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 2017

FINANCIAL HIGHLIGHT

- Total sales volume of energy products increased by around 20.38% to approximately 6,248,000 tons. The revenue from operations for the year also increased by approximately 40.50% to approximately HK$22.1 billion reflecting the increase in sale volume and the substantially high price for energy products compared with last year.

- 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 11.19% in 2016 to 7.36% in 2017. In addition, due to the decline in auto-gas sales volume, the overall gross profits decreased by approximately 7.54% to approximately HK$1,624 million.

- Although the overall gross profits decreased, the appreciation of Renminbi in 2017 contributed a net exchange gain of approximately HK$137 million compared with a net exchange loss of approximately HK$154 million in 2016. Thus, profit for the year attributable to owners of the Company from operations increased by 11.51% to approximately HK$836 million.

- Basic earnings per share from operations is approximately HK$0.57.

- Equity attributable to owners of the Company increased by 18.07% to approximately HK$6,915 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 2017 together with comparative figures for the year ended 31 December 2016 as follows:

* *For identification purposes only.*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	3	**22,058,618**	15,700,406
Cost of sales		**(20,434,255)**	(13,943,529)
Gross profit		**1,624,363**	1,756,877
Other gains and losses	5	**212,441**	(122,258)
Other income	5	**68,722**	63,525
Selling and distribution expenses		**(508,548)**	(383,641)
Administrative expenses		**(346,530)**	(307,937)
Finance costs	6	**(198,750)**	(180,087)
Share of profits of joint ventures		**1,760**	3,807
Share of losses of associates		**(992)**	(945)
Profit before taxation	8	**852,466**	829,341
Taxation	7	**(27,663)**	(79,181)
Profit for the year		**824,803**	750,160
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**243,721**	(230,219)
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on available for sale investment		**-**	35,617
Reclassified to profit or loss upon the disposal of certain amount of available for sale investment		**-**	(12,874)
		243,721	(207,476)
Total comprehensive income for the year		**1,068,524**	542,684

	Note	**2017**	2016
		HK$'000	*HK$'000*
Profit (loss) for the year attributable to:			
Owners of the Company		**835,631**	749,397
Non-controlling interests		**(10,828)**	763
		824,803	750,160
Total comprehensive income (expense) attributable to:			
Owners of the Company		**1,075,552**	543,814
Non-controlling interests		**(7,028)**	(1,130)
		1,068,524	542,684
Basic earnings per share	*9*	**HK$0.57**	HK$0.51

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Non-current assets			
Property, plant and equipment		**2,412,995**	2,160,093
Land use rights		**400,882**	401,633
Prepaid lease payments for coast		**5,535**	5,983
Goodwill		**751,948**	639,308
Other intangible assets		**377,939**	399,926
Interests in an associate		**7,188**	7,739
Interests in joint ventures		**26,760**	23,600
Deposits paid		**485,150**	375,280
Deferred tax assets		**1,953**	352
		4,470,350	4,013,914
Current assets			
Inventories		**1,399,680**	933,534
Trade debtors and bills receivable	*10*	**3,575,770**	3,289,310
Other debtors, deposits and prepayments	*10*	**1,996,941**	1,773,808
Amount due from an associate		**3,695**	2,938
Amount due from a joint venture		**1,347**	4,275
Derivative financial instruments		**15,012**	45
Land use rights		**20,008**	19,452
Prepaid lease payments for coast		**817**	769
Properties held for sales		**156,774**	147,670
Properties under development for sales		**653,896**	388,665
Pledged bank deposits		**253,611**	112,151
Bank balances and cash		**1,789,191**	1,857,597
		9,866,742	8,530,214
Current liabilities			
Trade creditors and bills payable	*11*	**1,285,526**	1,599,956
Other creditors and accrued charges		**497,638**	482,367
Amount due to an associate		**-**	13,819
Amount due to a joint venture		**3,096**	2,916
Derivative financial instruments		**7,861**	1,961
Tax liabilities		**118,112**	109,767
Borrowings secured by pledged bank deposits - repayable within one year	*12*	**235,610**	108,920
Borrowings secured by other assets – repayable within one year	*12*	**18,364**	15,560
Borrowings unsecured – repayable within one year	*12*	**3,709,829**	1,930,837
		5,876,036	4,266,103
Net current assets		**3,990,706**	4,264,111
Total assets less current liabilities		**8,461,056**	8,278,025

	Notes	**2017**	2016
		HK$'000	*HK$'000*
Capital and reserves			
Share capital	*13*	**147,303**	148,040
Share premium and other reserves		**6,768,047**	5,709,187
Equity attributable to owners of the Company		**6,915,350**	5,857,227
Non-controlling interests		**69,198**	83,718
Total equity		**6,984,548**	5,940,945
Non-current liabilities			
Deferred tax liabilities		**92,925**	99,856
Borrowings secured by other assets – repayable over one year	*12*	**31,293**	37,429
Borrowings unsecured – repayable over one year	*12*	**1,352,290**	2,199,795
		1,476,508	2,337,080
		8,461,056	8,278,025

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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 revised Hong Kong Financial Reporting Standards ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

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 HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the annual improvements to HKFRSs 2014-2016 cycle

Except as described below, 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.

Amendments to HKAS 7 "Disclosure initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items will provide in notes to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in notes to the consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised 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]
HKFRS 17	Insurance contracts[4]
HK(IFRIC) –22	Foreign currency transactions and advance consideration[1]
HK(IFRIC) –23	Uncertainty over income tax treatments[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 9	Prepayment features with negative compensation[2]
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 28	Long-term interests in associates and joint ventures[2]
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014-2016 cycle[1]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015-2017 cycle[2]

[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 2021.

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 and rental income of LPG bottles for the year. An analysis of the Group's revenue for the year is as follows:

	2017	2016
	HK\$'000	*HK\$'000*
Sales and distribution of LPG	**7,976,286**	6,797,470
Sales of oil products	**13,477,587**	8,689,014
Sales of electronic products	**589,122**	201,730
Rental income of LPG bottles	**15,623**	12,192
	22,058,618	15,700,406

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. 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.

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 started trail of production in year 2017 and expected to commence manufacturing and distribution of charcoals operation in year 2018. 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 2017

	Sales and distribution of LPG *HK$'000*	Oil products business *HK$'000*	Sales of electronic products *HK$'000*	Consolidated *HK$'000*
Segment revenue	**7,991,909**	**13,477,587**	**589,122**	**22,058,618**
Segment profit	**775,858**	**232,333**	**46,896**	**1,055,087**
Share of profits of joint ventures	**1,760**	**-**	**-**	**1,760**
Share of loss of an associate	**(992)**	**-**	**-**	**(992)**
	776,626	**232,333**	**46,896**	**1,055,855**
Other income				**45,419**
Central administration costs				**(49,135)**
Directors' emoluments				**(9,551)**
Changes in fair values of derivative financial instruments				**8,628**
Finance costs				**(198,750)**
Profit before taxation				**852,466**

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

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 certain interest income, central administration costs, gain on disposal of available for sale investment, directors' emoluments, changes in fair values of derivative financial instruments and finance costs.

The Group has a subsidiary engages in the property investment and development in the PRC and the revenue generate from this business is included as the consolidated revenue of the Group. There was no property sold for the two years ended 31 December 2017. 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

	2017	2016
	HK$'000	*HK$'000*
Sales and distribution of LPG	**4,031,090**	3,968,170
Sales and distribution of NG	**53,342**	158,696
Oil products business	**6,083,089**	5,140,369
Sales of electronic products	**475,700**	213,500
Manufacturing and distribution of charcoals	**109,537**	102,519
Total segment assets	**10,752,758**	9,583,254
Deferred tax assets	**1,953**	352
Pledged bank deposits	**253,611**	112,151
Bank balances and cash	**1,789,191**	1,857,597
Derivative financial instruments	**15,012**	45
Properties under development for sales	**653,896**	388,665
Properties held for sales	**156,774**	147,670
Other unallocated assets	**713,897**	454,394
Consolidated assets	**14,337,092**	12,544,128

Segment liabilities

	2017	2016
	HK$'000	*HK$'000*
Sales and distribution of LPG	**748,104**	912,102
Sales and distribution of NG	**-**	123
Oil products business	**1,004,013**	1,155,596
Sales of electronic products	**114**	114
Manufacturing and distribution of charcoals	**963**	1
Total segment liabilities	**1,753,194**	2,067,936
Derivative financial instruments	**7,861**	1,961
Tax liabilities	**118,112**	109,767
Deferred tax liabilities	**92,925**	99,856
Borrowings	**5,347,386**	4,292,541
Other unallocated liabilities	**33,066**	31,122
Consolidated liabilities	**7,352,544**	6,603,183

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

- all assets are allocated to reportable segments (other than 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.

5. Other gains and losses and other income

	2017	2016
	HK$'000	*HK$'000*
Change in fair values of derivative financial instruments	**8,628**	18,966
Compensation from the PRC government (*Note*)	**66,743**	-
Gain on disposal of available for sale investment	**-**	12,874
Net exchange gain (loss)	**137,070**	(154,098)
Other gains and losses	**212,441**	(122,258)
Interest income on pledged RMB bank deposits	**12,423**	20,081
Interest income	**36,981**	33,218
Others	**19,318**	10,226
Other income	**68,722**	63,525

Note: During the year, the PRC government paid approximately RMB58,086,000 (equivalent to approximately HK$66,743,000) to a wholly owned PRC subsidiary of the Group as an one off compensation for early termination of the lease contract of an auto-gas station. Due to the construction of an urban underground railway, an auto-gas station located above the proposed underground railway is required to be shut down. After negotiation with the relevant government authority, an unconditional compensation was paid in May 2017 upon the demolition of the auto-gas station. The leasehold land handed over back to the relevant government authority. The related loss on written off of the property, plant and equipment of the auto-gas station amounted to approximately HK$10,780,000 was recorded in the administrative expenses for the year ended 31 December 2017.

6. Finance costs

	2017	2016
	HK$'000	*HK$'000*
Interests on bank trust receipts loans and other loans	**57,779**	54,625
Interests on bank loans pledged with RMB bank deposits	**10,999**	16,446
Interests on bank borrowings wholly repayable within five years	**129,972**	109,016
	198,750	180,087

7. Taxation

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

	2017	2016
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**10,394**	3,635
Other regions in the PRC	**35,025**	81,484
	45,419	85,119
Deferred tax		
Current year	**(17,756)**	(5,938)
	27,663	79,181

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

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

	2017	2016
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of land use rights (included in administrative expenses)	**10,650**	10,498
Amortisation of prepaid lease payments for coast (included in cost of sales)	**788**	806
Amortisation of other intangible assets (included in selling and distribution expenses)	**40,809**	41,621
Auditor's remuneration	**4,475**	4,228
Depreciation of property, plant and equipment	**130,393**	99,868
Loss on disposal and written off of property, plant and equipment	**37,323**	5,294
Minimum lease payments under operating leases for offices, oil vessels, leasehold land and LPG station	**57,545**	41,208
Gross rental income from leasing of office premises, leasehold land, warehouses and oil vessels	**(9,756)**	(2,309)
Less: Direct operating expenses	**1,916**	254
	(7,840)	(2,055)
Staff costs		
Directors' fees	**330**	330
Directors' other emoluments	**9,221**	10,212
Contributions to retirement benefits schemes excluding HK$108,000 (2016: HK$108,000) included in directors' emoluments	**10,298**	10,126
Staff salaries and bonus	**133,643**	121,534
	153,492	142,202

9. Basic earnings per share

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

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to the owners of the Company)	**835,631**	749,397

	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,475,426,704**	1,480,398,216

No diluted earnings per share is presented as there are no potential ordinary shares in issue during the year ended 31 December 2017 and 2016.

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

	2017	2016
	HK$'000	*HK$'000*
Trade debtors	**3,528,853**	3,164,818
Bills receivable	**46,917**	124,492
	3,575,770	3,289,310

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 2017 and 2016. 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 or goods delivery date, whichever is earlier, which approximated the respective revenue recognition dates:

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**1,745,451**	888,521
31 to 60 days	**742,273**	969,440
61 to 90 days	**847,797**	782,864
91 to 180 days	**175,063**	441,294
Over 180 days	**65,186**	207,191
	3,575,770	3,289,310

Included in other debtors, deposits and prepayments, there are trade deposits paid to suppliers of approximately HK$1,595,746,000 (2016: HK$1,423,804,000) 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

	2017	2016
	HK$'000	*HK$'000*
Trade creditors	**879,232**	667,521
Bills payable	**406,294**	932,435
	1,285,526	1,599,956

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

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**923,192**	600,476
31 to 60 days	**177,207**	605,781
61 to 90 days	**154,857**	321,186
91 to 180 days	**8,555**	51,970
Over 180 days	**21,715**	20,543
	1,285,526	1,599,956

12. Borrowings

	2017	2016
	HK$'000	*HK$'000*
Bank trust receipts loans	**2,112,133**	1,292,488
Other loans (pledged with RMB bank deposits)	**235,610**	108,920
Other loans (pledged with other assets)	**49,657**	52,989
Other loans	**2,949,986**	2,838,144
	5,347,386	4,292,541
Repayable within one year shown under current liabilities		
Borrowings secured by pledged bank deposits	**235,610**	108,920
Borrowings secured by other assets	**18,364**	15,560
Borrowings unsecured	**3,709,829**	1,930,837
	3,963,803	2,055,317
Repayable over one year shown under non-current liabilities		
Borrowing secured – more than one year, but not exceeding two years	**15,090**	15,688
Borrowing unsecured – more than one year, but not exceeding two years	**418,690**	990,005
Borrowings secured – more than two years, but not exceeding five years	**16,203**	21,741
Borrowings unsecured – more than two years, but not exceeding five years	**933,600**	1,209,790
	1,383,583	2,237,224
	5,347,386	4,292,541

13. Share capital

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.1 each (2016: HK$0.1 each)		
Authorised share capital:		
At 1 January 2016, 31 December 2016 and 2017	20,000,000,000	2,000,000
Issued and fully paid share capital:		
At 1 January 2016, 31 December 2016	1,480,398,216	148,040
Less: Repurchase of shares (*Note*)	(7,368,000)	(737)
At 31 December 2017	1,473,030,216	147,303

Note: During the year ended 31 December 2017, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary share of HK$0.1	Price per share Highest	Price per share Lowest	Aggregate consideration paid (excluding transaction costs)
		HK$	*HK$*	*HK$'000*
March 2017	4,674,000	2.49	2.34	11,216
April 2017	1,440,000	2.40	2.32	3,401
August 2017	1,254,000	2.20	2.14	2,730

The above shares were cancelled upon repurchase.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Market overview

The international crude oil market – In the first half of 2017, oil prices showed a relatively stable trend, lingering between a narrow range from USD50 to USD55 per barrel. However, dramatic changes had been observed in the second half of the year. Since July, oil prices had been experiencing a continuous rise from approximately USD47.90 per barrel, hitting approximately USD66.80 per barrel at the end of the year, representing an increment of nearly 40%. Such price hikes had lasted for over six months, and eventually broke through the level of USD70 per barrel at the end of January in 2018. Since then, despite the fact that oil prices had dropped to USD63 per barrel within a short time, such vigour brought by the rise in prices had been very exhilarating to the market. At present, the market believes that the fine balance between the supply and demand of crude oil has basically recovered; yet, the play between the oil-producing countries and the United States in relation to cutting and boasting production respectively still forms an important factor in affecting such balance.

The consumer market of oil and gas in China – Thanks to the effectiveness in structural reforms and the recovery in prices, the two upstream sectors, namely mining and refining, of the petrochemical industry in China had both achieved phenomenal success in 2017. On the contrary, only a mediocre performance had been made in the downstream consumer market. The growth rate of gasoline consumption slowed down drastically, with the such growth dropping down to a mere 2.3%. Although the reduction of diesel consumption had ceased and eventually turned into a growth, such growth in the diesel consumption was very insignificant at less than 1.5%. Due to the continuous bloom in the passenger and freight volumes of civil aircrafts, the demand for aviation fuel still achieved a remarkable growth – such demand remained as high as an 8.7% increment despite signs of a gradual slowdown in the year. On one hand, the demand for liquefied petroleum gas ("LPG") for civilian uses was relatively steady; on the other hand, that for LPG for automobile uses had suffered from a significant slump as a result of market structural changes of the liquefied natural gas and taxi industry. The only field which marked a significant improvement was industries which employed LPG as their chemical raw materials. Regardless of a depressing atmosphere in the traditional market, the new application of LPG had contributed to supporting the growth of the LPG demand, pushing up the demand to stand high with an annual increment of 7.8%. In 2017, our business of natural gas ("NG") had enjoyed its most fruitful season. With the substantial increase in oil prices in the second half of the year, natural gas had regained its competitive edge in terms of price, which had led to a growth in its demand from weak to strong. The four main sources of demand for industry gas, urban gas, gas used for power generation and chemical gas all had recorded growth with an expected increment of 17% on average. It is expected that such growth momentum might even extend to 2018.

The exchange rate of Renminbi – In the first half of 2017, the exchange rate of Renminbi against US dollar had remained with a range from 6.87 to 6.92 for most of the time. No pick-ups in such rate was seen until the second half of May. The market closed at the then highest record of 6.78 by mid year. The rate continued to climb, hitting 6.49 at the end of the year. At the beginning of February in 2018, the exchange rate further rose to 6.25, marking the highest point for the recent three years. The continued appreciation of Renminbi had generally taken the market by surprise. Undeniably, the appreciation in the value of Renminbi was a delightful news to the importers as it would allow them to enjoy their windfall profits in currency translation in 2017. Nonetheless, the question of whether Renminbi would depreciate again had deepened the market concern because this tide of appreciation was not triggered by the presence of any actual economic effectiveness after all.

2. Performance overview

2.1 Basic situation

In 2017, the issue of overcapacity was still facing the market in China. Under such an undesirable operating environment, the Group's end-user sales network gave a full play of its competitive edge. During the year, the Group had significantly expanded the operating scale of its oil products business and retained its LPG sales volume. However, given the fierce competitions as well as the increase in costs led by the up-climb in oil prices, the operating gross profits of our energy products had been seen with a significant decline. The only fortunate news was the appreciation in Renminbi during year 2017, which had brought a substantial net exchange gain to the Group. Such had also offset the negative impact on our net profits as result of the decrease in gross profits, which enabled the Group to remain its overall profits on a level which was comparable to that of the last few years.

During the year, with the increase in the sales volume and prices, our revenue had increased rapidly, which in turn led to a significant growth in the balances of our receivables at the end of the year. In the field of coping operating risks, the Group has owned years of solid experience and has always been well-prepared from the start. Prior to any sales of credits, the Group would always conduct strict credit checking on all of its clients, and amid the process, would always perform prudent credit management measures. Besides, the Group would also purchase credit insurance or obtain effective security or collateral for certain trade receivables, in order to ensure the continuous expansion of its sales in a low-risk environment.

Apart from the ongoing development of its energy business in the Southern China region, the Group had started to conceptualize the plan of expanding its business to the overseas markets from 2016 and had also started its LPG wholesaling business in Africa. In 2017, the Group quickened its pace and first established its procurement center in Singapore, which mainly assisted its marine bunkering business in Hong Kong to diversify the sourcing channels, reduce procurement costs, and explore the Singapore market. When establishing such company in Singapore, we decided to become a joint venture partner with a scaled shipping company. The aim was to accelerate our pace of market development by leveraging on our partner's business connections in the local region. As expected, our company in Singapore had succeeded in taping into the local marine bunkering market within a few months, and had obtained a wide recognition among the industry with its professions.

In order to better the industry chain of its energy business, the Group began to approach and negotiate with the Malaysian government since the mid 2017 to express its interest in building a refinery in Malaysia. After some efforts, the Group had successfully entered into a memorandum with a related governmental organization. At present, the Group is actively applying for governmental approvals of all kinds, and is conducting an in-depth study in relation to the architecture and production allocation of the refinery. It is also seeking for the most suitable refinery around the world to supply crude oil for the use of production.

In 2017, the Group was determined to conduct adjustments on its operating strategies. It had also planned to step onto the international stage with its solid foundation laid in China, in order to maximize its market opportunities and diversify its operating risks. When moving forward, we will gradually better our industry chain. In a long run, we aim to achieve self-sufficiency in most of the aspects and avoid the plight of relying on a single market or sourcing channel. We also aim to better manage our business growth and reduce our overall operating costs to the greatest extent.

2.2 Operating income, net profit and basic earnings per share

During the year, the Group had achieved a total revenue of approximately HK$22,058,618,000 (among which, the revenue of energy products was approximately HK$21,469,496,000, contributing around 97.33% of the total revenue), representing an increase of approximately 40.50% as compared with the total revenue of approximately HK$15,700,406,000 (among which, the revenue of energy products was approximately HK$15,498,676,000, contributing around 98.72% of the total revenue in the year) in the same period of last year. During this period, the sales volumes of energy products had increased more than 1 million tons as compared with that of the same period of last year. Additionally, the prices of energy products had also recorded a considerable growth in the second half of the year, together with the improvements in the sales of the electronics business during this year, altogether contributing to a relatively prominent growth in our revenue.

During this year, the Group recorded a net profit of approximately HK$824,803,000, representing an increase of approximately 9.95% as compared with the net profit of approximately HK$750,160,000 in last year. Gross profits were decreased by around HK$132,514,000 during this year; however, our net profits had grown by approximately HK$74,643,000, which could be mainly due to the followings: (1) a net exchange gain of approximately HK$137,070,000 was recorded in 2017; comparing such with the net exchange loss of approximately HK$154,098,000 in last year, only the account for such exchange difference in these two years had accounted for an increment of more than HK$290 million, which had been far enough to offset the decrease in our gross profits; (2) as to one of the LPG auto-gas refueling stations of our Group, the government had to gain repossession of such land parcel for constructing railways during this year, thus the lease of that parcel had been terminated and the infrastructure erected on that parcel had been demolished. In relation to this, the government had made a compensation of approximately RMB58 million. Such compensation had been accounted as other gains in the first half of 2017, that was an item of additional gain in the first half of the year. The two above-mentioned non-recurring gains had already fully explained the growth instead of the decline in our net profit during the year.

In 2017, the Group did not engage in any fund raising activities in relation to shares; however, several repurchasing of shares had been conducted in the year. Therefore, for the twelve months ended 31 December 2017, the weighted average number of the Company's issued ordinary shares was 1,475,426,704 shares, representing a decrease of 4,971,512 shares as compared with the 1,480,398,216 shares for the twelve months ended 31 December 2016. During the year, the basic earnings per share were approximately HK$0.57, representing an increase of around 11.76% over the basic earnings per share of approximately HK$0.51 in last year.

2.3 Gross profits

During this year, the total gross profits were approximately HK$1,624,363,000, representing a decline of approximately 7.54% as compared with the total gross profits of approximately HK$1,756,877,000 in the same period of last year. Despite the ongoing bloom in oil prices in the second half of the year, the fierce competitions in the market had not been relieved. Also, the sale prices failed to be rapidly lifted hand-in-hand with the growth in procurement costs, resulting into a decline in our gross profits. At the same time, the gross margin decreased to a merely amount of approximately 7.36% during this period, comparing to approximately 11.19% in last year.

2.4 Net exchange gain and loss

Thanks to the drastic upturn in the exchange rate of Renminbi against the US dollars during this year, as of 31 December 2017, the Group had recorded a net exchange gain of approximately HK$137,070,000, comparing to its recorded net exchange loss of approximately HK$154,098,000 in last year. Despite the fact that the majority of these exchange gains were unrealized gains which did not substantially help with the Group's cash flow, they had relieved the impact posed on our net profit resulting from the cut in our gross profits.

2.5 Finance costs

During the year, due to the large volumes of purchases and inventories of oil products, our receivables had achieved a relatively larger increment, resulting into the needs to utilize a substantial sum of bank borrowings to meet with the needs induced by the increase in liquidity. The finance costs used in this aspect had then increased to approximately HK$187,751,000, representing an increment of approximately 14.73% as compared with the similar finance costs of approximately HK$163,641,000 used in last year.

2.6 Net current assets
As of 31 December 2017, the Group had its net current assets amounting to approximately HK$3,990,706,000 and its current ratio of 167.91%, representing a decrease of approximately HK$273,405,000 as compared with the net current assets of approximately HK$4,264,111,000 (current ratio: 199.95%) as of 31 December 2016. Despite the decline in the current ratio, the liquidity of the Group's short-termed assets still remained on a considerably secured level as a whole.

2.7 Fixed assets and investment
In 2017, the Group had invested approximately HK$470 million into the construction project of its headquarter located in Zhuhai. Such increment in investments had already been reflected in the items of 'construction in progress' and 'properties under development held for sale'. The headquarter in Zhuhai is composed by five buildings; among which, four had already had their roof capped and are now undergoing interior renovation. The Group expected that the completion of the Zhuhai headquarter will be around the fourth quarter of 2018, and the sales and leasing business will then begin.

During the year, the Group had purchased five oil vessels in Hong Kong, which were mainly for developing the oil products business and reducing its expenses on renting vessels.

As to investments, the charcoals project acquired in late 2016 had started its trial production and made some adjustments on its production equipment since the fourth quarter in 2017. Therefore, no substantial sales or contributions of its revenue and profits had been made in 2017. The management expected that a full-scale production will begin in the second half of 2018.

Due to the fact that NG market in the Guangdong Province had yet to mature, the Group had only invested an insignificant amount of resources into planning and laying the sales network in the Guangdong Province.

In order to develop the oil products business in Hong Kong, an acquisition with consideration of HK$80,000,000 had been completed at the end of 2017, in which the Group had acquired 51% of the shares of the three companies which engaged into auto-gas trading and oil products transportation in Hong Kong (referred as 'the oil companies'), and thus became the controlling party. Such acquisition had allowed the Group to expand its business from marine bunkering to bunkering on land. The oil companies owned 17 oil trucks and were the primary agent of the four major oil companies. A goodwill amounting to approximately HK$96,545,000 was created due to the synergy of the acquisition.

2.8 Gearing ratio
As of 31 December 2017, the total balance of the Group's bank and other borrowings was approximately HK$5,347,386,000. Meanwhile, our bank deposits, pledged bank deposits and cash balances were amounted to approximately HK$2,042,802,000. The equity attributable to owners of the Company was approximately HK$6,915,350,000. As calculated from the above, the percentage of the net bank borrowings to the equity attributable to the owners (i.e. the gearing ratio) was around 47.79%, which was higher than that of approximately 39.66% in last year. During the year, our revenue increased significantly, which required a huge sum of short-termed bank borrowings in order to meet the needs of the increased liquidity, resulting that the gearing ratio of the Group had increased correspondently.

2.9 Net cash flow incurred by the operating activities

As of 31 December 2017, a relatively high number of inventories (mainly oil products) had been recorded in the account. The sales volume and prices of oil products both increased in a relatively greater extent, resulting into the surge in our trade receivables. With the significant drop in the balance of trade payables and bills payables, a net cash outflow of approximately HK$394,443,000 had therefore been incurred by the operating activities during this year (last year: a net cash inflow of approximately HK$903,761,000).

3. Performance review

3.1 Segment performance

In 2017, the LPG business, oil product business, electronics business and other businesses of the Group had achieved an operating income of approximately HK$22,058,618,000 in total, representing an increase of around 40.50% as compared with the operating income of approximately HK$15,700,406,000 in last year. The proportions of the revenue brought by the three businesses were:

Year	LPG (*HK$'000*)		Oil products (*HK$'000*)		Electronics (*HK$'000*)	
2017	**7,991,909**	**36.23%**	**13,477,587**	**61.10%**	**589,122**	**2.67%**
2016	6,809,662	43.37%	8,689,014	55.34%	201,730	1.29%

During the year, the three businesses had achieved a total gross profit of approximately HK$1,624,363,000 and their respective contribution to the total gross profits of the Group was:

Year	LPG (*HK$'000*)		Oil products (*HK$'000*)		Electronics (*HK$'000*)	
2017	**984,392**	**60.60%**	**592,966**	**36.50%**	**47,005**	**2.90%**
2016	1,317,194	74.97%	429,537	24.45%	10,146	0.58%

3.2 Energy products business

	First half of 2017	**Second half of 2017**	**Full year 2017**	Full year 2016	Increase (decrease)%
Sales volume of LPG in tons (percentage contributed to the total sales volume of the period)	**885,000 (32.56%)**	**1,008,000 (28.56%)**	**1,893,000 (30.30%)**	1,913,100 (36.86%)	(20,100) (1.05%)
Sales volume of oil products in tons (percentage contributed to the total sales volume of the period)	**1,833,000 (67.44%)**	**2,522,000 (71.44%)**	**4,355,000 (69.70%)**	3,277,000 (63.14%)	1,078,000 32.90%
Total sales volume in tons	**2,718,000 (100.00%)**	**3,530,000 (100.00%)**	**6,248,000 (100.00%)**	5,190,100 (100.00%)	1,057,900 20.38%

In 2017, the Group had achieved a sales of energy products of approximately 6,248,000 tons, representing a growth of 20.38% as compared with the sales volume of approximately 5,190,100 tons in the same period of last year; among with, the sales volumes of LPG and oil products were approximately 1,893,000 tons and approximately 4,355,000 tons respectively, representing a decrease of approximately 1.05% and an increase of approximately 32.90% as compared with those in last year respectively.

3.2.1 LPG business

In the past few years, the emerge of new energies indeed fettered the development of traditional clean energies such as LPG in a long run. Fortunately, the Group had already established and owned a fairly comprehensive sales network, which enabled it to continue to capture a larger market share. In 2017, the LPG sales volume of the Group was amounted to approximately 1,893,000 tons, representing a mere decrease of approximately 20,100 tons or a decrement of approximately 1.05%, which was comparable to the sales volume of approximately 1,913,100 tons in last year. It can then be seen that the impact was insignificant.

Throughout the year, the LPG business recorded a revenue of approximately HK$7,991,909,000, representing an increase of approximately 17.36% as compared with the revenue of approximately HK$6,809,662,000 in last year. Due to the comparable figures of the sales volumes of this year and last year, the increase in our operating income was mainly the result of the rise in prices.

Because of the up-climb in average costs together with the unusual and fierce price competitions, the gross profits achieved during this year were only approximately HK$984,392,000, representing a shrinkage of approximately 25.27% as compared with the gross profit of approximately HK$1,317,194,000 in last year. During this year, the gross margin of the LPG business was around 12.32%, representing a decrease of approximately 7.02% as compared with the gross margin of 19.34% in last year.

Procurement

In 2017, the Group procured a volume of approximately 1,054,900 tons of goods from overseas, representing a decrease of approximately 4.42% as compared with the approximately 1,103,700 tons in last year. The goods procured from the refineries in China were amounted to approximately 838,100 tons, representing a growth of approximately 3.55% as compared with the approximately 809,400 tons in last year. During this year, the total procurement of LPG was approximately 1,893,000 tons, representing a decrease of around 1.05% as compared with around 1,913,000 tons in last year.

Sales

In 2017, the total sales volume of LPG was approximately 1,893,000 tons, which was comparable to around 1,913,100 tons in 2016.

Sales category	**First half of 2017**	**Second half of 2017**	**Full year 2017**	Full year 2016	Increase (decrease)%
Overseas customers	**236,300 tons**	**186,900 tons**	**423,200 tons**	472,800 tons	(10.49%)
Volumes of deliveries conducted overseas	***94,300 tons***	***45,200 tons***	***139,500 tons***	*232,700 tons*	*(40.05%)*
Volumes of re-exported goods	***142,000 tons***	***141,700 tons***	***283,700 tons***	*240,100 tons*	*18.16%*
Industrial customers	**350,000 tons**	**350,000 tons**	**700,000 tons**	747,000 tons	(6.29%)
Other terminals and bottling plants	**72,200 tons**	**254,100 tons**	**326,300 tons**	226,500 tons	44.06%
Bottled LPG	**149,500 tons**	**146,000 tons**	**295,500 tons**	297,300 tons	(0.61%)
Auto-gas refueling	**77,000 tons**	**71,000 tons**	**148,000 tons**	169,500 tons	(12.68%)
Total	**885,000 tons**	**1,008,000 tons**	**1,893,000 tons**	1,913,100 tons	(1.05%)

As seen from the above statistics, almost all sales categories in China had experienced declines to a different extent during the year. Such was closely related to the underperformance of the market and the booming in prices. As there were not many plants located in the Southern China region, which used LPG as their chemical raw materials, such phenomenon had not created any encouragement for these industrial customers to demand the use of LPG. On one hand, the shrinkage in the volume of auto-gas refueling was relatively serious. In Guangzhou, the LPG auto-gas refueling market was targeted at buses and taxis as its core sales targets. Because of the government policy, parts of the buses had to switch to the use of liquefied natural gas, resulting into the reduction in the number of LPG buses, which in turn led to the diminishing demand for automotive LPG of buses. On the other hand, the taxi industry was prone to serious under-utilisation as affected by the improper on-line car hiring services. In the circumstance that the demand for LPG from buses and taxies both declined due to different grounds, the shrinkage in the business of auto-gas refueling had then become unavoidable. During this period, the business of bottled LPG had recorded a slight decline, however it was comparable to that of the same period of last year. The main reason for such was the continuous up-climb of the LPG prices in the second half of the year, which worsened the prices differences between LPG and NG, resulting into a shift of use from LPG to NG by some customers who had a high price sensitivity. Despite of the undesirable market situation, the distribution network established by the Group in the Southern China region throughout these years had played its important role, which was to act as a bridge between oil refineries and bottling plants, and facilitate a large sum of transactions. As a result, the sales volume of such business had recorded a substantial increase of over 40%.

3.2.2 Oil products business

During the year, the Group achieved a total sales volume of around 4,355,000 tons of oil products, representing an increase of approximately 32.90% as compared with approximately 3,277,000 tons in last year.

The oil products business recorded a revenue of approximately HK$13,477,587,000, representing a hike of around 55.11% as compared with the revenue of around HK$8,689,014,000 in last year. Due to the price rebound in oil products, the revenue grew more than 50% despite of the growth of around 32.90% in the sales volume.

The revenue grew 55.11%, however, by case of the rise in costs and fierce market competitions, the actual increase in our gross profits was only amounted to approximately 38.05% (2017: approximately HK$592,966,000; 2016: approximately HK$429,537,000). The gross margin of the oil products business slightly decreased from around 4.94% in last year to around 4.40% in 2017.

Procurement

During the year, the Group procured oil products of approximately 4,355,000 tons in total, representing an increase of around 32.90% as compared with approximately 3,277,000 tons in last year; among which, the volume procured outside China (including Hong Kong, Singapore and etc.) was approximately 2,094,000 tons, representing an increase of approximately 578,800 tons (an increment of approximately 38.20%) as compared with approximately 1,515,200 tons in last year. The volume of procurement conducted in the Mainland China was approximately 2,261,000 tons, representing an increase of around 499,200 tons (an increment of approximately 28.33%) as compared with approximately 1,761,800 tons in last year.

Sales

Region of sales	**First half of 2017**	**Second half of 2017**	**Full year 2017**	Full year 2016	Increase (decrease)%
Hong Kong	**906,600 tons**	**1,068,700 tons**	**1,975,300 tons**	1,515,200 tons	30.37%
Marine bunkering	***366,600 tons***	***417,000 tons***	***783,600 tons***	*848,300 tons*	*(7.63%)*
Oil products/ chemical products trading	***540,000 tons***	***651,700 tons***	***1,191,700 tons***	*666,900 tons*	*78.69%*
Singapore	**0 tons**	**118,700 tons**	**118,700 tons**	0 tons	Newly-added business, not applicable
Marine bunkering	***0 tons***	***118,700 tons***	***118,700 tons***	*0 tons*	
China	**926,400 tons**	**1,334,600 tons**	**2,261,000 tons**	1,761,800 tons	28.33%
Oil products – sales at sea	***363,800 tons***	***495,000 tons***	***858,800 tons***	*714,800 tons*	*20.15%*
Oil products – sales on land	***105,900 tons***	***104,200 tons***	***210,100 tons***	*240,100 tons*	*(12.49%)*
Oil products/ chemical products trading	***456,700 tons***	***735,400 tons***	***1,192,100 tons***	*806,900 tons*	*47.74%*
Total sales volume	**1,833,000 tons**	**2,522,000 tons**	**4,355,000 tons**	3,277,000 tons	32.90%

During the year, the business volume of the marine bunkering in Hong Kong had undergone a minor reduction of 7.63% on a full-year basis; meanwhile, black oil (i.e. bunker fuels) and red oil (i.e. marine diesel) both experienced a modest decline. In the second half of 2017, some ocean-going vessels had switched to ship to Shanghai and Zhoushan habours for refueling due to the suppliers in the Mainland China raced to seize a share of the market by deliberately lowering the price of black oil, which in turn affected the demand for black oil in the Hong Kong market. We believe that such situation will still last for a period of time, which will bring extra operating burdens for those small-scaled operators. In this regards, ensuring the quality of our oil products and services is the only practical strategy which will help limiting the loss in our business volume. Besides, the red oil market also faced a similar issue; under the cut-throat price reductions made by individual operators in Hong Kong, the sales volume of our red oil had been weakened significantly in the first half of the year, which, however, had been relieved in the second half of the year. Meanwhile, the reduction in our sales volume of the year had been minimized due to our success in attracting a few major clients to us in this period. With our success in recovering quite a decent amount of losses in the second half of the year, it is expected that our red oil will achieve a breakthrough in terms of its sales volume next year, along with the momentum of its recovery. As to the oil products/ chemical products trading, the development of sales would face less obstacles given the absence of limitations in the individual markets. As a result, our sales volume had leaped to approximately 1,191,700 tons, representing an increment of nearly 80% as compared with approximately 666,900 tons in last year.

In 2017, the marine bunkering business in Singapore had only begun in November. Within only two months, a sales volume of over 100,000 tons had been achieved. With this rate of development, it is possible that the sales volume achieved by our company in Singapore next year may be comparable to the current volume achieved by our company in Hong Kong. All these have been a solid proof that the establishment of our company in Singapore would pose a significant positive impact to the expansion of our marine bunkering business outside China (including the two markets in Hong Kong and Singapore).

During the year, our oil products business had adopted a development model which is similar to the one that is practiced in the Zhuhai LPG Terminal, that is to make use of the infrastructures such as its existing oil terminal and leased oil terminal to be the distribution points in order to promote the wholesaling business of shipping and automotive transportation. In 2017, the Group's sales volume of oil products at sea (including the business volume of direct bunkering to ships) in the Mainland China had grown around 20% as compared to last year; on the other hand, the sales volume of our oil products on land had dropped due to the fierce competitions. In a long run, we will focus on developing our business at sea and limiting our on-land business operations to a certain amount. During the year, our oil products/ chemical products trading continued to expedite with the sales volume reaching approximately 1,192,100 tons during this year, representing a significant growth of approximately 47.74% as compared with approximately 806,900 tons in last year.

3.3 Electronics business

During the year, our electronics business recorded a total revenue of approximately HK$589,122,000, representing a hike of approximately 192.03% as compared with the revenue of approximately HK$201,730,000 in last year. The gross profit contribution of the electronics business was approximately HK$47,005,000, representing a leap of around 363.29% as compared to the gross profit of approximately HK$10,146,000 in last year. Additionally, the gross margin in this regards also increased from 5.03% of last year, to approximately 7.98% this year. Although there was a relatively large growth in our electronics business in 2017, the proportion of the revenue or gross profit contribution of the electronic business to our business as a whole had not exceeded 3%, which in turn did not bring any actual significant impact to our business as a whole.

4. Business outlook

In the past, the Group had been focusing on the sale of energy products in the Southern China region of China; however, such market is currently undergoing oversupply and fierce competitions, which altogether bring difficulties to business operations. Indeed, the issue of oversupply is not a key problem for operators who have owned a huge end-user market; these operators will have the advantage to stay in the market. Eventually, a balance between the demand and supply can be reached if these operators still manage to secure their market shares after some time, and these operators would then enjoy reasonable return. However, their profitability may inevitably be affected to a certain extent while awaiting for the market to adjust itself. However, it is possible to avoid such risk, which is by exploring more new markets and diversifying our risks.

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

Oil products business – The developments of our oil products business will be expedited.

(1) We are not only facilitating our cooperation with our partners in China to construct refueling stations at prime locations in the Guangdong Province, but also considering on establishing our sales networks of automotive refueling stations by means of acquisition and merging.

(2) Other than laying gateways for operations in the Mainland China, we also acquired the shareholdings of three companies which engaged into auto-fuel trading and oil products transportation in Hong Kong, which in turn allowed the Group to become the primary agent of the four major oil companies in Hong Kong and officially enter into the auto-fuel market in Hong Kong.

(3) As to the marine bunkering business, since Hong Kong or ports along the coastal lines of China are not considered as embodying with any geographical advantage, our foothold established in Singapore indeed plays a very crucial role to improve our marine bunkering business. Acting as a procurement centre, our company in Singapore had already helped lowering the procurement costs of fuel oil for marine uses, and helped the Group to tap into the marine bunkering market in Singapore.

(4) We are currently planning to expand our marine bunkering business to all of the ports in Malaysia; meanwhile, our company in Singapore will provide supply services of oil and technical support for these new markets.

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

(1) We are currently exploring more opportunities to develop more end-user markets for our bottled LPG. Meanwhile, we will enhance our management towards distributors and provide them with more supports in order to improve our sales volume, so as our profitability.

(2) As to the expansion of our business to the overseas markets, we had begun to wholesale our LPG to Africa two years ago. At present, we are seeking for suitable land parcels in Africa for the construction of LPG terminal gas plants and bottling plants. We aim to tap into the local end-user markets as soon as possible, which are expected to create us with decent profits.

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

(1) The Group is now pressing ahead with the establishment of its refinery project in Malaysia. We believe that a significant part of the Group's annual sales volume of oil and gas will be from the products manufactured by the refineries after the completion of the refineries. Thus, the oil and gas business of the Group will be able to be self-sufficient in general, instead of relying on the supply from other sources.

(2) After the works of such vertical integration, the Group will be able to achieve better costs management under a low-risk phenomenon. Meanwhile, such will also greatly enhance the Group's bargaining power on the international market, broaden its procurement channels and promise more sales opportunities.

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

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 Tuesday, 5 June 2018. 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 from Thursday, 31 May 2018 to Tuesday, 5 June 2018 (both days inclusive) 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, 30 May 2018.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 31 December 2017 and 2016.

PLEDGE OF ASSETS

At 31 December 2017, apart from the pledged bank deposits of approximately HK$253,611,000, the Group also pledged its oil vessels with carrying value of approximately HK$148,262,000 to secure bank loans granted to the Group.

EMPLOYEES AND EMPLOYEE BENEFITS

As at 31 December 2017, the Group employed 1,295 (2016: 1,275) full time employees in Hong Kong, Macau, Singapore 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

During the year, the Company repurchased and cancelled 7,368,000 of its ordinary shares of HK$0.10 each on the Stock Exchange at an aggregate consideration of HK$17,347,000 excluding transaction cost. The repurchase of the Company's share during the year was effected by the Board, pursuant to the repurchase mandate granted by the shareholders, with a view to benefit shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Details of the shares repurchase during the year are as follow:

Month of repurchase	No. of ordinary share of HK$0.1	Price per share Highest	Price per share Lowest	Aggregate consideration paid (excluding transaction costs)
		HK$	*HK$*	*HK$'000*
March 2017	4,674,000	2.49	2.34	11,216
April 2017	1,440,000	2.40	2.32	3,401
August 2017	1,254,000	2.20	2.14	2,730

The premium paid on the repurchase of the shares of approximately HK$16,692,000 has been debited to the share premium account.

CORPORATE GOVERNANCE

In the opinion of the directors, throughout the year ended 31 December 2017 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 2017.

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 2017 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 2017. 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 2017 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 2018

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.