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 2018

FINANCIAL HIGHLIGHT

- Total sales volume of energy products increased by around 5.65% to approximately 6,601,000 tons. The revenue from operations for the year also increased by approximately 36.04% to approximately HK$30 billion reflecting the increase in sale volume and the substantially high price for energy products compared with last year.

- The overall gross profit margin dropped from around 7.36% in 2017 to around 6.55% in 2018 because the fluctuation in the international oil price has made the gross profits of oil products thinner during the year. Given that the sales increased, the overall gross profit increased by approximately 21.09% to approximately HK$1,967 million.

- Although the overall gross profit increased, the depreciation of Renminbi in 2018 recorded a net exchange loss of approximately HK$124 million and due to the sharp fall of oil price at December end, the Group has provided a net realizable value allowance on inventories of HK$120 million. Thus, profit for the year attributable to owners of the Company from operations decreased by around 9.17% to approximately HK$759 million.

- Basic earnings per share from operations is approximately HK$0.52.

- Equity attributable to owners of the Company increased by around 7.96% to approximately HK$7,465 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 2018 together with comparative figures for the year ended 31 December 2017 as follows:

* *For identification purposes only.*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	3	**30,007,805**	22,058,618
Cost of sales		**(28,040,808)**	(20,434,255)
Gross profit		**1,966,997**	1,624,363
Other gains and losses	5	**(194,308)**	212,441
Other income	5	**113,519**	68,722
Selling and distribution expenses		**(504,903)**	(508,548)
Administrative expenses		**(349,657)**	(346,530)
Finance costs	6	**(284,525)**	(198,750)
Impairment loss on trade and other receivables		**(50,000)**	-
Share of profits of joint ventures		**1,967**	1,760
Share of loss of an associate		**(419)**	(992)
Profit before taxation	8	**698,671**	852,466
Taxation	7	**(28,215)**	(27,663)
Profit for the year		**670,456**	824,803
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(246,229)**	243,721
Item that will be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**80,904**	-
Total comprehensive income for the year		**505,131**	1,068,524
Profit (loss) for the year attributable to:			
Owners of the Company		**759,042**	835,631
Non-controlling interests		**(88,586)**	(10,828)
		670,456	824,803
Total comprehensive income (expense) attributable to:			
Owners of the Company		**597,933**	1,075,552
Non-controlling interests		**(92,802)**	(7,028)
		505,131	1,068,524
Basic earnings per share	9	**HK$0.52**	HK$0.57

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**2,407,720**	2,412,995
Land use rights		**382,845**	400,882
Prepaid lease payments for coast		**4,523**	5,535
Goodwill		**742,051**	751,948
Other intangible assets		**222,360**	377,939
Interest in an associate		**6,483**	7,188
Interests in joint ventures		**27,995**	26,760
Deposits paid and prepayments		**245,956**	485,150
Deferred tax assets		**1,231**	1,953
		4,041,164	4,470,350
Current assets			
Inventories		**1,720,504**	1,399,680
Trade receivables	*10*	**4,726,261**	3,575,770
Other debtors, deposits and prepayments		**2,232,484**	1,996,941
Amount due from an associate		**10,821**	3,695
Amount due from a joint venture		**2,036**	1,347
Derivative financial instruments		**4,886**	15,012
Land use rights		**19,087**	20,008
Prepaid lease payments for coast		**783**	817
Properties held for sales		**150,274**	156,774
Properties under development for sales		**724,928**	653,896
Pledged bank deposits		**243,095**	253,611
Bank balances and cash		**2,295,797**	1,789,191
		12,130,956	9,866,742
Current liabilities			
Trade payables	*11*	**858,439**	1,285,526
Other creditors and accrued charges		**328,646**	497,638
Contract liabilities		**149,776**	-
Amount due to an associate		**14,530**	-
Amount due to a joint venture		**8,674**	3,096
Derivative financial instruments		**9,912**	7,861
Tax liabilities		**105,206**	118,112
Borrowings secured by pledged bank deposits - repayable within one year	*12*	**227,347**	235,610
Borrowings secured by other assets – repayable within one year	*12*	**20,575**	18,364
Borrowings unsecured – repayable within one year	*12*	**4,537,417**	3,709,829
		6,260,522	5,876,036
Net current assets		**5,870,434**	3,990,706
Total assets less current liabilities		**9,911,598**	8,461,056

	Notes	2018 HK$'000	2017 HK$'000
Capital and reserves			
Share capital	*13*	**146,812**	147,303
Share premium and other reserves		**7,318,674**	6,768,047
Equity attributable to owners of the Company		**7,465,486**	6,915,350
Non-controlling interests		**(23,604)**	69,198
Total equity		**7,441,882**	6,984,548
Non-current liabilities			
Deferred tax liabilities		**81,684**	92,925
Borrowings secured by other assets – repayable over one year	*12*	**33,832**	31,293
Borrowings unsecured – repayable over one year	*12*	**2,354,200**	1,352,290
		2,469,716	1,476,508
		9,911,598	8,461,056

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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 ultimate controlling shareholder is Shum Siu Hung. 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/chemical products business and sales of electronic products. The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

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")

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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.

2.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue primarily from the sales and distribution of LPG and NG, oil/chemical products business and sales of electronic products.

Information about the Group's performance obligations resulting from application of HKFRS 15 is disclosed in note 3.

Summary of effects arising from initial application of HKFRS 15

(a) Timing of revenue recognition

The Group is principally engaged in the sales and distribution of LPG, oil and chemical products and electronic products. Sales are recognised by the Group at a point in time when control of the products has transferred, being when the products are delivered to the customer.

(b) Principal versus agent

For several subsidiaries in Hong Kong engaged in distribution of oil products acquired by the Group towards the end of 31 December 2017, the directors of the Company considered the Group acts as agent. The Group does not have inventory risk, and hence only recognises revenue in the amount of any fee or commission for arranging the oil products to be provided to the end customers. The directors of the Company considered that this change in accounting policy had no material impact on opening balances as at 1 January 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under HKFRS 15 at 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Other creditors and accrued charges (*Note*)	497,638	(133,036)	364,602
Contract liabilities (*Note*)	-	133,036	133,036

Note: As at 1 January 2018, advances from customers of approximately HK$133,036,000 in respect of several contracts previously included in other creditors and accrued charges were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	Note	As reported *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Current Liabilities				
Other creditors and accrued charges	*(a)*	328,646	149,776	478,422
Contract liabilities	*(a)*	149,776	(149,776)	-

Impact on the consolidated statement of profit or loss and other comprehensive income

	Note	As reported *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Revenue	*(b)*	30,007,805	600,684	30,608,489
Cost of sales	*(b)*	(28,040,808)	(600,684)	(28,641,492)

Impact on the consolidated statement of cash flows

	Note	As reported *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Operating Activities				
Decrease in other creditors and accrued charges	*(a)*	(44,121)	10,614	(33,507)
Increase in contract liabilities	*(a)*	10,614	(10,614)	-

Notes:

(a) As at 31 December 2018, the adjustments relate to advances from customers in respect of several contracts which are presented as contract liabilities upon the application of HKFRS 15.

(b) Under HKAS 18, several subsidiaries in Hong Kong recognised distribution of oil products on a gross basis, i.e. the Group was considered as a principal, due to its significant exposure to credit risk of customers. Upon application of HKFRS 15, the Group is considered as an agent and recognise revenue in net basis. This change in accounting policies resulted in a reduction of revenue and cost of sales by approximately HK$600,684,000 for the year ended 31 December 2018.

2.2 *HKFRS 9 "Financial Instruments" and the related amendments*

In the current year, the Group has applied HKFRS 9 "Financial Instruments", Amendments to HKFRS 9 "Prepayment Features with Negative Compensation" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Trade receivables *HK$'000*	Other debtors, deposits and prepayments *HK$'000*
Closing balance at 31 December 2017		
- **HKAS 39**	3,575,770	1,996,941
Remeasurement		
Impairment under ECL model (*Note*)	(10,000)	(30,000)
Opening balance at 1 January 2018	3,565,770	1,966,941

Note: Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables, including trade related amounts due from an associate and a joint venture. Except for those which had been determined as credit impaired under HKAS 39, trade receivables have been assessed individually with outstanding significant balances and collectively using a provision matrix for the remaining balances, which is grouped based on shared credit risk characteristics and the historical observed default rates adjusted for forward-looking estimates that is available without undue costs or effort.

Except for those which had been determined as credit impaired ECL for other financial assets at amortised cost, including pledged bank deposits, bank balances, other refundable deposits paid, other debtors, and non-trade related amounts due from an associate and a joint venture, are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, additional credit loss allowance of HK$40,000,000 has been recognised against retained profits. The additional loss allowance is charged against the respective trade receivables and other financial assets.

All loss allowances, including trade debtors and other financial assets at amortised cost, as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Trade receivables *HK$'000*	Other financial assets at amortised costs *HK$'000*
At 31 December 2017 – HKAS 39	(27,000)	-
Amounts remeasured through opening retained profits	(10,000)	(30,000)
At 1 January 2018	(37,000)	(30,000)

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 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

3. Revenue

Revenue represents the fair value of amounts received and receivable for goods sold by the Group to outside customers, less related taxes.

A. For the year ended 31 December 2018

Disaggregation of revenue from contracts with customers

Type of goods and services	Sales and distribution of LPG *HK$'000*	Oil/chemical products business *HK$'000*	Sales of electronic products *HK$'000*
Sales and distribution of LPG			
Wholesalers	3,815,088	-	-
End users	6,142,700	-	-
	9,957,788	-	-
Oil/chemical products business			
Oil products			
Sales of oil products	-	13,638,648	-
Provision of agency services	-	14,213	-
	-	13,652,861	-
Chemical products	-	5,698,117	-
	-	19,350,978	-
Sales of electronic products			
Integrated circuit	-	-	553,500
Mobile phones	-	-	145,539
	-	-	699,039
Total	9,957,788	19,350,978	699,039
Geographical markets, based on shipment destination			
Mainland China	7,992,154	7,256,743	699,039
Hong Kong	863,370	3,436,872	-
Singapore	-	3,821,775	-
Others (*Note*)	1,102,264	4,835,588	-
Total	9,957,788	19,350,978	699,039

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

B. For the year ended 31 December 2017

An analysis of the Group's revenue for the year is as follows:

	HK$'000
Sales and distribution of LPG	7,991,909
Sales of oil/chemical products	13,477,587
Sales of electronic products	589,122
	22,058,618

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 wholesales customers, bottled LPG end-users and auto-gas end-users.

2. Oil/chemical products business - This segment derives its revenue from selling of oil/chemical products, including revenue from oil products in which the Group acts as an agent.

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

4. Sales and distribution of NG - In prior years, the Group began to venture into sales and distribution of NG industry, but still in preliminary stage, the segment information reported below includes assets related to the sales and distribution of NG business. The NG business is still in development stage and no revenue is contributed during the year. Thus, the segment information reported below only includes assets and liabilities related to the sales and distribution of NG industry.

5. Manufacturing and distribution of charcoals - 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 trial of production in year 2017 and 2018, however instead of devoting resources for research and development of the technology on this new segment business, the Group disposed of the subsidiaries engaged in this business at the end of year 2018. Hence, for the year ended 31 December 2017, the segment information reported below only includes assets and liabilities related to the manufacturing and distribution of charcoals. The management of the Group considered that the financial performance of the Disposed Subsidiaries is not a separate major line of business, thus, the discontinued operation is not presented.

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 2018

	Sales and distribution of LPG *HK$'000*	**Oil/chemical products business** *HK$'000*	**Sales of electronic products** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue	**9,957,788**	**19,350,978**	**699,039**	**30,007,805**
Segment profit	**835,310**	**183,780**	**39,420**	**1,058,510**
Share of profits of joint ventures	**1,967**	**-**	**-**	**1,967**
Share of loss of an associate	**(419)**	**-**	**-**	**(419)**
	836,858	**183,780**	**39,420**	**1,060,058**
Other income				**55,746**
Central administration costs				**(48,941)**
Directors' emoluments				**(10,235)**
Changes in fair values of derivative financial instruments				**(73,432)**
Finance costs				**(284,525)**
Profit before taxation				**698,671**

For the year ended 31 December 2017

	Sales and distribution of LPG *HK$'000*	Oil/chemical products business *HK$'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

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

The Group has a subsidiary engaged 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 2018. 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

	2018	2017
	HK$'000	*HK$'000*
Sales and distribution of LPG	**4,725,085**	4,031,090
Sales and distribution of NG	**46,771**	53,342
Oil/chemical products business	**6,636,396**	6,083,089
Sales of electronic products	**603,500**	475,700
Manufacturing and distribution of charcoals	**-**	109,537
Total segment assets	**12,011,752**	10,752,758
Deferred tax assets	**1,231**	1,953
Pledged bank deposits	**243,095**	253,611
Bank balances and cash	**2,295,797**	1,789,191
Derivative financial instruments	**4,886**	15,012
Properties under development for sales	**724,928**	653,896
Properties held for sales	**150,274**	156,774
Other unallocated assets	**740,157**	713,897
Consolidated assets	**16,172,120**	14,337,092

Segment liabilities

	2018	2017
	HK$'000	*HK$'000*
Sales and distribution of LPG	**403,528**	748,104
Sales and distribution of NG	**14,417**	-
Oil/chemical products business	**909,431**	1,004,013
Sales of electronic products	**8,568**	114
Manufacturing and distribution of charcoals	**-**	963
Total segment liabilities	**1,335,944**	1,753,194
Derivative financial instruments	**9,912**	7,861
Tax liabilities	**105,206**	118,112
Deferred tax liabilities	**81,684**	92,925
Borrowings	**7,173,371**	5,347,386
Other unallocated liabilities	**24,121**	33,066
Consolidated liabilities	**8,730,238**	7,352,544

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

	2018	2017
	HK$'000	*HK$'000*
Changes in fair values of derivative financial instruments	**(73,432)**	8,628
Compensation from the PRC government (*Note*)	**-**	66,743
Gain on disposal of subsidiaries	**2,819**	-
Net exchange (loss) gain	**(123,695)**	137,070
Other gains and losses	**(194,308)**	212,441
Interest income on pledged RMB bank deposits	**8,164**	12,423
Interest income	**54,039**	36,981
Interest income for financial assets at amortised costs	**62,203**	49,404
Income from provision of transportation services	**20,076**	-
Government subsidy	**13,797**	9,729
Others	**17,443**	9,589
Other income	**113,519**	68,722

Note: During the year ended 31 December 2017, 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 was 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 was handed over back to the relevant government authority. The carrying amount of the property, plant and equipment of the auto-gas station has been written off.

6. Finance costs

	2018	2017
	HK$'000	*HK$'000*
Interests on bank trust receipts loans and other loans	**108,546**	57,779
Interests on bank loans pledged with RMB bank deposits	**13,223**	10,999
Interests on other bank borrowings	**162,756**	129,972
	284,525	198,750

7. Taxation

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

	2018	2017
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**12,886**	10,394
Other regions in the PRC	**23,040**	35,025
	35,926	45,419
Deferred tax		
Current year	**(7,711)**	(17,756)
	28,215	27,663

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

Accordingly, starting from the current year, the Hong Kong Profits Tax of the qualifying groups is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

	2018 *HK$'000*	2017 *HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of land use rights (included in administrative expenses)	**10,791**	10,650
Amortisation of prepaid lease payments for coast (included in cost of sales)	**808**	788
Amortisation of other intangible assets (included in selling and distribution expenses)	**48,245**	40,809
Allowance for inventories (included in cost of sales)	**120,000**	-
Auditor's remuneration	**4,498**	4,475
Depreciation of property, plant and equipment	**139,830**	130,393
Loss on disposal and written off of property, plant and equipment	**18,021**	37,323
Minimum lease payments under operating leases for offices, oil vessels, leasehold land and LPG station	**123,056**	57,545
Gross rental income from leasing of warehouses and oil vessels	**(16,778)**	(9,756)
Less: Direct operating expenses	**6,679**	1,916
	(10,099)	(7,840)
Staff costs		
Directors' fees	**330**	330
Directors' other emoluments	**9,905**	9,221
Contributions to retirement benefits schemes excluding HK$108,000 (2017: HK$108,000) included in directors' emoluments	**11,936**	10,298
Staff salaries and bonus	**157,858**	133,643
	180,029	153,492

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:

	2018	2017
	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)	**759,042**	835,631

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,470,288,232**	1,475,426,704

No diluted earnings per share is presented as there are no potential ordinary shares in issue during the years ended 31 December 2018 and 2017.

10. Trade receivables

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**4,726,261**	3,575,770

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

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**2,382,179**	1,745,451
31 to 60 days	**1,390,245**	742,273
61 to 90 days	**752,436**	847,797
91 to 180 days	**190,983**	175,063
Over 180 days	**10,418**	65,186
	4,726,261	3,575,770

Bills amounting to approximately HK$80,400,000 (2017: HK$46,917,000) are held by the Group for future settlement of trade balances. All bills received by the Group are with a maturity period of less than one year.

11. Trade payables

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

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**766,932**	923,192
31 to 60 days	**24,250**	177,207
61 to 90 days	**37,103**	154,857
91 to 180 days	**-**	8,555
Over 180 days	**30,154**	21,715
	858,439	1,285,526

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

12. Borrowings

	2018	2017
	HK$'000	*HK$'000*
Bank trust receipts loans	**3,604,590**	2,112,133
Bank loans (pledged with RMB bank deposits)	**227,347**	235,610
Bank loans (pledged with other assets)	**54,407**	49,657
Bank and other loans	**3,287,027**	2,949,986
	7,173,371	5,347,386
Repayable within one year shown under current liabilities		
Borrowings secured by pledged bank deposits	**227,347**	235,610
Borrowings secured by other assets	**20,575**	18,364
Borrowings unsecured	**4,537,417**	3,709,829
	4,785,339	3,963,803
Repayable over one year shown under non-current liabilities		
Borrowing secured – more than one year, but not exceeding two years	**12,623**	15,090
Borrowing unsecured – more than one year, but not exceeding two years	**1,130,910**	418,690
Borrowings secured – more than two years, but not exceeding five years	**21,209**	16,203
Borrowings unsecured – more than two years, but not exceeding five years	**1,223,290**	933,600
	2,388,032	1,383,583
	7,173,371	5,347,386

13. Share capital

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.1 each (2017: HK$0.1 each)		
Authorised share capital:		
At 1 January 2017, 31 December 2017 and 2018	20,000,000,000	2,000,000
Issued and fully paid share capital:		
At 1 January 2017	1,480,398,216	148,040
Less: Repurchase of shares (*Note*)	(7,368,000)	(737)
At 31 December 2017 and 1 January 2018	1,473,030,216	147,303
Less: Repurchase of shares (*Note*)	(4,906,000)	(491)
At 31 December 2018	1,468,124,216	146,812

Note: During the years ended 31 December 2018 and 2017, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary share of HK$0.10	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid (excluding transaction costs) HK$'000
June 2018	4,906,000	1.59	1.58	7,756

Month of repurchase	No. of ordinary share of HK$0.10	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid (excluding transaction costs) 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

International crude oil market – In the first half of 2018, oil prices showed a relatively stable trend, lingering between a narrow range from US$60 to US$70 per barrel. However, dramatic changes had been observed in the second half of the year. Since August, oil prices had been on a continuous climb from approximately US$67 per barrel, hitting a high of approximately US$85 per barrel in October, whereby the prices began sliding by approximately 40% to around US$50 per barrel at the end of the year, contributing to the annual average of approximately US$70 per barrel. In 2019, oil prices began picking up in January, climbing back to approximately US$66 per barrel in mid-February. At present, the market in general anticipated that crude oil has substantially regained its equilibrium pricing; nonetheless, the play between the cutting production by oil-producing countries such as Saudi Arabia, and the increase in shale oil production by the United States still acts as an important factor in disrupting such balance. The slowdown in global economic growth, coupled with the factors contributing to the declaration of the global trade war, are absolutely not ringing the bell to proclaim any good news for leveraging the petroleum to promote economic growth, therefore the Group expects further volatility of oil product prices in the near term.

The oil and gas consumer market in China – In respect to China, the rebound in oil products prices for the majority of 2018 had continuously fueled the performance of upstream industries such as exploration and oil refinery. In contrast, downstream industries still reported a meager growth despite the launch of national policies favorable to downstream players, including the cuts in valued-added taxes and taxes on imported vehicles, as well as the relative measures in lowering logistic costs. According to the statistics published by the National Bureau of Statistics of China in December 2018, the growth in industrial production and retail consumption had slackened, among which the growth in retail sales even hit its rock-bottom for the first time over 15 years, which was far from the market expectation. All of these had reflected a possible prolonged economic stagnation in China, which may in turn drag down the public demand in petroleum. On the other hand, the demand for liquefied petroleum gas ("LPG") for usages as re-export and civilian consumption remained steady and with an upward trend; in particular, LPG being used as a chemical raw material had seen a considerable growth in China especially in Guangdong Province over the recent years. Concurrently, due to the emergence of liquefied natural gas ("LNG") electric energy and even hydrogen gas, as well as the structural changes in the taxi market, the vehicle-related demand of LPG had been continuously declining. In the long run, the demand for oil products and LPG in China will likely sustain moderate rates of growth. In long run, the Group looks to tap into both the domestic and overseas markets while consolidating its existing customer market, given that the demands of oil products and LPG in China will be likely impacted by the emergence of new energies such as LNG and electric energy. This will serve to increase the market competitiveness of other new energies due to the increasing oil product and LPG prices, and the promulgation of environmental production policies by the government.

The exchange rate of Renminbi – In the first quarter of 2018, the exchange rate of Renminbi against the US dollar continued to ride on the upward trend of the fourth quarter of 2017, moving from 6.49 to a high of 6.25. Thereafter, the China-US trade war and other unfavourable factors started pushing down the Renminbi since May, during which the rate had even dropped to a low of around 7, with such fall being eased off to around 6.90 by the end of December. Given that the Group's main incomes are denominated in Renminbi, the depreciation of the currency poses a considerable impact on the profitability and performance of the Group. With the aim of mitigating the influence of volatile exchange rates, the Group has deployed various defensive measures such as strengthening its main businesses denominated in the US dollar. This includes the expansion of our marine bunkering business in Singapore which increases our US dollar cash inflow and thereby minimizes unnecessary exchange of Renminbi, in addition to expediting the exchange of RMB into the US dollar at times of RMB depreciation.

2. Performance overview

2.1 Basic situation

The China market was still plagued by overcapacity in 2018. Under a less satisfactory operating environment, our excellent procurement team and end-user sales networks had given full play to their competitive edges and continuously expanded the operating scale of our LPG and oil/ chemical products (collectively as "oil products") businesses during the year, thereby the sales in LPG and oil products had also improved. However, given the intense competitions, coupled with several hikes in costs following the rise in oil prices in the first half of the year and the unexpected sharp fall in oil prices at the end of the year, the Group had made a provision for its inventories of its net realizable value, resulting into a prominent fall in our operating gross profits of oil products; additionally, with the depreciation of Renminbi in 2018, the Group's profits were negatively hampered, leading to the decline in our net profits as compared to that of last year.

During the year, with the escalations in our sales volume and prices, our revenue had increased rapidly, which in turn led to a significant growth in the balances of inventories and trade 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 control on all of its clients, and amid the process, would always perform prudent credit management measures. Besides, in order to ensure the continuous expansion of its sales in a low-risk environment, the Group would also purchase credit insurance or obtain effective security or collateral for certain trade receivables, and maintain its inventory turnover within 30 days.

Apart from the ongoing developments 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 since 2016 and started its LPG wholesaling business in Africa. In late 2017, the Group established its first procurement centre in Malaysia, which mainly assisted the marine bunkering businesses in Singapore, Hong Kong and China for diversifying sourcing channels and lowering their procurement costs. In 2018, the Group quickened its pace and had its company in Singapore succeeded in tapping into the local marine bunkering market within a year, which had also obtained a wide recognition among the industry with its professions. Our subsidiary in Singapore had achieved an annual sales volume of approximately 1,213,000 tonnes, contributing approximately 27% of the Group's sales volume of oil products. In December 2018, the Group started leasing a floating warehouse with the size of around 300,000 tonnes for warehousing usages in Malaysia in order to get itself well-equipped for any further growth in the sales volume. Therefore, a continuous growth in such share is expected.

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. In 2018, the Group had been actively applying for governmental approvals of all kinds, and conducting an in-depth study in relation to the architecture and product allocation of the refinery. It had also been seeking for the most suitable refinery around the world to supply crude oil for production usages. Yet, the proceeding of such project was relatively slow due to the Malaysian general election and regime change in 2018. In the coming year, the Group will pick up its pace to roll out the building of its refinery so as to further reduce its oil product costs.

On the whole, the Group remained its determination to conduct adjustments on its operating strategies in 2018. 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. Moving forward, we will gradually better our industry chain. In the long run, we aim to achieve self-sufficiency in most of the aspects and avoid the plight of replying on a single sales market or sourcing channel. Besides, we also aim to better the management of our business growth, also due to increase our overall profit generating ability and at the same time reduce our overall operating costs to its 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$30,007,805,000 (among which, the revenue of energy products was approximately HK$29,308,766,000, contributing around 97.67% of the total revenue), representing an increase of approximately 36.04% as compared with the 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 of the same period of the year) in last year. During the year, the sales volumes of energy products had surged more than 353,000 tonnes as compared with that of the same period of last year. Additionally, the average prices of LPG and oil products had also recorded considerable increment over the year. Together with the steady improvements in the sales volume of our electronics business during the period, our revenue had seen a relatively prominent growth.

During the year, the Group recorded a net profit of approximately HK$670,456,000, representing a decrease of approximately 18.71% as compared with the net profit of approximately HK$824,803,000 in last year. Gross profits improved by around HK$342,634,000 during the year; however, our net profit had declined by approximately HK$154,347,000, which could be mainly due to the followings: (1) a net exchange loss of approximately HK$123,695,000 was recorded in 2018; comparing such with the net exchange gain of approximately HK$137,070,000 in last year, only the account for such exchange difference in these two years had accounted for an decrement of more than HK$261 million; (2) Upon the rapid drop in oil prices in the late December, the Group leased a new floating warehouse for oil storage with a size of 300,000 tonnes in Singapore. As moving from the old floating warehouse to the new one took a certain period of time, the efficiency of our oil delivery to end customers had been affected; thus at year end, inventories on hand of approximately 120,000 tonnes of oil products purchased in November had suffered from the drop in oil prices, which in turn had caused the Group to make a provision of around HK$120 million on the basis of the net realizable value; (3) subsequent to the HKFRS 9 coming into effect on 1 January of the year, the Group was required to make a general impairment provision of approximately HK$90,000,000 for its expected default loss on trade receivables and other receivables, of which HK$50,000,000 had been reflected in the administrative costs in the consolidated statement of profit or loss and other comprehensive income for the year. Therefore, the three above-mentioned non-recurring expenses had already fully explained the decline instead of the growth in our net profit during the year.

In 2018, the Group did not engage in any fund raising activities in relation to our shares; however, one repurchasing of shares had been conducted in June. Therefore, for the twelve months ended 31 December 2018, the weighted average number of the Company's issued ordinary shares was 1,470,288,232 shares, representing a decrease of 5,138,472 shares as compared with the 1,475,426,704 shares for the twelve months ended 31 December 2017. During the year, the basic earnings per share were approximately HK$0.52, representing a drop of around 8.77% over the basic earnings per share of approximately HK$0.57 in last year.

2.3 Gross profits

During the year, the total gross profits were approximately HK$1,966,997,000, representing a growth of approximately 21.09% as compared with the total gross profits of approximately HK$1,624,363,000 in the same period of last year. During the year, the number of the Group's energy products had been on its ongoing climb; however, with the incessant surge in oil prices during the year, together with the absence of relief from fierce market competitions, and the failure of sales prices in picking up responsively along with the increase in the procurement costs, our gross profits was further narrowed after a provision of HK$120 million had been made on the basis of the net realizable value. During the year, our gross margin had decreased from approximately 7.36% of last year, to a mere amount of approximately 6.55%.

2.4 Net exchange gain and loss

Under the influences of the declaration of the China-US trade war, the exchange rate of Renminbi against the US dollar during the year had declined drastically by approximately 6.0%; therefore, as of 31 December 2018, the Group had recorded a net exchange loss of approximately HK$123,695,000, comparing to its recorded net exchange gain of approximately HK$137,070,000 in last year.

2.5 Changes in fair values of derivative financial instruments

With the sales volume of oil products on a continuous growth, there were considerable inventories of oil products for the Group. In order to mitigate the negative impact on its interests caused by price fluctuations of oil products, the trade war and global economic uncertainties, the Group entered into several derivative contracts for oil commodities in accordance to its oil product inventory level for the purposes of hedging and de-risking. The actual sales together with the related hedging activities contributed a net gain of about US$2 million after netting off the derivative contract cost of about US$10 million.

2.6 Finance costs

During the year, due to the large volume of purchases of oil products, together with the surge in prices of LPG and oil products and the growth in inventories, our trade receivables had achieved a relatively large increment. All of such, together with rounds of interest rate hikes across the globe, the Group had to utilize a substantial sum of its bank borrowings to meet with the needs induced by the increase in liquidity. The finance costs used in this respect had then increased to approximately HK$271,302,000, representing an increment of approximately 44.50% as compared with the finance cots of approximately HK$187,751,000 in last year.

2.7 Net current assets

As of 31 December 2018, the Group had its net current assets amounting to approximately HK$5,870,434,000, and its current ratio of 193.77%, representing an increase of approximately HK$1,879,728,000 as compared with the net current assets of approximately HK$3,990,706,000 (current ratio: 167.91%) as of 31 December 2017. On a whole, the liquidity of the Group's short-termed assets still remained on a considerably secured level.

2.8 Fixed assets and investments
Throughout the year of 2018, the Group had invested approximately HK$200 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’ within the fixed assets movements and ‘properties under development for sale’. The headquarter in Zhuhai is composed of five buildings which had already had all of their roof capped and are now undergoing interior renovation. The Group expected that the completion of the Zhuhai headquarter will be around the second or the third quarter of 2019, whereby the sales and leasing business will begin.

As the Group aimed to centralize its resources mainly on boosting the monthly turnover volume of its Malaysian procurement centre in oil products (up to 300,000 - 400,000 tonnes), as well as to reserve its funds for the development of its refinery in Malaysia, our management had decided to stop investing and developing the coal project acquired in 2016, and already sold the project to an independent third party at the end of the year. The completion of the sale of the project had recorded a net gain of approximately HK$3 million.

Due to the fact that the 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.

2.9 Gearing ratio
As of 31 December 2018, the total balance of the Group’s bank and other borrowings was approximately HK$7,173,371,000. Meanwhile, our bank deposits, pledged bank deposits and cash balances were amounted to approximately HK$2,538,892,000. The equity attributable to owners of the Company was approximately HK$7,465,486,000. As calculated from the above, the percentage of the net bank borrowings to the equity attributable to owners (i.e. the gearing ratio) was 62.08%, which was higher than that of approximately 47.79% in last year. During the year, our revenue increased significantly, which required a huge sum of short-termed bank borrowings to meet the needs of the increased liquidity, resulting that the gearing ratio of the Group had increased correspondently.

3.0 Net cash flow incurred by the operating activities
As of 31 December 2018, a relatively high number of inventories (mainly oil products) had been recorded in the account. The sales volumes and prices of oil products and LPG both increased in a relatively large 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$1.1 billion had therefore been incurred by the operating activities during this year (2017: a net cash outflow of approximately HK$0.4 billion).

3. Performance review

3.1 Segment performance
In 2018, the LPG business, oil product business, electronics business and other businesses of the Group had achieved an operating income of approximately HK$30,007,805,000 in total, representing an increase of 36.04% as compared with the operating income of approximately HK$22,058,618,000 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)*	
2018	**9,957,788**	**33.18%**	**19,350,978**	**64.49%**	**699,039**	**2.33%**
2017	7,991,909	36.23%	13,477,587	61.10%	589,122	2.67%

During the year, the three businesses had achieved total gross profits of approximately HK$1,966,997,000 and their respective contribution to the total gross profits of the Group was:

Year	LPG *(HK$'000)*		Oil products *(HK$'000)*		Electronics *(HK$'000)*	
2018	**1,341,630**	**68.21%**	**585,937**	**29.79%**	**39,430**	**2.00%**
2017	984,392	60.60%	592,966	36.50%	47,005	2.90%

3.2 Energy products business

	Full year 2018	Full year 2017	Increase %
Sales volume of LPG in tonnes (percentage contributed to the total sales volume of the period)	**2,107,000 (31.92%)**	1,893,000 (30.30%)	214,000 (11.30%)
Sales volume of oil products in tonnes (percentage contributed to the total sales volume of the period)	**4,494,000 (68.08%)**	4,355,000 (69.70%)	139,000 (3.19%)
Total sales volume in tonnes	**6,601,000 (100.00%)**	6,248,000 (100.00%)	353,000 (5.65%)

In 2018, the Group had achieved the sales of energy products of approximately 6,601,000 tonnes, representing a growth of 5.65% as compared with the sales volume of approximately 6,248,000 tonnes in the same period of last year.

3.2.1 LPG business

Over the past few years, the emergence of new energies indeed fettered the development of traditional clean energies such as LPG on automobile and civilian usage in a long run. Fortunately, the Group had already established and owned a fairly comprehensive sales network (either end-user or wholesaling), which enabled it to continue capturing a larger market share and grow along with the continuous increase in the domestic industrial usages of LPG in the recent years. In 2018, the LPG sales volume of the Group amounted to approximately 2,107,000 tonnes, representing an increase of approximately 214,000 tonnes as compared with the sales volume of approximately 1,893,000 tonnes in last year.

Throughout the year, the LPG business recorded a revenue of approximately HK$9,957,788,000, representing an increase of approximately 24.60% as compared to the revenue of approximately HK$7,991,909,000 in the same period of last year. The growth in business revenue was mainly due to the rise in average prices and sales volumes.

During the year, the gross margin of the LPG business was 13.47%, representing a slight increment of approximately 1.15% as compared with the gross margin of 12.32% in last year.

Procurement

In 2018, the Group procured a volume of approximately 1,058,000 tonnes of goods from overseas, which was comparable to that of last year of approximately 1,054,900 tonnes. The goods procured from the refineries in China were amounted to approximately 1,061,000 tonnes, representing a growth of approximately 26.60% as compared to the approximately 838,100 tonnes of last year. During the period, the total procurement of LPG was approximately 2,119,000 tonnes, representing an increase of approximately 11.94% as compared with around 1,893,000 tonnes of last year.

Sales

In 2018, the total sales volume of LPG was approximately 2,107,000 tonnes, representing an increment of 11.30% as compared with approximately 1,893,000 tonnes in 2017.

Sales category	**Full year 2018**	Full year 2017	Increase %
Wholesalers	**891,000 tonnes**	749,500 tonnes	18.88%
End users	**1,216,000 tonnes**	1,143,500 tonnes	6.34%
Total	**2,107,000 tonnes**	1,893,000 tonnes	11.30%

Except for auto-gas refueling, almost all the LPG sales categories (i.e. Overseas customers, industrial customers, other terminals and bottling plants and bottled LPG) in China had experienced growth to various extents during the year as compared with the sales volumes in the same period of last year. Such phenomenon was slightly different from the underperformance of market in the first half of the year. The second half of the year was usually a peak season for LPG, with its sales volume being higher than the first half of the year. Particularly, due to the declaration of the trade war during the year, the Chinese government had launched policies to drive its domestic consumption, which had benefited the growth in the sales, ranging from the sales of bottled LPG, to the sales to other terminals and bottling plants clients. Along with the expansion and commission of deep processing devices, the demand of LPG as an industrial raw material had rapidly plummeted, whereas the proportions of industrial and chemical consumption had exceeded civilian consumption market in China. For such, our marketing team had devoted the best of its efforts to explore such market, and had successfully raised the annual sales volume 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.

3.2.2 Oil products business

During the year, the Group achieved a total sales volume of around 4,494,000 tonnes of oil products, representing an increase of approximately 3.19% as compared with approximately 4,355,000 tonnes in last year.

The oil products business recorded a revenue of approximately HK$19,350,978,000, representing a hike of around 43.58% as compared with the revenue of approximately HK$13,477,587,000 in last year. Due to the rebound in the average oil products prices, the revenue grew more than 40% despite the growth of around 3.19% in the sales volume.

The revenue grew 43.58%, however, by case of the rise in costs, the provision made on the basis of the net realizable value amounting to HK$120 million and the fierce market competitions, the actual decrease in our gross profits was amounted to around 1.19% (2018: approximately HK$585,937,000; 2017: approximately HK$592,966,000). The gross margin of the oil products business slightly decreased from around 4.40% in last year to around 3.03% in 2018.

Procurement
During the year, the Group procured oil products of approximately 4,396,000 tonnes in total, which was comparable to approximately 4,355,000 tonnes in last year; among which, the volume procured outside China (including Hong Kong, Singapore and etc.) was approximately 2,554,000 tonnes, representing a growth of approximately 460,000 tonnes (an increment of around 21.97%) as compared with approximately 2,094,000 tonnes in last year. The volume of procurement conducted in the Mainland China was approximately 1,842,000 tonnes, representing a slight decrease as compared to approximately 2,261,000 tonnes in last year.

Sales

Region of sales	**Full year 2018**	Full year 2017	Increase (decrease)%
Hong Kong	**1,828,000 tonnes**	1,975,300 tonnes	(7.46%)
Marine bunkering	***805,000 tonnes***	*783,600 tonnes*	*2.73%*
Land bunkering	***102,500 tonnes***	-	*Not applicable*
Trading of oil products/ chemical products	***920,500 tonnes***	*1,191,700 tonnes*	*(22.76%)*
Singapore	**1,213,000 tonnes**	118,700 tonnes	
Marine bunkering	***1,213,000 tonnes***	*118,700 tonnes*	921.90%
China	**1,453,000 tonnes**	2,261,000 tonnes	(35.74%)
Oil products – sales at sea	***678,600 tonnes***	*858,800 tonnes*	*(20.98%)*
Oil products – sales on land	***182,500 tonnes***	*210,100 tonnes*	*(13.14%)*
Trading of oil products/ chemical products	***591,900 tonnes***	*1,192,100 tonnes*	*(50.35%)*
Total sales volume	**4,494,000 tonnes**	4,355,000 tonnes	3.19%

In 2017, the Group began the establishment of its procurement centre in Malaysia; meanwhile, it had also enlarged the size of its leasing floating warehouse for oil storage from 100,000 tonnes at the beginning to 300,000 tonnes at present for supporting its marine bunkering and wholesaling businesses in Singapore and Hong Kong. The Group's subsidiary in Singapore had also seen its sales volume booming remarkably for 9 times, reaching an annual record of 1,213,000 tonnes (i.e. a monthly average volume of 100,000 tonnes), altogether had reaffirmed the efforts of the Group paid over the past year. For the marine bunkering market in Singapore, the average monthly oil consumption is up to 4 million tonnes. With the Group's long-term objective setting as seizing 10% of the market share i.e. 400,000 tonnes per month, the Group has been making the optimal use of its resources on exploring such an important market in the past half year and in the foreseeable future, such as utilizing the limits for issuing letter of credit from banks and its cash. Unavoidably, due to the limitations of our resources, the resources put on other markets and products such as trading of chemical products will be decreased.

During the year, the total sales volume of the bunkering business in Hong Kong had decreased 7.46%. Such was mainly related to the trading of oil products/chemical products, in which there had been a year-on-year decrease of approximately 22.76% given a more volatile customer base despite the lack of limitations on the individual markets. The sales of oil products on land commenced during the year had generated sales of approximately 102,500 tonnes, reflecting a sound beginning for the development of oil products market on land in Hong Kong.

During the period, the sales volume of oil products in China had decreased approximately 808,000 tonnes, representing a fall of around 35.74%. Our oil products business in China has adopted a development model which is similar to the one that is practiced in the Zhuhai LPG Terminal, that is to make use of infrastructure 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. Sales of oil products (at sea and on land) in China has built a solid customer base and was able to generate a relatively stable sales volume, with the gross profit margin holding steady around 4%. Nonetheless, due to the reallocation of resources by the Group to explore the bunkering market in Singapore in the second half of the year, our oil products businesses at sea and on land had been slightly shrank. In contrast, the chemical products market was highly limited in the Guangdong Province with a volatile wholesale customer base resulting in fluctuating prices and gross profit margins impacted by numerous factors. The Group believes that a relatively long period of time will be required before we can successfully connect with the end-user customers of the chemical products. During such period, the Group may significantly reduce the amount of resources devoted to this aspect in the second half of the year and in the future, but to allow the limits for issuing letter of credit from banks and its cash to be diverted into our other prime markets for development, including our marine bunkering business in Singapore. Therefore, the trading of oil products/ chemical products during the year had recorded a drastic decline of 50.35%.

3.3 Electronics business

During the year, the electronics business recorded a revenue amounting to approximately HK$699,039,000 in total, representing an improvement of nearly 18.66% as compared with the revenue of approximately HK$589,122,000 in last year. The gross profits contribution of the electronics business was approximately HK$39,430,000, representing a decrease of approximately 16.12% as compared with the gross profits of around HK$47,005,000. Additionally, the gross margin in this regards also decreased to around 5.64% from 7.98% of last year. The electronics business is not our prime business of development, thus contributing less than 3% to our business as a whole.

3.4 Other businesses

LNG auto-gas refueling station business — Currently, the LNG efforts are still under development. With the rebound in oil prices in the recent two years, LNG is beginning to have its attractiveness increased to both users and investors. Our existing projects have been screened, through which we have also undertaken initiatives to abandon projects which only have a slim chance of making a profit to our Group. Instead, we focused on devoting our resources to invest into other potential projects. As to the LNG project jointly conducted with logistic companies, we will also shift our attention to the constructions of refueling stations in order to strive for better investment returns.

Real estate business — Such business mainly focuses on the construction of the headquarter located in Zhuhai. Upon the completion of the building with its roof capped at the end of 2017, we had been carrying out interior decoration at full speed and obtaining approval for sales from relevant governmental departments throughout the year in 2018. It is expected that the sales of such can begin in the second or the third quarter of 2019 should things go smoothly.

4. Business outlook

In the past, the Group has been focusing on the sale of energy products in the Southern China region. Since the global market's LPG and oil production are kept increasing which leads to an oversupply situation. The Southern China is the biggest market for energy products, every market operator wants to increase their sales in order to grow their market shares which leads to fierce competitions. In addition to the economic slowdown in China following the declaration of the trade war, such business have been facing lots of operational difficulties. Indeed, the issue of oversupply is not a key problem for operators who have owned a huge end-user market and fully integrated production chains such as NewOcean Group, who will have the advantages to stay in the market. Eventually, a balance between the demand and supply will be reached. For those operators who manage to maintain market share and being the cost leader with lower cost per ton compared with the industry peer, reasonable return expectations are wholly likely. However, their profitability may inevitably be affected to a certain extent while awaiting for the market to adjust itself. It is definitely possible to avoid such risk, which is by exploring more new markets and diversifying our risks.

Accordingly, the Group has established its development blueprint in 2017, which was to expand its overseas business in a proactive manner. Having successfully expanded into the Singaporean marine bunkering market in 2018, we will continue to adopt the same operating strategies, that are designed to push our developments forward with our end-user markets so as to facilitate the rapid growth in our business volume. Meanwhile, we are reviewing the Group's industry structure and operating model so as to continuously improve the efficient coordination between our industry and logistics chains. It is expected that such measures will enhance our operating efficiency and further lower our operating costs.

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

（1） As for our marine bunkering business, since Hong Kong or ports along the coastal lines of China are not considered as embodying with any geographical advantage, our foothold established in Singapore plays a very crucial role for improving our marine bunkering business. At the end of 2018, we had successfully leased a floating warehouse with a size of approximately 300,000 tonnes in Malaysia as a procurement centre, which had already sufficiently helped lowering the procurement costs of fuel oil for marine uses, and successfully helped the Group to tap into the marine bunkering market in Singapore. Our long-term objective is to further increase the market share and explore stable and long-term suppliers and clients.

（2） 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.

（3） Other than laying the groundwork for operations in Mainland China, we also acquired shareholdings of three companies which engaged in auto-fuel trading and oil products transportation in Hong Kong in the late 2017, which in turn allowed the Group to become the primary agent of the four major oil companies in Hong Kong and officially tap into the auto-fuel market in Hong Kong. The oil sales volume on land was approximately 102,500 tonnes throughout the year in 2018.

（4） 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 establishing sales networks of automotive refueling stations by means of acquisition and mergers.

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 support in order to improve our sales volume, and thus our profitability.

(2) We are actively exploring more LPG industrial users. When the emergence of new energies has already affected the volume of auto-gas refueling for civilian uses, the volume of LPG for industrial uses is still skyrocketing on a year-on-year basis, thus our sales team in China will continue its efforts to look for new industrial clients.

(3) As to the expansion of our business to the overseas markets, we began wholesaling LPG to Africa two years ago. At present, we are seeking suitable land parcels in Africa for the construction of LPG terminal gas plants and bottling plants. We aim to tap into the local end-user markets as soon as possible, which are expected to yield healthy return on capital.

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 refinery upon the completion of the refinery. Thus, the oil and gas business of the Group will be able to be largely self-sufficient, instead of relying on the supply from other sources.

(2) After the works of such vertical integration, the Group will be able to achieve better costs management under a low-risk ecosystem. This will also enhance the Group's bargaining power on the international markets, thus broadening its procurement channels and realizing its promise on creating more sales opportunities.

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

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 Wednesday, 5 June 2019. 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 Friday, 31 May 2019 to Wednesday, 5 June 2019 (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 Thursday, 30 May 2019.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 31 December 2018 and 2017.

PLEDGE OF ASSETS

At 31 December 2018, apart from the pledged bank deposits of approximately HK$243,095,000, the Group also pledged its oil vessels with carrying value of approximately HK$143,514,000 to secure bank loans granted to the Group.

EMPLOYEES AND EMPLOYEE BENEFITS

As at 31 December 2018, the Group employed 1,280 (2017: 1,295) 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 4,906,000 of its ordinary shares of HK$0.10 each on the Stock Exchange at an aggregate consideration of approximately HK$7,756,000 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$0.10	Price per share Highest	Price per share Lowest	Aggregate consideration paid (excluding transaction costs)
		HK$	*HK$*	*HK$'000*
June 2018	4,906,000	1.59	1.58	7,756

The premium paid on the repurchase of the shares of approximately HK$7,306,000 has been debited to the share premium account.

CORPORATE GOVERNANCE

In the opinion of the directors, throughout the year ended 31 December 2018 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 2018.

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 2018 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 2018. 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 2018 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, 22 March 2019

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.