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

ANNOUNCEMENT
UNAUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHT

- Total sales volume of energy products increased by around 13.09% to approximately 7,465,000 tons. The revenue from operations for the year decreased by approximately 7.38% to approximately HK$28 billion reflecting the increase in sale volume being set off by the drop of average price for energy products by around 15% compared with last year.

- The overall gross profit margin slightly raise from around 6.55% in 2018 to around 6.77% in 2019. However there was an once off net realisable value allowance on inventory amounted to HK$120 million made in year 2018; if excluded this allowance, the gross profit margin for 2018 should be approximately 6.95%. The overall gross profit dropped by approximately 4.31% to approximately HK$1,882 million.

- Apart from the decrease of gross profit, the Group's overall expenses increased due to the expansion in overseas new markets. Thus, profit for the year attributable to owners of the Company from operations decreased by around 15.40% to approximately HK$642 million.

- Basic earnings per share from operations is approximately HK$0.44.

- Equity attributable to owners of the Company increased by around 7.29% to approximately HK$8,010 million.

The Board of Directors (the "Board") of NewOcean Energy Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019 together with comparative figures for the year ended 31 December 2018 as follows:

* *For identification purposes only.*

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
Revenue	*3*	**27,791,913**	30,007,805
Cost of sales		**(25,909,656)**	(28,040,808)
Gross profit		**1,882,257**	1,966,997
Other gains and losses	*5*	**(30,551)**	(194,308)
Other income	*5*	**62,450**	113,519
Selling and distribution expenses		**(529,277)**	(504,903)
Administrative expenses		**(393,628)**	(349,657)
Finance costs	*6*	**(358,485)**	(284,525)
Impairment losses on trade and other receivables		**(8,000)**	(50,000)
Share of profits of joint ventures		**2,091**	1,967
Share of profit (loss) of an associate		**358**	(419)
Profit before taxation	*8*	**627,215**	698,671
Taxation	*7*	**(20,105)**	(28,215)
Profit for the year		**607,110**	670,456
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(203,182)**	(246,229)
Item that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**105,228**	80,904
Total comprehensive income for the year		**509,156**	505,131
Profit (loss) for the year attributable to:			
Owners of the Company		**642,175**	759,042
Non-controlling interests		**(35,065)**	(88,586)
		607,110	670,456
Total comprehensive income (expense) attributable to:			
Owners of the Company		**544,192**	597,933
Non-controlling interests		**(35,036)**	(92,802)
		509,156	505,131
Basic earnings per share	*9*	**HK$0.44**	HK$0.52

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

	Notes	**2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment		**2,254,174**	2,407,720
Right-of-use assets		**559,486**	-
Land use rights		**-**	382,845
Prepaid lease payments for coast		**-**	4,523
Goodwill		**766,973**	742,051
Other intangible assets		**178,202**	222,360
Interest in an associate		**6,689**	6,483
Interests in joint ventures		**19,265**	27,995
Deposits paid and prepayments		**693,407**	245,956
Deferred tax assets		**821**	1,231
		4,479,017	4,041,164
Current assets			
Inventories		**1,410,456**	1,720,504
Trade receivables	*10*	**4,778,317**	4,726,261
Other debtors, deposits and prepayments		**2,429,078**	2,232,484
Amount due from an associate		**6,716**	10,821
Amount due from a joint venture		**-**	2,036
Derivative financial instruments		**6,606**	4,886
Land use rights		**-**	19,087
Prepaid lease payments for coast		**-**	783
Properties held for sales		**146,841**	150,274
Properties under development for sales		**766,253**	724,928
Pledged bank deposits		**360,218**	243,095
Bank balances and cash		**2,288,684**	2,295,797
		12,193,169	12,130,956
Current liabilities			
Trade payables	*11*	**974,192**	858,439
Other creditors and accrued charges		**211,974**	328,646
Contract liabilities		**78,909**	149,776
Lease liabilities		**57,868**	-
Amount due to an associate		**9,480**	14,530
Amount due to a joint venture		**5,576**	8,674
Derivative financial instruments		**9,787**	9,912
Tax liabilities		**117,100**	105,206
Borrowings secured by pledged bank deposits - repayable within one year	*12*	**328,487**	227,347
Borrowings secured by other assets – repayable within one year	*12*	**12,529**	20,575
Borrowings unsecured – repayable within one year	*12*	**5,340,256**	4,537,417
		7,146,158	6,260,522
Net current assets		**5,047,011**	5,870,434
Total assets less current liabilities		**9,526,028**	9,911,598

	Notes	**2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
Capital and reserves			
Share capital	*13*	**146,812**	146,812
Share premium and other reserves		**7,862,866**	7,318,674
Equity attributable to owners of the Company		**8,009,678**	7,465,486
Non-controlling interests		**(35,554)**	(23,604)
Total equity		**7,974,124**	7,441,882
Non-current liabilities			
Deferred tax liabilities		**64,280**	81,684
Borrowings secured by other assets – repayable over one year	*12*	**21,302**	33,832
Borrowings unsecured – repayable over one year	*12*	**1,351,836**	2,354,200
Lease liabilities		**114,486**	-
		1,551,904	2,469,716
		9,526,028	9,911,598

NOTES TO THE UNAUDITED ANNUAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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 positions and performance for the current and prior years and/or on the disclosures set out in these unaudited consolidated financial statements.

HKFRS 16 "Leases"

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

Definition of a lease

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

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

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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

(i) relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

(ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

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

	At 1 January 2019 *HK$'000*
Operating lease commitments disclosed as at 31 December 2018	266,374
Lease liabilities discounted at relevant incremental borrowing rates	223,470
Less: Recognition exemption – short-term leases	(36,166)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	187,304
Analysed as	
Current	32,863
Non-current	154,441
	187,304

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

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

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

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. As at 1 January 2019, the relevant adjustment is considered to be insignificant.

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

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

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

Based on the assessment of the directors of the Company, the application of HKFRS 16 as a lessor has no material impact to these unaudited consolidated financial statements as at date of initial application, 1 January 2019 and for the year ended 31 December 2019.

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 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[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 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 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.
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 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the unaudited consolidated financial statements in the foreseeable future.

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 2019 (Unaudited)

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	2,960,096	-	-
End users	4,559,130	-	-
	7,519,226	-	-
Oil/chemical products business			
Oil products			
Sale of oil products	-	18,838,892	-
Provision of agency services	-	12,724	-
	-	18,851,616	-
Chemical products	-	438,335	-
	-	19,289,951	-
Sales of electronic products			
Integrated circuit	-	-	842,703
Mobile phones	-	-	140,033
	-	-	982,736
Total	7,519,226	19,289,951	982,736
Geographical markets, based on shipment destination			
Mainland China	5,768,379	6,780,893	982,736
Hong Kong	28,270	4,567,109	-
Singapore and Malaysia	-	6,859,173	-
Others (*Note*)	1,722,577	1,082,776	-
Total	7,519,226	19,289,951	982,736

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

B. For the year ended 31 December 2018 (Audited)

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			
Sale 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 and Malaysia	-	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 and Malaysia), United States and Australia.

C. For the year ended 31 December 2019 and 2018

Performance obligation for contracts with customers

The Group recognises revenue from the sales and distribution of LPG, oil/chemical products and electronic products in the period that the performance obligations are satisfied which refers to delivery of the goods to the destination specified by the customers. The destination may be vessel on which the goods is shipped or destination port or the customer's premises. Performance obligation are satisfied at a point in time once control of the goods has been transferred to the customers and the customers have obtained control on the goods through their ability to direct other use of and obtain substantially all the benefits from the goods. Transportation and other related activities that occur before customers obtain control of the related goods are considered as fulfilment activities. The payment of the transaction price for the sales and distribution of LPG to certain end-users is due immediately at the point the customer purchases the goods. Other than that, the credit period granted to customers is ranged from 30 to 180 days upon delivery for the revenue streams of sales and distribution of LPG, oil/chemical products and electronic products.

The Group recognised revenue from provision of agency services when the Group satisfies its promise to arrange for the goods to be provided by the suppliers to the customers and in the amount of any fee or commission to which the Group is exchange for arranging the oil products to be provided to the end customers. Performance obligations are satisfied at a point in time once control of the goods has been transferred to customers.

Contracts with customers with unsatisfied performance obligations, including sales and distribution of LPG, oil/chemical products and electronic products, have original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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 wholesale 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.

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 2019 (Unaudited)

	Sales and distribution of LPG *HK$'000*	**Oil/chemical products business** *HK$'000*	**Sales of electronic products** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue	**7,519,226**	**19,289,951**	**982,736**	**27,791,913**
Segment profit	**523,905**	**413,889**	**80,994**	**1,018,788**
Share of profits of joint ventures	**2,091**	**-**	**-**	**2,091**
Share of profit of an associate	**358**	**-**	**-**	**358**
	526,354	**413,889**	**80,994**	**1,021,237**
Other income				**22,003**
Central administration costs				**(56,286)**
Directors' emoluments				**(10,815)**
Changes in fair values of derivative financial instruments				**9,561**
Finance costs				**(358,485)**
Profit before taxation				**627,215**

For the year ended 31 December 2018 (Audited)

	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

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 unaudited consolidated revenue of the Group. There was no property sold for the two years ended 31 December 2019 and 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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Sales and distribution of LPG	**4,122,900**	4,725,085
Sales and distribution of NG	**47,549**	46,771
Oil/chemical products business	**7,676,846**	6,636,396
Sales of electronic products	**456,622**	603,500
Total segment assets	**12,303,917**	12,011,752
Deferred tax assets	**821**	1,231
Pledged bank deposits	**360,218**	243,095
Bank balances and cash	**2,288,684**	2,295,797
Derivative financial instruments	**6,606**	4,886
Properties under development for sales	**766,253**	724,928
Properties held for sales	**146,841**	150,274
Other unallocated assets	**798,846**	740,157
Consolidated assets	**16,672,186**	16,172,120

Segment liabilities

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Sales and distribution of LPG	**717,687**	403,528
Sales and distribution of NG	**5,576**	14,417
Oil/chemical products business	**676,065**	909,431
Sales of electronic products	**114**	8,568
Total segment liabilities	**1,399,442**	1,335,944
Derivative financial instruments	**9,787**	9,912
Tax liabilities	**117,100**	105,206
Deferred tax liabilities	**64,280**	81,684
Borrowings	**7,054,410**	7,173,371
Other unallocated liabilities	**53,043**	24,121
Consolidated liabilities	**8,698,062**	8,730,238

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

	2019 ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
Changes in fair values of derivative financial instruments	**9,561**	(73,432)
Gain on disposal of subsidiaries	**-**	2,819
Gain on deemed disposal of a joint venture	**9,218**	-
Net exchange loss	**(49,330)**	(123,695)
Other gains and losses	**(30,551)**	(194,308)
Interest income on pledged RMB bank deposits	**2,265**	8,164
Interest income	**18,432**	54,039
Interest income for financial assets at amortised costs	**20,697**	62,203
Income from provision of transportation services	**11,305**	20,076
Government subsidy	**2,495**	13,797
Others	**27,953**	17,443
Other income	**62,450**	113,519

6. Finance costs

	2019 ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
Interests on bank trust receipts loans and other loans	**154,949**	108,546
Interests on bank loans pledged with RMB bank deposits	**10,149**	13,223
Interests on other bank borrowings	**185,167**	162,756
Interests on lease liabilities	**8,220**	-
	358,485	284,525

7. Taxation

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current tax		
Hong Kong	**11,499**	12,886
Other regions in the PRC	**24,459**	23,040
	35,958	35,926
Deferred tax		
Current year	**(15,853)**	(7,711)
	20,105	28,215

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%. 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%.

Accordingly, starting from 2018, the Hong Kong Profits Tax of the qualifying group entity 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.

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of land use rights (included in administrative expenses)	**-**	10,791
Amortisation of prepaid lease payments for coast (included in cost of sales)	**-**	808
Amortisation of other intangible assets (included in selling and distribution expenses)	**40,170**	48,245
Allowance for inventories (included in cost of sales)	**-**	120,000
Auditor's remuneration	**5,196**	4,498
Depreciation of property, plant and equipment	**151,641**	139,830
Depreciation of right-of-use assets	**57,888**	-
Loss on disposal and written off of property, plant and equipment	**10,303**	18,021
Minimum lease payments under operating leases for offices, oil vessels, leasehold land and LPG station	**-**	123,056
Gross rental income from leasing of warehouses and oil vessels	**(12,063)**	(16,778)
Less: Direct operating expenses	**4,296**	6,679
	(7,767)	(10,099)
Staff costs		
Directors' fees	**390**	330
Directors' other emoluments	**10,425**	9,905
Contributions to retirement benefits schemes excluding HK$88,000 (2018: HK$108,000) included in directors' emoluments	**10,906**	11,936
Staff salaries and bonus	**150,436**	157,858
	172,157	180,029

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:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to the owners of the Company)	**642,175**	759,042

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,468,124,216**	1,470,288,232

No diluted earnings per share is presented as there are no potential ordinary shares in issue during the years ended 31 December 2019 and 2018.

10. Trade receivables

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables – contracts with receivables	**4,778,317**	4,726,261

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:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**1,831,419**	2,382,179
31 to 60 days	**1,441,278**	1,390,245
61 to 90 days	**1,172,028**	752,436
91 to 180 days	**295,969**	190,983
Over 180 days	**37,623**	10,418
	4,778,317	4,726,261

Bills amounting to approximately HK$29,782,000 (2018: HK$80,400,000) are held by the Group for future settlement of trade balances. All bills received by the Group are with a maturity period of less than one year.

11. Trade payables

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**866,247**	766,932
31 to 60 days	**86,927**	24,250
61 to 90 days	**-**	37,103
91 to 180 days	**73**	-
Over 180 days	**20,945**	30,154
	974,192	858,439

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

12. Borrowings

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bank trust receipts loans	**3,158,688**	3,604,590
Bank loans (pledged with RMB bank deposits)	**328,487**	227,347
Bank loans (pledged with other assets)	**33,832**	54,407
Bank and other loans	**3,533,403**	3,287,027
	7,054,410	7,173,371
Repayable within one year shown under current liabilities		
Borrowings secured by pledged bank deposits	**328,487**	227,347
Borrowings secured by other assets	**12,529**	20,575
Borrowings unsecured	**5,340,256**	4,537,417
	5,681,272	4,785,339
Repayable over one year shown under non-current liabilities		
Borrowing secured – more than one year, but not exceeding two years	**12,145**	12,623
Borrowing unsecured – more than one year, but not exceeding two years	**264,620**	1,130,910
Borrowings secured – more than two years, but not exceeding five years	**9,157**	21,209
Borrowings unsecured – more than two years, but not exceeding five years	**1,087,216**	1,223,290
	1,373,138	2,388,032
	7,054,410	7,173,371

13. Share capital

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each (2018: HK$0.10 each)		
Authorised share capital:		
At 1 January 2018, 31 December 2018 and 2019	20,000,000,000	2,000,000
Issued and fully paid share capital:		
At 1 January 2018 (audited)	1,473,030,216	147,303
Less: Repurchase of shares (*Note*)	(4,906,000)	(491)
At 31 December 2018 (audited) and 31 December 2019 (unaudited)	1,468,124,216	146,812

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

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

The above shares were cancelled upon repurchase.

14. Event after the end of the reporting period

The outbreak in late December 2019 of the novel coronavirus, has adversely impacted global economic activity in the period subsequent to the reporting date. Given the widespread nature of the outbreak, the relative impact to the Group's operation cannot be reliably quantified or estimated as at the date of this report. The Company continues to closely monitor the situation.

Other than this and matters outlined in these financial statements, there have been no matters that have occurred subsequent to the reporting date which have significantly affected, or may significantly affect the Group's operations, results or state of affairs in future years.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Market Overview

International crude oil market – In 2019, oil prices did not see any major fluctuations, but lingered between US$50 and US$75 per barrel. During the year, despite the China-US tug-of-war over trade as well as the continued tension between the Middle East and the United States, the market did not take a too huge hit on oil prices. Comparing to the past such as 2016 which was a year of boom and bust, oil prices seemed to be relatively stable in 2019. At present, the general market anticipates 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 a crucial factor in disrupting such balance. As the global economic growth loses some steam worsened by China-US trade war and the novel coronavirus outbreak, these are definitely not good news for the economy which has been placing a weight on petroleum to push its own growth, thus the Group expects continued fluctuating prices of oil products in the future.

The oil and gas consumer market in the Mainland China – In respect to China, the performance of upstream industries, such as the industries of exploration and oil refinery, remained bolstered by the steady recovery in oil products prices for the majority of 2019. But for downstream players, although the country has been proactively expanding its domestic demand for cushioning the impact of the China-US trade war, the consumption of downstream industries could only remain on a mild rising trend, hinting the possibility that Chinese economy may continue to be in the doldrums, which may in turn lower the demand for petroleum. In the past one year, the demand for liquefied petroleum gas ("LPG") for the usages of re-export and civilian consumption remained stable, although the vehicle-related demand of such had been continuously declining, as hampered by the existence of liquefied natural gas ("LNG"), electric energy and the structural changes in taxi market. In the long run, the demand for oil products and LPG in the Mainland China will only be able to set for a moderate growth. When new energies such as natural gas, electric energy or even hydrogen energy are successively emerging into the market, meanwhile the price rise in oil products and LPG in recent years have only favoured other new energies to win more market competitiveness, together with the launch of environmental protection policies by the government, the domestic demand for oil products and LPG will likely to suffer some hit in the future. Given all these factors, and also with the tragedy that the novel coronavirus epidemic since late 2019 have already caused certain economic casualties in China jeopardizing the economic growth, the Group will strive to tap into the overseas new markets while consolidating its existing customer market.

The exchange rate of Renminbi – Renminbi performed well during the first half of 2019, during which the currency pair, Renminbi against the US dollar, had once hit a high of around 6.7. Since August, the rate however started to decline and even fell to a low of around 7.2 at one time, but eventually eased off to around 7.0 by the end of December. Given that part of the Group's main incomes are denominated in Renminbi, the depreciation of the currency poses a considerable impact on both our profitability and performance. For calming the ripples of volatile exchange rates, the Group has deployed a series of defensive measures, such as strengthening its main businesses denominated in the US dollar by, for instance, expanding our marine bunkering business in Singapore to not only drive our US dollar cash inflow but also minimize any unnecessary exchange of Renminbi, and expediting the exchange of Renminbi into the US dollar at times of Renminbi depreciation.

2. Performance overview

2.1 Basic situation

Remained plagued by the China-US trade war, China market had seen a domestic economic slowdown during 2019. Under such a less satisfactory operating environment, our excellent procurement team and end-user sales networks had given full play to their market competitive edges, which contributes to the continued success of expanding the operating scale of our oil products/ chemical products (collectively as "oil products") during the year. Thanks to their efforts in expanding our sales footholds in the overseas markets, our sales volume such as the sales of oil products had grown correspondently. However, given the intense competitions in energy market, coupled with the continuous diminishing sales volume in our auto-gas refueling business, the overall operating gross profits of our LPG business had been narrowed. Additionally, hindered by the escalating finance costs, the Group's profits were unfavourably impacted, which had slightly lowered our net profits as compared to that of last year.

During the year, with the increase in our sales volume, the balances of our inventories and trade receivables at the end of the year were then accounted for approximately half of our current assets. 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 sustainable expansion of sales in a low-risk environment, the Group would also purchase credit insurance, or obtain effective security or collateral for certain trade receivables, and at the same time 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 as early as 2016, and started its LPG wholesaling business in Africa. At the end of 2017, the Group established its first procurement centre in Malaysia, which mainly assisted its marine bunkering businesses in Singapore, Hong Kong and the Mainland China for diversifying sourcing channels and lowering their procurement costs. In the last two years, the Group had picked up its pace in developing its oil business, eventually winning a wide recognition among the industry with its professions. During 2019, our Group's oil bunkering business had achieved an annual sales volume as high as around 4,464,000 tonnes, representing a raise of approximately 1,768,000 tonnes. In the third quarter of 2019, the Group kick-started its marine bunkering business in Malaysia, which had already generated a remarkable sales volume of approximately 80,000 tonnes within a few months. Additionally, the floating warehouse with the size of 300,000 tonnes that the Group has started leasing in Malaysia since late 2018 had already been well-equipped and discharged its functions effectively, in return further positioned us well for any growth in our sales volume. Therefore, the Group foresees the share that our oil bunkering businesses contributing to our sales volumes will continue to climb.

In order to further improve the industry chain of its energy business, the Group began to approach and negotiate with the Malaysian government since mid-2017 to express its interest in constructing an oil refinery in Malaysia. After some efforts, the Group had successfully obtained relevant licences in year 2018 and 2019. In 2020, the Group will actively and continuously applying the remaining governmental approvals of all kinds, where its construction of the refinery is targeted to commence in late 2020. In the coming years, the Group will work on accelerating the progress of rolling out its refinery so as to further reduce the costs of its oil products.

On the whole, the Group continued to fire up its determination to adjust its operating strategies during 2019, that is to go international with its solid foundation laid in China for maximizing its market opportunities and diversifying 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 relying on a single sales market or sourcing channel, so that we can better manage our business growth, increase our overall profit generating ability, and at the same time 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$27,791,913,000 (among which, the revenue of energy products was approximately HK$26,809,177,000, contributing around 96.46% of the total revenue), representing a decrease of approximately 7.38% as compared with the 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 of the same period of the year) in last year. During the year, the sales volumes of energy products had surged more than 800,000 tonnes, yet the average prices of LPG and oil products of 2018 had diminished by around 15%, which in turn slightly brought down our sales volume.

During the year, the Group recorded a net profit of approximately HK$607,110,000, representing a decline of approximately 9.45% as compared with the net profit of approximately HK$670,456,000 of last year. Our gross profits also decreased by approximately HK$84,740,000 during the year, which in turn dragged our net profit down by approximately HK$63,346,000. These could be mainly due to the non-subsiding shrinkage in our sales of auto-gas refueling which is with high gross margins, and the spikes in our expenses such as selling and distribution expenses, administrative expenses and finance costs due to our expansion in overseas new markets.

In 2019, the Group did not engage in any fund-raising activities in relation to our shares. Therefore, for the twelve months ended 31 December 2019, the weighted average number of the Company's issued ordinary shares was approximately 1,468,124,216 shares, representing a decrease of 2,164,016 shares as compared to the 1,470,288,232 shares for the twelve months ended 31 December 2018. During the year, the basic earnings per share were approximately HK$0.44, representing a drop of around 15.38% over the basic earnings per share of approximately HK$0.52 in last year.

2.3 Gross profits

During the year, our total gross profits were approximately HK$1,882,257,000, representing a decline of around 4.31% as compared with the total gross profits of approximately HK$1,966,997,000 in the same period of last year. During the year, the total volume of the Group's energy products sold had been on its continuous upward climb; however, with the downward movements of average gas and oil prices during the year, together with the fact that fierce competitions on the market had shown no signs of easing, the sales volume of our auto-gas refueling business yielding high gross margins had declined. Those reasons are negative factors affecting the gross profits in year 2019. However, in 2018, there was a recorded provision of HK$120 million made on the basis of net realizable value due to the impairment in inventories, however, such provision was not necessary for the current year, our gross margin thus stood at 6.77%.

2.4 Net exchange gain and loss

Hit by the declaration of the China-US trade war, the exchange rate of Renminbi against the US dollar during the year had worsened by approximately 2.0%; therefore, as of 31 December 2019, the Group recorded a net exchange loss of approximately HK$49,330,000.

2.5 Changes in fair values of derivate financial instruments

The continuous growth in the sales volume of oil products had put the Group with a considerable amount of inventory of these products. In order to mitigate any negative impact on our interests posed by price fluctuations of oil products, the trade war and global economic uncertainties, the Group had entered into several derivative contracts for oil commodities in accordance to its oil product inventory level for the purpose of hedging and de-risking. The profits of these hedging activities were approximately HK$9,561,000.

2.6 Finance costs

During the year, due to the large volume of purchases of oil products, together with the increases in average inventory level and the relatively large increment in its trade receivables, the Group had to utilize a substantial sum of its bank borrowings to meet with the needs induced by the increase in liquidity. Since the end of 2018, the Group's total borrowings had reached HK$7 billion. Therefore, the finance costs used in this respect rose to approximately HK$358,485,000, representing a significant increment of approximately 25.99% as compared with the finance costs of approximately HK$284,525,000 in last year.

2.7 Net current assets

As of 31 December 2019, the Group had its net current assets amounting to approximately HK$5,047,011,000, and its current ratio of 170.63%, representing a drop of approximately HK$823,423,000 as compared with the net current assets of approximately HK$5,870,434,000 (current ratio: 193.77%) as of 31 December 2018. Overall, the liquidity of the Group's short-termed assets remained on a considerably secured level.

2.8 Fixed assets and investments

Throughout the year of 2019, the Group had invested approximately HK$130 million into the construction project of its headquarter located in Zhuhai. Such increment had already been reflected in the items of 'construction in progress' within the fixed assets, 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. Since the third quarter of 2019, the Group had launched sales of Block A and B, which are apartments with an expected handover date being scheduled to the second half of 2020.

As the Group aimed to centralize its resources on boosting the monthly turnover volume of its Malaysian procurement centre of oil products up to 300,000 to 400,000 tonnes, as well as to reserve its funds for the development of its refinery in Malaysia, the Group had not invested in other investment projects, but had paid approximately HK$ 570 million in advance as at 31 December 2019 for purchasing construction materials refinery machines and equipment for the construction of its refinery in Malaysia. The Group expects that the construction of such refinery will begin in late 2020.

Due to the fact that the natural gas market in the Guangdong Province had yet to mature but faced uncertainties, the Group had only invested a smidgen of resources into planning and laying the sales network in the Guangdong Province.

2.9 Gearing ratio

As of 31 December 2019, the total balance of the Group's bank and other borrowings was approximately HK$7,054,410,000. Meanwhile, our bank deposits, pledged bank deposits and cash balances were amounted to approximately HK$2,648,902,000. The equity attributable to the owners of the Company was approximately HK$8,009,678,000. According to this computation, the percentage of the net bank borrowings to the equity attributable to owners (i.e. the gearing ratio) was 55.00%, which was lower than that of approximately 62.08% of last year.

3. Performance review

3.1 Segment performance

In 2019, the LPG business, oil product business, electronics business and other businesses of the Group had achieved an operating income of approximately HK$27,791,913,000 in total, representing a decline of 7.38% as compared with the operating income of approximately HK$30,007,805,000 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)*	
2019	**7,519,226**	**27.05%**	**19,289,951**	**69.41%**	**982,736**	**3.54%**
2018	9,957,788	33.18%	19,350,978	64.49%	699,039	2.33%

During the year, the three businesses had achieved total gross profits of approximately HK$1,882,257,000 and their respective contribution to the total gross profits of the Group was:

Year	LPG *(HK$'000)*		Oil products *(HK$'000)*		Electronics *(HK$'000)*	
2019	**953,030**	**50.63%**	**848,233**	**45.06%**	**80,994**	**4.31%**
2018	1,341,630	68.21%	585,937	29.79%	39,430	2.00%

3.2 Energy products business

	Full year 2019	Full year 2018	Increase (decrease) %
Sales volume of LPG in tonnes (percentage contributed to the total sales volume of the period)	**1,848,000 (24.76%)**	2,107,000 (31.92%)	(259,000) (12.29%)
Sales volume of oil products in tonnes (percentage contributed to the total sales volume of the period)	**5,617,000 (75.24%)**	4,494,000 (68.08%)	1,123,000 24.99%
Total sales volume in tonnes	**7,465,000 (100%)**	6,601,000 (100.00%)	864,000 13.09%

In 2019, the Group had achieved the sales of energy products of approximately 7,465,000 tonnes, representing a growth of 13.09% as compared with the sales volume of approximately 6,601,000 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. When the volume of auto-gas refueling continued to shrink, shadowed by some factors such as the China-US trade war and global economic downturn, the sales volume of LPG under a number of sales categories including wholesaling, industrial customers and bottled LPG had also seen a drop of around 10% respectively. In 2019, the LPG sales volume of the Group amounted to approximately 1,848,000 tonnes, representing a decrease of approximately 259,000 tonnes as compared with the sales volume of approximately 2,107,000 tonnes of last year.

Throughout the year, the LPG business recorded a revenue of approximately HK$7,519,226,000, indicating a plunge of nearly 24.49% as compared to the revenue of approximately HK$9,957,788,000 in the same period of last year. The decrease in business revenue was mainly due to the drop of nearly 15% in average prices and the decline in sales volume.

During the year, the gross margin of the LPG business was 12.67%, representing a slight drop of approximately 5.90% as compared with the gross margin of 13.47% of last year.

Procurement
In 2019, the Group procured a volume of approximately 826,000 tonnes of goods from overseas, representing a decline of 21.93% as compared with approximately 1,058,000 tonnes in last year. The goods procured from the refineries in China were approximately 1,016,000 tonnes which was similar to last year's 1,061,000 tonnes. During the year, the total LPG procurement were approximately 1,842,000 tonnes, representing a decrease of approximately 13.07% as compared to the approximately 2,119,000 tonnes of last year.

Sales
In 2019, the total sales volume of LPG was approximately 1,848,000 tonnes, representing a drop of around 12.29% as compared with approximately 2,107,000 tonnes in 2018.

Sales category	**Full year 2019**	Full year 2018	Decrease %
Wholesalers	**801,000 tonnes**	891,000 tonnes	10.10%
End-users	**1,047,000 tonnes**	1,216,000 tonnes	13.90%
Total	**1,848,000 tonnes**	2,107,000 tonnes	12.29%

Based on the information above, almost all the LPG sales categories in the Mainland China had experienced shrinkage to various extents during the year, as compared with the sales volumes recorded in the same period of last year. When the China-US trade war has lasted for more than one full year, despite the efforts of the Chinese government in launching policies to stimulate its domestic consumption, the overall economy has been undermined by a basket of uncertainties, which in turn dragged down the sales of bottled LPG, and also the sales to our industrial customers, other terminals and bottling plants clients. 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, a part of the buses had to switch to the use of liquefied natural gas, which did not only cut the number of LPG buses, but also their demand for automotive LPG. 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 5,617,000 tonnes of oil products, representing a growth of approximately 24.99% as compared with approximately 4,494,000 tonnes of last year.

The oil products business recorded a revenue of approximately HK$19,289,951,000, which was comparable to the revenue of approximately HK$19,350,978,000 of last year. Due to the drop of nearly 15% in the average prices of oil products, the revenue remained unchanged despite the rise of around 24.99% in the sales volume.

While the sales volume grew 24.99%, the actual increase in our gross profits leaped approximately 44.77%, amounting to approximately HK$848,233,000 (2018: approximately HK$585,937,000). The gross margin of our oil products business also increased from approximately 3.03% from last year, to approximately 4.40% in 2019. The major reason is that in 2018, our sales costs included a one-off provision of HK$120 million made on the basis of the net realizable value of inventories.

Procurement
During the year, the Group procured oil products of approximately 5,523,000 tonnes in total, representing an increment of approximately 25.64% as compared to approximately 4,396,000 tonnes of last year; among which, the volume procured outside the Mainland China (including Hong Kong, Singapore and etc.) reached nearly 3,369,000 tonnes, representing a growth of approximately 815,000 tonnes (an increment of around 31.91%) as compared with approximately 2,554,000 tonnes in last year. The volume of procurement conducted in the Mainland China was approximately 2,154,000 tonnes, representing an increase of approximately 16.94% as compared to approximately 1,842,000 tonnes in last year.

Sales

Region of sales	**Full year 2019**	Full year 2018	Increase (decrease) %
Hong Kong/ Singapore			
Oil products/ chemical products	**4,529,000 tonnes**	3,041,000 tonnes	48.93%
China			
Oil products/ chemical products	**1,088,000 tonnes**	1,453,000 tonnes	(25.12%)
Total sales volume	**5,617,000 tonnes**	4,494,000 tonnes	24.99%

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 regions such as Singapore and Hong Kong. The Group's oil bunkering business in Hong Kong and Singapore had also seen its sales volume booming from the annual record of 2,018,000 tonnes (i.e. a monthly average volume of around 170,000 tonnes) in 2018 to that of approximately 3,826,000 tonnes (i.e. a monthly average volume of 320,000 tonnes) in 2019, altogether reaffirming the two years of efforts of the Group. In order to avoid the market concentration risk, our Group's long term goal is to develop overseas market by using our existing facilities. The Group will continuously to build up a vertical supply chain by using our existing resources (i.e. letter of credit and bank and cash) in an optional way. Due to the limitations of our resources, the resources put on other markets and products such as the wholsaling of chemical products will be reduced.

During the year, the sales volume of oil products in the Mainland China had decreased approximately 365,000 tonnes, representing a fall of around 25.12%. Our oil products business in the Mainland 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 for the promotion of the wholesaling businesses of shipping and automotive transportation. The sales of oil products (at sea and on land) in the Mainland China has built a solid customer base and was able to generate a relatively stable sales volume, with the gross profit margin standing steady at around 4%. Nonetheless, due to the reallocation of resources by the Group for exploring the bunkering market in Singapore, our oil products businesses, whether at sea or on land, had been slightly shrank. In contrast, the chemical products market in the Guangdong Province was highly narrowed with a volatile wholesale customer base, whereas the prices and gross profit margins had also seen wide fluctuations due to a spectrum of factors. For such, the Group believes that a relatively long period of time will be necessary before we can successfully connect with the end-user customers of the chemical products. During the year of 2019, the Group had significantly reduced the amount of injected resources on this aspect, but allowed the limits for issuing letter of credit from banks and its cash to be diverted into our other prime markets for development, for instance, our marine bunkering business in Singapore and Malaysia. In particular, as the market demand for low-sulphur oil has started to thrive since the end of 2019, which is a kind of oil that costs double that of high-sulphur oil, the level of liquidity required by the Group has been lifted, highlighting the fact that the trading of chemical products will continue to decline in the future.

3.3 Electronics business

During the year, the electronics business recorded a revenue amounting to approximately HK$982,736,000 in total, representing an improvement of nearly 40.58% as compared with the revenue of approximately HK$699,039,000 in last year. The gross profits contribution of the electronics business was approximately HK$80,994,000, indicating a spike of approximately 105.41% as compared with the gross profits of around HK$39,430,000. The electronics business is not our prime business of development, thus contributing less than 4% to our business as a whole.

3.4 Other businesses

LNG auto-gas refueling station business – Currently, the LNG efforts are still under development but the prospect of its market is likely taking a hit under the impact brought by new energies. 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 will continue to focus on devoting our resources to invest into other potential projects.

Hydrogen station – During 2019, the Group spent around RMB20,000,000 to construct the first hydrogen station in Huangpu district of Guangzhou. The target customers are mainly logistical vehicles. The Group will keep developing this business under the support of the local government in Guangzhou.

Real estate business – Such business mainly focuses on the construction of the headquarter located in Zhuhai. Since the third quarter of 2019, the Group had launched the pre-sale of Block A and B, with the sales proceeded received in advance reaching approximately HK$29,557,000 as of 31 December 2019. It is expected that the handover of these properties will commence since the second half of 2020.

4. Business outlook

In the past, the Group has always been focusing on the sale of energy products in the Southern China region. Having the backdrop of the expanding oil and gas production globally, and also with the fact that the Southern China is the most sizeable target market within China, all operators in the industry has been aiming to boost their distribution volume to grow their market share, which has led to a highly competitive landscape. Iced by the declaration of trade war between China and the United States and the novel coronavirus epidemic, China has undergone an economic slowdown. However, the issue of oversupply is not a major issue for operators who has owned a huge end-user market and fully integrated production chains such as NewOcean Group. As far as those operators stand firm to secure their market share and leverage on their advantage of maintaining lower costs per tonne than their industry peer, these operators will most likely have the advantages to stay in the market, then generate a reasonable return as the demand and supply reaches a balance eventually. However, they may inevitably suffer on their profitability to a certain extent while waiting for the market to adjust itself. Even so, it is definitely possible to avoid such risk, which is by exploring more new markets to diversify our risks.

Accordingly, the Group has established its development blueprint in 2017, that is to expand its overseas business in a proactive manner. Holding the trophies of success in expanding our business in the marine bunkering market of Singapore in 2018 then Malaysia in 2019, we will continue to adopt the same operating strategies, that are designed to push our developments forward with our end-user markets 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 bunkering business, since Hong Kong or ports along the coastal lines of the Mainland China are not quite considered to have geographical advantages, 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. It also successfully helped the Group to tap into the marine bunkering market in Singapore, as well as at Port Klang in Malaysia. 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 other ports in Malaysia; meanwhile, our company in Singapore will provide supply services of oil products and technical support for these new markets.

(3) Other than laying the groundwork for operations in the Mainland China, we also acquired shareholdings of three companies which engaged in auto-fuel trading and oil products transportation in Hong Kong in late 2017, which in turn allowed the Group to become the primary agent of the four major oil companies in Hong Kong and officially tap into the auto-fuel market in Hong Kong. The annual volume of oil sales on land reaches approximately 100,000 tonnes.

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

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

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

(2) We are actively 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 the Mainland China will continue its efforts to look for new industrial clients.

(3) As to the expansion of our business to the overseas markets, we have begun 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 its completion 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 Friday, 5 June 2020. 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 Tuesday, 2 June 2020 to Friday, 5 June 2020 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 1 June 2020.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 31 December 2019 (unaudited) and 2018.

PLEDGE OF ASSETS

At 31 December 2019 (unaudited), apart from the pledged bank deposits of approximately HK$360,218,000, the Group also pledged its oil vessels with carrying value of approximately HK$89,880,000 to secure bank loans granted to the Group.

EMPLOYEES AND EMPLOYEE BENEFITS

As at 31 December 2019 (unaudited), the Group employed 1,222 (2018: 1,280) full time employees in Hong Kong, Macau, Singapore and other regions in the Mainland China. The Group remunerated the employees based on their performance, experience and prevailing market practice. Employee benefits provided by the Group include a mandatory provident fund scheme and medical insurance scheme.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2019 (unaudited).

CORPORATE GOVERNANCE

In the opinion of the directors, throughout the year ended 31 December 2019 the Company has complied with the code provisions (the “CG Code”) contained in the Code on Corporate Governance Practices and Corporate Governance Report as set out in Appendix 14 of the Listing Rules with the exception that the independent non-executive directors are not appointed for a specific term as provided in the 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 UNAUDITED ANNUAL RESULTS

The unaudited annual results has not yet been agreed by the external auditor of the Company. The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the unaudited financial statements for the year ended 31 December 2019. The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of China to combat the COVID-19 coronavirus outbreak. The management targeted to publish the Group’s audited results on 8 April 2020.

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 2019 will be dispatched to shareholders on or before 30 April 2020 and will be published at the websites of the Company and the Stock Exchange at the same time.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 25 March 2020

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