oil products business and the limited increment in the LPG business, the contribution of the LPG business to the total revenue of the Group in 2016 continued to drop to only approximately 43.37% (same period in 2015: 54.71%; same period in 2014: 64.51%).

Before the end of 2015, the co-operation with Sinopec in the Guangdong Province relating to the LPG auto-gas refueling station business had been agreed to terminate. The joint venture established by two parties had been officially resolved in September 2016. The investment in the joint venture and the profits generated from the joint venture had already been recovered. As of today, the Group's LPG business basically had become wholly-owned again.

Oil products business

During the year, the Group put its efforts in propelling the oil products business to grow rapidly. The annual sales volume reached approximately 3,277,000 tons, representing a drastic increase of approximately 64.43% as compared with the sales volume of approximately 1,993,000 tons for the same period in 2015. The average prices of oil products throughout the year were approximately 15% to 17% lower than those of 2015, therefore, such revenue did not increase along with the rise in the sales volume. During the year, the revenue only reached approximately HK$8,689,014,000, representing an increase of approximately 37.24% as compared with approximately HK$6,331,336,000 for the same period in 2015.

The oil products business achieved the gross profits of approximately HK$429,537,000 over the year, representing an increase of approximately HK$112,587,000 or an increment of approximately 35.52% as compared with the gross profits of approximately HK$316,950,000 for the same period in 2015. The growth in the gross profits was not proportionate to the increment in the sales volume (64.43%), with the profitability of the oil products business had a significant decrease over the year. The dramatic growth in the sales volume of oil products were, in fact, motivated by the trading and wholesaling of oil products/ chemical products; the volume of each procurement for this business was approximately 40,000 tons, whereas the sales volume per transaction was on the average of between approximately 5,000 tons to 10,000 tons. Due to the large volume, gross profits were comparatively less, such was one of the grounds for the fall in overall profitability of the oil products business. Therefore compared to the gross profit of approximately 5.01% in 2015, the gross profit in 2016 dropped slightly to approximately 4.94%.

Due to the ongoing expansion of the oil products business, its proportion in the total revenue of the Group continued to pick up. In 2016, it reached 55.34% (same period in 2015: 40.81%; same period in 2014: 26.56%).

Although the depot of 70,000 tons located in Zhuhai had been in use since 2015, parts of the facilities and functions (e.g. the newly-built berths of 5,000 tons and bonded warehouses) were indeed still at the stage of application to the government. At present, such depot could only be used for oil mixing and as the storage warehouse for diesel and chemical products. In short, it could only handle the domestic sales and purchases of oil products and chemical products (i.e. domestic business). At the beginning of 2017, we had obtained the permit for imports, which allows us to initiate the importing business of oil products during 2017, and then to lodge the application relating to the bonded warehouse. We believe, such depot will only be able to showcase all of its efficiency of being a transit warehouse after obtaining the approval of the application of the berths and bonded warehouses.

Electronics business

During the year, the Group had cut the sales volume of electronic products substantially. In 2016, it only retained a few businesses of selling smartphones to Thailand and electronics parts (mainly the integrated circuits related to smartphones) business. Such revenue was only amounted to approximately HK$201,730,000, representing a drop of approximately 69.41% as compared with the revenue of approximately HK$659,404,000 for the same period of last year. The gross profits were approximately HK$10,146,000, representing a decrease of approximately 64.40% as compared with the gross profits of approximately HK$28,503,000 for the same period in 2015. However, the gross margins rebounded from approximately 4.32% of 2015 to approximately 5.03%.

2.4 Net exchange loss

In the first half of the year in 2016, due to the depreciation of around 2.78% of Renminbi, a net exchange loss amounting to approximately HK$62,416,000 was recorded in our interim report. In the second half of the year, the depreciation of Renminbi continued and even higher than that of the first half of the year. Throughout the year, Renminbi had depreciated for approximately 7.37% in total, so that the impact of the Renminbi depreciation was more severe than the earlier expectation. Throughout the year, the Group recorded a net exchange loss of approximately HK$154,098,000 in total, among which:

（1） In relation to the trading businesses of imported LPG and oil products, a net exchange loss of approximately HK$59,850,000 in total was recorded. In most of the situations, we absorbed such kind of exchange loss through the adjustment of sales prices, however, with the abnormally vigorous competition within the industry in 2016, our counterparts chose to take up such losses but not to adjust prices so as to avoid losing our market shares. Therefore, the prices adjustment in 2016 was indeed not an effective approach to eliminate the exchange risks for the trading businesses. However, it is believed that the adjustment in prices will still be the only preferable and effective measure for hedging when the market situation improves or competitions ease;

（2） A net exchange loss of approximately HK$81,621,000 was recorded for the Group's intercompany current accounts and some current assets that denoted in Renminbi. Fortunately, such category of losses was mainly the unrealized net exchange loss which would not pose any actual impact on the Group's cash flow. Under the current situation, it is difficult to find any solutions to efficiently hedge against such category of losses. We can only prevent such Renminbi assets from growing continually, or use parts of the assets to hedge against related liabilities under the compliance of accounting policies. Such would reduce the balances of such current accounts and current assets, which in turn decrease the losses resulted from the further depreciation of Renminbi;

（3） Only a net exchange loss of approximately HK$12,627,000 was recorded in 2016 for the structured matching of pledged deposits in Renminbi and corresponding loans in the US dollars. The balances in this aspect decreased significantly, from approximately HK$3.9 billion at the end of 2014 to approximately HK$1.4 billion at the end of 2015, and further dropped to approximately HK$0.1 billion at the end of 2016. Due to the fact that the direct approach of mitigating the balances was adopted, although Renminbi had a dramatic depreciation of over 7% in 2016, a related net exchange loss of only approximately HK$12,627,000 was recorded. Comparing with the net exchange loss of approximately HK$123,453,000 of last year, the risk had been effectively under control.

2.5 Operating income and cost control

Finance costs

In 2016, the finance costs of the Group were approximately HK$180,087,000, representing a seemingly decrease of around 7.63% as compared with the finance costs of approximately HK$194,953,000 for the same period of last year. Indeed, the expenses on the finance costs related to business operations were approximately HK$163,641,000 in total, representing an increase of approximately 14.29% as compared with the costs of approximately HK$143,178,000 for the same period in 2015.

The rise in such expense was due to four reasons: (1) the improvement in sales volumes, so that we had to borrow more short-term loans from banks in order to retain sufficient liquidity to keep the business operations smooth. The more borrowings we have, the higher the expenses on interest rates generated; (2) the Group's key strategy for financing in 2016 was to avoid exchange losses due to the mismatch of currency, therefore, we had put more efforts in financing Renminbi assets by Renminbi borrowings (including receivables) during the year. In addition, the interest rates of Renminbi borrowings were higher than those of the US dollar borrowings in the foreign countries, so that the expenses on the interest rates in this regards would increase; (3) during the year, although the US dollars only experienced a one-time hike in rates (0.25%) at the end of the year, commercial banks indeed had raised their interest rates offered to clients, which clearly reflected the market expectation about the rates hike; (4) in the second half of the year, the Group collected syndication loans for refinancing, resulting in an additional and significant amount of expenses on bank charges.

Since the market in general believes that there will be an ongoing upward trend of the energy products prices, adding that the United States had announced that it will hike rates for three times in 2017, it is expected that the finance costs of the Group in 2017 will continue to pile up.

Selling and distribution expenses and administration expenses

During the year, the total amount of the selling and distribution expenses and administration expenses was approximately HK$691,578,000 (including the selling and distribution expenses: approximately HK$383,641,000; and the administration expenses: approximately HK$307,937,000), representing an aggregated increase of approximately 9.02% as compared with the total amount of approximately HK$634,381,000 (including the selling and distribution expenses: approximately HK$352,071,000; and the administration expenses: approximately HK$282,310,000) in 2015. It is worth noticing that the annual operating costs of the Lianxin Energy had been consolidated into the Group's account, adding that the overall revenue and the sales volume of the Group had shown a significant increase, therefore the selling expenses increased correspondingly. As to the administration expenses, it had also achieved an increment of approximately 9.08% due to the addition of the administration expenses of the Lianxin Energy.

It is expected that the revenue in 2017 will further increase, thus the selling expenses would grow. Meanwhile, it is estimated that the administration expenses would also climb in the coming year.

2.6 Conclusion

The performance of the Group in 2016 was neither good nor bad. In the end, a net profit of approximately HK$750,160,000 was achieved, which was roughly the same as the net profit for the same period in 2015 (only decreased approximately 1.16%). However, we have all witnessed that the Group had tried its efforts to strive for a better performance than last year under the harsh operational environment. It was just out of one's expectation that the depreciation of Renminbi would be so huge that a net exchange loss of over HK$150 million was still recorded. All these were beyond one's expectation. Overall, the Group had a very sounding business foundation, so that related adjustment could always be conducted regardless of the emergences of any discouraging factors in the market. Also, we could always find the way hedge against the related risks in order to retain the Group's profits. Once again, positive free operating cash flow was recorded during the year. Today, we must acknowledge the limitations lied within markets which are as huge as China, and their possibility of being saturated. For these reasons, other than enhancing our operational efficiency, we also have to explore new markets and seek out business opportunities overseas so as to raise our business volume and profitability at the same time.

3. Major changes in the financial position

3.1 Current ratio

As at 31 December 2016, the Group had the total current assets of approximately HK$8,530,214,000, representing an increase of approximately 8.43% as compared with the current assets of approximately HK$7,867,265,000 at 31 December 2015. The total short-term liabilities were amounted to approximately HK$4,266,103,000, representing an increase of approximately 10.33% as compared with the short-term liabilities of approximately HK$3,866,582,000 for the same period in 2015. The current ratio marked a very minor downward movement from approximately 203.47% in 2015 to approximately 199.95% in 2016. However, the current ratio of the Group remained on a very healthy level.

3.2 Fixed assets and investment

During the year, in order to meet with the increasing throughput of oil products and LPG by enhancing and improving the facilities at terminals, the Group had invested approximately HK$160 million into the addition of pipelines and renovation, as well as scaled river dredging construction at the jetties. Other than these, with the aim to strengthen the existing oil products businesses in Hong Kong and the Guangdong Province, the Group further added 29 oil vessels for the distribution of oil products to different regions during the year. The Group also actively developed the oil products businesses in other provinces on top of the Guangdong Province. For such, amongst the newly acquired oil vessels, 4 oil vessels can be used for the distribution of oil products across the provinces.

Since the end of 2015, the Group's headquarter located in Zhuhai had been under construction, in which during 2016 the Group invested approximately HK$120 million which was reflected in the construction in progress under the fixed assets. The Group expected that the headquarter located in Zhuhai will be completed in around the second half year of 2018.

After the application to the government for several years, the Group had eventually bid a land parcel with an area of approximately 15,000 square meters in Zhuhai at the end of 2016. The Group will construct a large LPG bottling plant for coverage of Zhuhai, Macau and the surrounding regions.

Regarding the investments, all of the Group's available for sale investment of a listed company in Korea had been sold in 2016. A cash inflow of approximately HK$72,856,000 and an income for the sales of the available for sale investments of approximately HK$12,874,000 were recorded. In December 2016, the Group purchased a charcoal project which owned unique technical know-how for charcoal production and is now under application to register this technical know-how. Such project was mainly to apply its unique technology to manufacture anthracite and active charcoal.

3.3 Gearing ratios

Unit: HK$'000	**As at 31 December 2016**	As at 31 December 2015
Total bank loans	**4,292,541**	4,948,568
Bank balances and cash and pledged bank deposits	**1,969,748**	2,678,079
Equity attributable to the owners of the Company	**5,857,227**	5,350,423
Ratio A: Bank loans/ equity attributable to the owners of the Company	**73.29%**	92.49%
Ratio B: Net bank loans/ equity attributable to the owners of the Company	**39.66%**	42.44%

Note: Net bank loans = bank loans – bank balances and cash and pledged bank deposits

Around half of the Group's liabilities were short-term and rolling short-term current borrowings which were also backed up by the relevant receivables. During the year, the gearing ratios had a significant drop without any mismatches between short-term borrowings and long-term usage, such had well proved the ongoing improvement in the Group's liabilities.

4. Business conditions

4.1 LPG business

Procurement

During the year, the Group had a total procurement of LPG of approximately 1,913,100 tons; such was roughly the same as that of 2015, representing a slight increase (an increment of approximately 1.06%) as compared with the procurement of approximately 1,893,000 tons for the same period in 2015. The total procurement of LPG from the overseas markets was approximately 1,103,700 tons, representing an increase of approximately 61,300 tons or an increment of approximately 5.88% as compared with the approximately 1,042,400 tons for the same period in 2015. The total procurement of LPG from domestic refineries or NG processing plants was amounted to approximately 809,400 tons, representing a decrease of approximately 41,200 tons or a decline of approximately 4.84% as compared with the approximately 850,600 tons for the same period in 2015.

LPG procured from overseas ("imported LPG")

Imported LPG approximately contributed 57.69% to the total procurement: (1) almost all of the imported LPG procurement were settled via the letter of credit issued by international banks (among which, including The Hong Kong and Shanghai Banking Corporation Limited, the Standard Chartered Bank, the Oversea-Chinese Banking Corporation, the Rabobank etc.); (2) there were 5 suppliers in total, among which the largest supplier supplied approximately 785,100 tons (contributing 71.13% to the total volume); (3) the places of origin of the goods were mainly Kuwait, Qatar and the UAE with a small proportion of them from Australia and Nigeria. Among the approximately 1,103,700 tons of the Group's imported LPG procurement, approximately 232,700 tons were delivered in the overseas. The remaining of approximately 871,000 tons was first shipped to several bonded warehouses in the Guangdong Province, among which imported LPG of approximately 630,900 tons became domestic trading goods and were sold in the domestic markets after the tax payment. The remaining approximately 240,100 tons were directly re-exported from the bonded warehouses to the overseas markets. In the first half of the year, the imported LPG procurement was approximately 557,300 tons whereas there were approximately 546,400 tons in the second half of the year. Despite the fact that the global market prices of LPG in the second half of the year experienced a rebound, it did not pose any impact on our procurement.

LPG procured from domestic markets ("domestic LPG")

In 2016, the Group's total domestic LPG procurement from domestic refineries and NG processing plants was amounted to approximately 809,400 tons, which contributed 42.31% to the total procurement. During such period, the trend of the prices of domestic LPG was roughly aligned with those of the imported LPG, in which they almost co-varied with each other. Between the two LPGs, there was not much room for hedging, therefore, we conducted purchases mainly according to the customers' needs. Our procurement was mainly distributed to some industrial customers, other bottling plants and bottled LPG customers. In the first half of the year, the procurement of domestic LPG was approximately 522,700 tons. Due to the rebound in prices in the second half of the year, such quantity experienced a significant decline to only approximately 286,700 tons.

Sales

In 2016, the total LPG sales was approximately 1,913,100 tons, representing a minor increase of approximately 20,100 tons or an increment of only 1.06% as compared with the approximately 1,893,000 tons for the same period in 2015.

Sales category	Sales volume in 2016 (tons)			Sales volume in 2015 (tons)	Increase/ (Decrease) (tons)
	First half of the year	Second half of the year	Full year		
Overseas customers	229,600	243,200	472,800	351,000	121,800
Deliveries conducted overseas	*93,900*	*138,800*	*232,700*	*222,700*	*10,000*
Re-export	*135,700*	*104,400*	*240,100*	*128,300*	*111,800*
Industrial customers	420,000	327,000	747,000	797,000	(50,000)
Other terminals and bottling plants	183,400	43,100	226,500	254,000	(27,500)
Botted LPG	158,000	139,300	297,300	279,000	18,300
Auto-gas refueling	89,000	80,500	169,500	212,000	(42,500)
Total	**1,080,000**	**833,100**	**1,913,100**	**1,893,000**	**20,100**

Overseas customers – In 2016, the sales to overseas customers increased approximately 121,800 tons, such increment was approximately 34.70%, among which the volume of deliveries conducted overseas in the second half of the year increased one shipment, amounting approximately 44,900 tons as compared with that of first half year. The total volume of deliveries conducted overseas over the year (approximately 232,700 tons) increased approximately 10,000 tons (an increment of approximately 4.49%) as compared with that of last year. The volume of re-export through the Zhuhai Terminal (approximately 240,100 tons) increased approximately 111,800 tons (an increment of approximately 87.14%) as compared with that of last year. Due to the rebound in prices in the second half of the year, the volume of re-export was around 31,300 tons less than that of the first half of the year.

Industrial customers – due to the prices of LPG remained low during 2016, industrial customers (especially the manufacturers of non-diesel chemical products) in general remained their demand for LPG. In the first half of the year, the sales to industrial customers had a better performance, which had been decreased due to the LPG prices rebound in the second half of the year. The annual sales volume was approximately 747,000 tons, representing a decrease of around 50,000 tons or a decline of approximately 6.27% as compared with the approximately 797,000 tons for the same period in 2015.

Other terminals and bottling plants – the annual sales volume was approximately 226,500 tons (all of which were domestic LPG), representing a decrease of approximately 27,500 tons or a decline of approximately 10.83% as compared with the approximately 254,000 tons for the same period in 2015. In the first half of the year, the sales volume increased drastically because of the low prices, however, after the prices picked up in the second half of the year, such activity which required high demand and price elasticity had been decreased immediately. Therefore, a drop of approximately 10.83% in the sales volume over the year was recorded.

Bottled LPG – the annual sales volume was approximately 297,300 tons, all of which were domestic LPG. During the year, the sales volume increased by approximately 18,300 tons (an increment of 6.56%) as compared with the approximately 279,000 tons for the same period of last year. In the mid-year, we had been conservative towards the sales in the second half of the year (the sales volume in the second half of the year was expected to be less than 150,000 tons). At the end, it could only reach approximately 139,300 tons in the second half of the year, indicating that the rebound in prices would also pose a certain level of impact to the sales to end-users. The bottled LPG business in Hong Kong, on the other hand, could remain to develop in a steady pace. At present, there are 22 distributors in total which are registered with the Electrical and Mechanical Services Department. Comparing with 2015, the total sales volume increased approximately 34%, whereas the proportion of household customers to commercial customers also improved from approximately 40:60 in 2015 to approximately 55:45. Such had indicated that the distributors under the Group had gradually gained the household customer market with high level of loyalty and profits.

Auto-gas refueling – The auto-gas refueling market in Guangzhou has been under the influence of two unfavorable factors since 2015: (1) under the enforcement of government policies, some buses using LPG before switched to the use of LNG as the fuel, resulting in the drop in the demand for auto-LPG. At present, as the prices of LPG and LNG do not lie with huge differences, the government does not have any solid reasons to speed up the process of switching to LNG, therefore the situation will not be overly severe in the near future. However, it has become very difficult for us to regain the drop in the demand for LPG; (2) taxis were prone to underemployment under the influence of informal passenger service, which indirectly led to the decrease in LPG demand for taxis. These two issues had caused the Group’s auto-gas refueling business volume dropping down to approximately 169,500 tons in 2016, representing a decrease of around 42,500 tons or a decline of approximately 20.05% as compared with the approximately 212,000 tons in 2015.

4.2 Oil products business

In 2016, the Group achieved the total oil products sales of approximately 3,277,000 tons in Hong Kong and the Southern China Region in China, representing a significant increase of approximately 1,284,000 tons or an increment of approximately 64.43% as compared with the sales volume of approximately 1,993,000 tons for the same period in 2015.

Oil products business handled in Hong Kong

Procurement of fuel oil

Products procured	Procurement volume in 2016 (tons)			Procurement volume in 2015 (tons)	Increase / (Decrease) (tons)
	First half of the year	Second half of the year	Full year		
Vessel fuel oil (commonly known as “black oil”)	274,400	399,400	673,800	693,300	(19,500)
Vessel diesel (commonly known as “red oil”)	81,000	93,500	174,500	216,000	(41,500)
Other oil products and chemical products	301,100	365,800	666,900	95,700	571,200
Total	**656,500**	**858,700**	**1,515,200**	**1,005,000**	**510,200**

In 2016, the Group completed a procurement of approximately 1,515,200 tons of oil products in Hong Kong, representing an increase of approximately 510,200 tons or an increment of approximately 50.77% as compared with approximately 1,005,000 tons for the same period in 2015. The form of fuel oil procurement did not change compared with that of last year. The main supplier of black oil was two bonded warehouses at the terminals in Shenzhen and Nansha, in which part of the black oil was purchased from the oil companies in Hong Kong, whereas the red oil could only be procured from a Hong Kong oil company's depot which locates on the Tsing Yi Island. As to other oil products and chemical products, they were mainly from the Middle-East, Japan and Malaysia, whereas the suppliers were mainly from Singapore and some bonded warehouses located along the coastal shore of the Pearl River Delta.

Logistics

At present, the Group employs 7 refueling vessels in total (with a total carrying capacity of around 12,890 tons) to handle the logistics deliveries of the oil products (including black oil and red oil) business. Before the end of the year, we successfully leased the NEWOCEAN 6 (with a carrying capacity of 4,500 tons) to an oil company in Singapore in the forms of bareboat charter in order to cut the fixed expenses related to vessels. As for the trading of other oil products and chemical products, most of which were purchased in terms of CIF while the suppliers were responsible for the shipping works. In the fourth quarter of 2016, we tried to complete a transaction relating to a batch of chemical products in terms of FOB price. We rented a chemical transporting vessel with a carrying capacity of 40,000 tons in the forms of trip charter in the market for transporting relevant goods from Singapore to the Southern China Region. Such had successfully lowered the overall costs for similar procurement.

Sales

Throughout the year, a sales volume of approximately 1,515,200 tons of oil products had been accomplished in Hong Kong, representing a significant increase of 50.77% as compared with the sales volume of approximately 1,005,000 tons for the same period in 2015. The significant increase in the sales volume was mainly triggered by the trading businesses of other oil products and chemical products. Such business had just begun in the second half of the year, marking a rapid expansion in 2016.

Sale of products	Sales volume in 2016 (tons)			Sales volume of 2015 (tons)	Increase/ (Decrease) (tons)
	First half of the year	Second half of the year	Full year		
Black oil: direct bunkering to ships	147,400	291,800	439,200	351,900	87,300
Black oil: supply to other operators	127,000	107,600	234,600	341,400	(106,800)
Red oil: direct bunkering to ships	47,600	65,300	112,900	202,400	(89,500)
Red oil: supply to other operators	33,400	28,200	61,600	13,600	48,000
Oil products/ chemical products	301,100	365,800	666,900	95,700	571,200
Total	**656,500**	**858,700**	**1,515,200**	**1,005,000**	**510,200**

Throughout the year, the total sales volume of black oil was approximately 673,800 tons, which was roughly the same as last year but a slight decrease (a decline of only approximately 19,500 tons) as compared with the approximately 693,300 tons for the same period in 2015. Comparing the sales situation of 2016 with that of 2015, the major difference was that the volume of goods directly bunkered to ships had shown a significant increase during the period, whereas the volume of goods supplied to other operators had decreased correspondingly due to the limitations on the logistics tool. The proportion of the volumes of direct bunkering to ships and supply to other operators was approximately 65.18 : 34.82 (the proportion in 2015 was approximately 50.76 : 49.24).

During the year, the sales volume of red oil was roughly 174,500 tons, which had recovered to the sales level of 2014 (approximately 174,700 tons). Comparing with the approximately 216,000 tons for the same period in 2015, such number had been decreased significantly (a decrease of approximately 41,500 tons). We believe, there will not be any drastic change in the red oil market in the coming few years, unless we could regain the long-term supply contract with Cotai Water Jet and the Hong Kong Government. If not, the annual sales volume may most probably only retain between 170,000 tons to 200,000 tons.

The trading of oil products/ chemical products are transactions falling to the category of trading. For such business, the suppliers were mainly located in Singapore, which also included the domestic bonded warehouses. Products included chemical products, vessels fuel and etc. We mainly deployed two business modes which are re-selling the whole vessel or delivery from bonded warehouses. During the year, a total sales volume of approximately 666,900 tons was achieved, representing a significant increase of approximately 571,200 tons as compared with the sales volume of approximately 95,700 tons for the same period in 2015.

Oil products business handled in China

Procurement of oil products

In 2016, the procurement volume of oil products was approximately 1,761,800 tons, representing a significant increase of 773,800 tons or an increment of approximately 78.32% as compared with the approximately 988,000 tons for the same period in 2015. The oil products procured included:

Products procured	Procurement volume in 2016 (tons)			Procurement volume in 2015 (tons)	Increase (tons)
	First half of the year	Second half of the year	Full year		
Vessel fuel oil and diesel	366,000	348,800	714,800	399,000	315,800
Land automobile diesel and fuel	130,000	110,100	240,100	130,500	109,600
Other oil products and chemical products	272,000	534,900	806,900	458,500	348,400
Total	**768,000**	**993,800**	**1,761,800**	**988,000**	**773,800**

The oil products procured by the Group domestically mainly included vessel fuel oil, vessel diesel, automotive diesel, fuel and etc.; the suppliers were local refineries and state-owned oil companies. Other oil products and chemical products included kerosene, bitumen mixtures, aromatics, light cycle oil and etc., which were mainly purchased from the importers who owned large-scaled warehouses of oil products in Guangdong and Fujian. Besides, part of the goods volume was imported from overseas by the Group's subsidiaries in China. The custom clearing works were done through the leased oil depot. The majority of the oil products and chemical products procurement adopted the ex-godown prices whereas a few would adopt the CIF as the basis for pricing.

Logistics facilities

Working with the marine refueling operators in China, the Group utilized its marine and land transportation to conduct the deliveries of vessel fuel and automobile fuel. During the period, the Group's subsidiary in China itself had an addition of a few oil tankers for assisting to handle the wholesaling of oil products and logistics deliveries. The depot of 70,000 tons located in Zhuhai had already been in use. At present, it is only used for the trading of domestic oil products and chemical products (i.e. domestic trading business). At the beginning of 2017, a permit for importing was obtained, so that the importing business of oil products can be initiated during the year, at the same time, prepared for the application relating to bonded warehouses.

Sales

In 2016, the domestic oil products business achieved a sales volume of approximately 1,761,800 tons, representing a significant increase of approximately 773,800 tons or an increment of approximately 78.32% as compared with the sales volume of approximately 988,000 tons for the same period in 2015. The sales volume was categorized by different operating modes as follows:

	Sales volume in 2016 (tons)			Sales volume in 2015 (tons)	Increase (tons)
	First half of the year	Second half of the year	Full year		
Sales of vessel oil to end-users	366,000	348,800	714,800	399,000	315,800
Wholesales of land automobile fuel	130,000	110,100	240,100	130,500	109,600
Trading and wholesales of oil products/ chemical products	272,000	534,900	806,900	458,500	348,400
Total	**768,000**	**993,800**	**1,761,800**	**988,000**	**773,800**

The sales targets for vessel oil were the riverboats and long-distanced ships stopped at each port in the Pearl River Delta. During the period, the increment of the sales volume was fairly substantial due to the strengthening of partnership with other operators in the industry. Due to the limitations in the market, it is expected that the growth in the sales volume would be slowed down next year.

The wholesaling targets for automobile fuel was the refueling stations at the Pearl River West, industrial customers and transportation companies. Such market lies with a substantial potential with many rooms for development.

The sales targets for oil products and chemical products were mainly the oil products operators located in Guangdong, Fujian and Guangxi, followed by the traders in Eastern and Northern China Region. In 2016, the Group had laid the business bases in these regards for getting well-prepared for further development in 2017.

4.3 NG business

In 2016, the network construction of the LNG auto-gas refueling network marked a very slow progression facing numerous obstacles. Due to the incident of serious explosion in Tianjin in 2015, it had caused serious delay for all the approvals regarding dangerous goods projects. In the past, the implementation of the NG auto-gas refueling project would proceed smoothly without any significant difficulties if the approval from the National Development and Reform Commission had been obtained (if there were not too much opposition by the neighboring residents). However, in the current situation, the approval by the National Development and Reform Commission can only be regarded as an approval for accepting the project establishment; yet, in the process of implementation, the departments of the municipalities, technical departments, fire service departments and etc. all raise high restrictions in all steps during the construction and inspection process. As a result, the ordering of re-doing occurs very often, leading to a longer examination period, or even not given with a pass in the examination. Therefore, we expect that more time will be needed for realizing the construction of the plan regarding the NG auto-gas refueling network.

5. Business outlook

5.1 LPG business

Given that the LPG market in the Southern China has been nearly saturated, the Group will adopt the following development strategies in order to keep a certain growth in its sales volumes:

（1） In the Southern China market, the Group will expand its market shares by competing with the existing businesses of other operators. In regards to such strategy, the Group will explore the bottled LPG retailing businesses in some second and third tiered cities. It will also strengthen the cooperation with manufacturers of non-diesel chemical products, motivate the sales of LPG as the raw materials of chemical products and continue to propel the bottled LPG business in Hong Kong (in particular to focus on exploring the household customers with higher loyalty and profits);

（2） We will actively explore overseas markets in order to strive for the ongoing growth in the businesses of the LPG wholesales and the sales to end-users. At present, the markets which have started their feasible researches include Indonesia, Vietnam, the Philippines, Burma and far to Kenya in Africa;

（3） Besides, we will engage into the LPG businesses in other types by utilizing the established logistics systems and bank facilities relationships, for example to join the international trading of LPG and to provide logistics services related to the LPG transiting activities (through the LPG bonded warehouses in the Southern China market) to some global traders.

5.2 Oil products business

It is expected that oil prices will show a steady increase in 2017, however, such pace will not be too fast and will only be a small increment. Due to the rebound in oil prices, it is possible that the spreads of the oil products business will experience a minor improvement. During the year, the marine bunkering business (including black oil and red oil) in Hong Kong is not expected to have a substantial growth, in which the pace of growth will become slower as compared with that of the last few years. Similarly, the marine bunkering business in China is not expected to not grow as rapidly as it had in 2016.

Nonetheless, we will still target at the marine bunkering, with our aims to remain our leading position in the markets (Hong Kong and the Pearl River Delta Region). The focus of 2017 is to seek out the source of supply which will provide cheaper fuel oil to further improve the efficiency of the logistics, so that the procurement costs can reduce 1% to 2 % and the profitability of the oil products business can be enhanced.

It is clearly known that the Group has always been determined to adopt the development strategy, that is to leverage on the sales to end-uses to expand its businesses. Therefore, the future development of the oil products business will focus on building an extensive retailing network in the Guangdong Province. On land, we will continue to seek for suitable locations to construct our own refueling stations. Also, we will not exclude the possibility of rapidly building the refueling networks in the forms of mergers and acquisitions so as to reach our goals of expanding the sales to end-users within a shorter timeframe. At sea, we will construct several marine bunkering stations in the Pearl River, the Beijiang River and the Xijiang River in the Guangdong Province and the western shore along the coast in order to expand the vessel refueling businesses along the river and the coast in the Southern China Region.

During 2017, the Group will continue to largely increase the trading volumes/ wholesaling volumes of oil products and chemical products. We will take the Group's advantages in its capital to strengthen the communication with overseas markets, widen the international trading of oil products and chemical products, and establish an operation route with low risk but yielding stable income for the oil products business.

5.3 NG business

At present, the development of the NG business has doubtlessly faced numerous obstacles. Firstly, the drop in oil prices narrowed the differences between the prices of NG and the traditional oil products, resulting that NG has lost its known competiveness on prices. The process of consumers switching to NG is slow, or even stagger. Secondly, the government's requirement relating to the construction of NG auto-gas refueling stations have been becoming stricter and stricter, adding to its uncertain attitude, it will take a very long time before the implementation of a project.

NG is the business that the Group will focus on developing for safeguarding our benefits in the long run. We will continue to seek for appropriate investment opportunities or partners, meanwhile to slowly implement each of the NG auto-gas refueling project.

The project in relations to the plan of constructing an ultra-low temperature NG receiving terminal in the neighboring region in Guangzhou has also met with difficulties in its application process. However, we, together with our partners, will continue to put our efforts in negotiating with the local government in order to implement such project at the most suitable location. We truly believe, such project will provide sufficient back-up services for the NG auto-gas refueling network, and at the same time to supply the NG power plants in the Guangdong Province with the NG fuel for generating electricity in the long run.

FINAL DIVIDEND

The directors do not recommend the payment of dividend and propose that the profit for the year be retained.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company will be held on Friday, 2 June 2017. A notice convening the annual general meeting will be published and dispatched to the shareholders in due course in the manner required under the Listing Rules.

The Register of Members of the Company will be closed on 1 June 2017 for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting. In order to qualify for attendance and voting at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrars, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 31 May 2017.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 31 December 2016 and 2015.

PLEDGE OF ASSETS

At 31 December 2016, apart from the pledged bank deposits of approximately HK$112,151,000, the Group also pledged its oil vessels with carrying value of approximately HK$118,819,000 to secure bank loans granted to the Group.

EMPLOYEES AND EMPLOYEE BENEFITS

As at 31 December 2016, the Group employed 1,275 (2015: 1,231) full time employees in Hong Kong, Macau and other regions in the PRC. The Group remunerated the employees based on their performance, experience and prevailing market practice. Employee benefits provided by the Group include a mandatory provident fund scheme and medical insurance scheme.

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 year ended 31 December 2016.

CORPORATE GOVERNANCE

In the opinion of the directors, throughout the year ended 31 December 2016 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 CG 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.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiries of all Directors and all Directors confirmed they have complied with the required standard of dealings set out therein during the year.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed with external auditor and the management the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the audited financial statements for the year ended 31 December 2016.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2016. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at www.newoceanhk.com and the website of the Stock Exchange at www.hkexnews.hk. The annual report for year 2016 will be dispatched to shareholders in due course and will be published at the websites of the Company and the Stock Exchange at the same time.

By order of the Board
NewOcean Energy Holdings Limited
Shum Siu Hung
Chairman

Hong Kong, 21 March 2017

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