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 2020

FINANCIAL HIGHLIGHT

- Revenue for the year was decreased by around 30.99% to approximately HK$19,180 million mainly contributed to the fall in average price of energy products and the drop in total sales volume of energy products from approximately 7,465,000 tonnes to approximately 5,636,000 tonnes.

- Due to COVID-19 and the slump in global oil prices in first half year of 2020, the gross profit margin derived from oil bunkering business and electronic business has been substantially reduced or turned into gross loss margin. Thus the overall gross margin decreased to 1.0% as compared to 6.8% of last year.

- Loss for the year amounted to approximately HK$2,366 million mainly due to the drop in gross profit and additional impairment provision for goodwill, intangible assets, trade receivables, other receivables, inventories and property, plant and equipment, etc.

- Equity attributable to owners of the Company decreased by around 24.17% to approximately HK$6,074 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 2020 together with audited comparative figures for the year ended 31 December 2019 as follows:

* *For identification purposes only.*

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	**2020** *HK$'000* **(Unaudited)**	2019 *HK$'000* (Audited)
Revenue	*3*	**19,179,843**	27,791,913
Cost of sales		**(18,984,205)**	(25,909,656)
Gross profit		**195,638**	1,882,257
Other gains and losses	*5*	**(84,658)**	(40,854)
Other income	*5*	**168,602**	62,450
Selling and distribution expenses		**(509,968)**	(529,277)
Administrative expenses		**(380,732)**	(383,325)
Finance costs	*6*	**(282,706)**	(358,485)
Impairment losses on trade and other receivables		**(756,944)**	(8,000)
Impairment losses on goodwill and intangible assets		**(766,386)**	-
Share of profits of joint ventures		**3,473**	2,091
Share of profit of an associate		**849**	358
(Loss) profit before taxation	*8*	**(2,412,832)**	627,215
Taxation	*7*	**46,936**	(20,105)
(Loss) profit for the year		**(2,365,896)**	607,110
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**640,503**	(203,182)
Item that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(337,839)**	105,228
Total comprehensive (expense) income for the year		**(2,063,232)**	509,156
(Loss) profit for the year attributable to:			
Owners of the Company		**(2,236,546)**	642,175
Non-controlling interests		**(129,350)**	(35,065)
		(2,365,896)	607,110
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(1,935,819)**	544,192
Non-controlling interests		**(127,413)**	(35,036)
		(2,063,232)	509,156
Basic (loss) earnings per share	*9*	**(HK$1.52)**	HK$0.44

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

	Notes	2020 HK$'000 (Unaudited)	2019 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**2,272,159**	2,254,174
Right-of-use assets		**492,596**	559,486
Goodwill		**168,864**	766,973
Other intangible assets		**-**	178,202
Interest in an associate		**7,977**	6,689
Interests in joint ventures		**12,361**	19,265
Deposits paid and prepayments		**1,203,609**	693,407
Deferred tax assets		**878**	821
		4,158,444	4,479,017
Current assets			
Inventories		**865,602**	1,410,456
Trade receivables	*10*	**3,987,749**	4,778,317
Other debtors, deposits and prepayments		**2,090,027**	2,429,078
Amount due from an associate		**7,830**	6,716
Derivative financial instruments		**13,775**	6,606
Properties held for sales		**20,000**	146,841
Properties under development for sales		**868,570**	766,253
Pledged bank deposits		**385,129**	360,218
Bank balances and cash		**873,742**	2,288,684
		9,112,424	12,193,169
Current liabilities			
Trade payables	*11*	**44,387**	974,192
Other creditors and accrued charges		**318,468**	211,974
Contract liabilities		**93,522**	78,909
Lease liabilities		**50,974**	57,868
Amount due to an associate		**10,411**	9,480
Amount due to a joint venture		**-**	5,576
Derivative financial instruments		**25,180**	9,787
Tax liabilities		**108,813**	117,100
Borrowings secured by pledged bank deposits - repayable within one year	*12*	**328,487**	328,487
Borrowings secured by other assets – repayable within one year	*12*	**21,209**	12,529
Borrowings unsecured – repayable within one year	*12*	**6,271,147**	5,340,256
		7,272,598	7,146,158
Net current assets		**1,839,826**	5,047,011
Total assets less current liabilities		**5,998,270**	9,526,028

	Notes	**2020** *HK$'000* **(Unaudited)**	2019 *HK$'000* (Audited)
Capital and reserves			
Share capital	*13*	**146,812**	146,812
Share premium and other reserves		**5,927,047**	7,862,866
Equity attributable to owners of the Company		**6,073,859**	8,009,678
Non-controlling interests		**(168,856)**	(35,554)
Total equity		**5,905,003**	7,974,124
Non-current liabilities			
Deferred tax liabilities		**15,185**	64,280
Borrowings secured by other assets – repayable over one year	*12*	**-**	21,302
Borrowings unsecured – repayable over one year	*12*	**-**	1,351,836
Lease liabilities		**78,082**	114,486
		93,267	1,551,904
		5,998,270	9,526,028

NOTES TO THE UNAUDITED ANNUAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 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.

1A. Significant Events and Transactions In The Year and Basis of Preparation

For the past twenty years, our Group has always kept up our obligation, never breached any debt covenants and always deal with our customers in good faith. However very unfortunately, from April 2020 onwards, a series of negative news related to our Group were caused by the unexpected and drastic moves of banks’ credit freeze and requested for early repayment. Moreover due to the global COVID-19 pandemic and the big slump in oil prices in the year 2020, the Group’s business operation during the year was seriously affected, especially the oil bunkering business in Hong Kong and Singapore and the electronic business in the People’s Republic of China. As a consequence, the gross profit margin derived from oil bunkering business and electronic business has been substantially reduced as compared to last year or in certain cases turned into gross loss margin. On top of the foregoing, due to the continued weak energy demand throughout the year arising from the global lockdown the Group has also experienced undue delay in trade receivables collection, inventory being sold under purchase costs and contracting of sales volume in different business units. In certain cases, the buyers used various pretext (and in a particular case, also as a result of wrongful interference) to avoid their payment obligations and the Group had to resort to litigation to recover the amounts due and incurred substantial legal and other costs and expenses. Whilst the Group has been vigorously pursuing the trade debtors and any other party involved and expects to fully recover all overdue payment together with compensation for the Group’s losses and damages, the Group has to make additional potential impairment losses on trade receivables and allowance for inventories for the year ended 31 December 2020. Due to the uncertainty of the oil market and the Group's internal resources re-allocation, the management has decided to focus on and concentrate the resources to the Group’s profitable business units, as a consequence, certain impairment provision has been made for goodwill and intangible assets in that related to business units that the management decided to discontinue or reduce the size.

The Group's property project centrally located in Gongbei, Zhuhai comprises 3 office blocks, 2 condo blocks and 3-storey mall with underground parking, having a total floor space of about 81,790 square metres. Construction of the building structure and most of the fitting out work have been completed in 2019. The project targets the Greater Bay Area Market as well as international corporations. Unfortunately shortly after a sales drive of the property started and certain overseas buyers had been identified, cluster restriction were imposed in China and neighbouring countries due to the COVID-19 epidemic. As a consequence during the year of 2020, the Group was unable to benefit from the expected cash inflow generated from its property sales in Zhuhai.

The Group incurred a net loss of approximately HK$2,365,896,000 for the year ended 31 December 2020 (net profit of HK$607,110,000 for the year ended 31 December 2019). The Group had current and non-current bank borrowings of approximately HK$5,614,127,000 and HK$1,006,716,000 as at 31 December 2020 respectively, while the Group maintained its pledged bank deposits, bank balances and cash in total of approximately HK$1,258,871,000 (31 December 2019: HK$2,648,902,000). Given that the Group incurred a net loss for the year ended 31 December 2020, the Group could not fulfil certain bank covenants relating to certain bank loans, the non-current portion of these bank loans and other bank loans due to cross-default amounted to HK$1,006,716,000 has to be reclassified and presented as the current liabilities in the condensed consolidated statement of financial position as at 31 December 2020. After the reclassification, the net currents assets of the Group has been reduced from approximately HK$2,846,542,000 to approximately HK$1,839,826,000.

Apart from the above, in mid-April 2020, a major oil trader in Singapore, Hin Leong Trading (Pte.) Ltd. ("Hin Leong") was placed under judicial management by the Singapore courts (the "Hin Leong Incident") reportedly due to, among other things, defaults in payment of its loans to various banks and financial institutions. The Hin Leong Incident has had an immediate ripple-effect on the oil industry, as banks in both Singapore and Hong Kong have apparently became very concerned that there could be further defaults by oil traders as oil prices substantially dropped at that time and accordingly began to tighten their credit lines to other oil traders in the market, including the Group. As a result of that and despite that the Group has no business or other connection with Hin Loeng whatsoever, the banks still requested to freeze their credit facilities granted to the Group and demanded for early repayment of their loans. Given that the business of the Group is heavily relied on the support of these credit facilities granted by the bank, and that the COVID-19 epidemic had halted pre-sale of property in the Zhuhai commercial development schedule for the first half year of 2020 as reported above, the Group has experienced liquidity pressure resulting in the Group being unable to settle substantial amounts of bank trust receipts loans when they fall due. Further during the second half year of 2020, because the Group was unable to meet the financial covenants of its term loan facilities, the Group's term loans became repayable.

The directors of the Company (the "Directors") have taken the following measures to mitigate the liquidity pressure and to improve its financial position:

i) Actively negotiating with lenders to release the limitation imposed and extend the existing banking facilities to the Group;
ii) Engaged an international firm of accountants as its financial adviser to conduct an independent review of the up-to-date financial position of the Group with a view to facilitate the negotiations with banks for debt restructuring;
iii) On a proactive basis negotiating with banks since April 2020, majority lenders have shown their intention to support the restructuring plan and the Group is in the midst of scheme of arrangement process;

iv) The Group has submitted applications to (i) the High Court of Hong Kong Special Administrative Region (the "Hong Kong High Court") and (ii) the Supreme Court of Bermuda (the "Bermuda Supreme Court") in December 2020 for the Company to convene meetings of the bank creditors for approving debt restructuring schemes of the Company and Sound Agents Limited ("Sound Agents" a wholly owned subsidiary of the Company) (together the "Court Scheme"). The key features of the Court Scheme are set out in the Company's announcement dated 14 December 2020, the progress of the Court Scheme and its effect on the basis of preparation of the Group's financial report is set out in the paragraph headed "Progress of the Court Scheme" below; and

v) At the same time while the above measures are taken to mitigate the liquidity pressure on the Group, the following measures were taken to maintain its operation and improve its financial situation:

   a) carrying out the Group's business operations with credit facilities granted by financial institutions and internal available cash. The profit generated from the operation is used to finance the ongoing operations the scale of which is adjusted according to the availability of resources;
   b) taking other active measures to recover debts in addition to/in lieu of litigation to expedite collections of outstanding receivables;
   c) intensifying the sales effort of the Zhuhai commercial development through brokers so that sales can resume as soon as circumstance permit;
   d) taking measures to down size the oil products business to reduce operating cost and to generate additional cash through disposal of non-core asset items for the purpose of payment to banks and/or additional working capital; and
   e) To explore means to raise working capital to restore the Group's business activities to a more desirable scale.

<u>Progress of the Court Scheme</u>

On 10 December 2020 and 11 December 2020 (Bermuda time) respectively, the Hong Kong High Court and the Bermuda Supreme Court granted orders for the Company and Sound Agents to convene meetings of their respective scheme creditors (together, the "Scheme Meeting"). Pursuant to the notices issued by the chairman of the Scheme Meeting, the Scheme Meeting would be held on 18 January 2021. During the time leading up to the date of the Scheme Meeting, the Company and Sound Agents engaged in ongoing discussions with some of the major scheme creditors, which may in turn have implications over the terms of the Court Scheme, as a result the Scheme Meeting was adjourned. Since the adjournment these major scheme creditors together with certain others formed a steering committee which, together with the Company, engaged in discussions with a view to finalise the terms of the debt restructure under the Court Scheme, and the required documentation. Pending the result of which a date will be fixed for holding of the adjourned Scheme Meeting. If, as a result of the discussions, substantial changes are made to the Court Scheme, the Company and Sound Agents apply to the Hong Kong High Court and the Bermuda Supreme Court for the grant of an order to convent the Scheme Meeting on the basis of the Court Scheme as modified to take account of the result of the discussions. The Directors are optimistic that the Court Scheme will bring about a successful restructuring of the Group's off-shore bank loans since over 75% scheme creditors have been proactively negotiating the debt restructure and preparing necessary documents in order to support to the Court Scheme in principle, and that active steps are taken to finalise the terms for the bank lenders to seek final approval.

Basis of preparation of the consolidated financial statements

During the year, despite the Group being under liquidity pressure, because of the measures described item (v) above, the Group maintained a sustainable business which recorded a revenue of approximately HK$19,180 million (2019: approximately HK$27,792 million) with a gross profit of HK$196 million (2019: gross profit of approximately HK$1,882 million), the gross profit for energy products business amounted to approximately HK$1,000 million but other business recorded negative gross profits, and maintained pledged bank deposits, bank balances and cash in total of approximately HK$1,259 million on 31 December 2020 (2019: approximately HK$2,649 million).

The only issue in the preparation of the Group's consolidated financial statement is the going concern issue, namely that commencing from the second half of 2020 the Group has been unable to settle substantial amounts of its bank loans when they fall due. This issue is however mitigated by the following factors:

a) There is a high likelihood that the Court Scheme will receive the required majority approval of the Group's off-shore bank lenders. Under the Court Scheme, the Group's off-shore bank loans will be repaid in full by milestone stages with interest. Funding for the repayment will be provided by disposal certain of the Group's core and non-core assets.
b) According to valuations conducted for the purposes of the Court Scheme, the total market value of the Group's assets exceeds the amount to be repaid under the Court Scheme. The Company has identified buyers for major items of these assets and commenced negotiation with these buyers. In many cases, non-binding offers have been received from these buyers at a price equal to or above the valuation.

On account of the fact that the Group has maintained a sustainable business and the mitigating factors stated above, despite the going concern issue, the consolidated financial statement have been prepared without adjustments made to write down the carrying value of the Group's assets to their recoverable amounts under a liquidation scenario, or to provide for any further liabilities that may arise in a liquidation situation and to reclassify all non-current assets and non-current liabilities as current assets and current liabilities respectively.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the 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 consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 16	Covid-19 Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2*

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16; and

- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31st December, 2020, the Group has several London Interbank Offered Rate and Hong Kong Interbank Offered Rate bank borrowings which may be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

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 2020 (Unaudited)

Disaggregation of revenue from contracts with customers

Type of goods and services	**Sales and distribution of LPG** *HK$'000*	**Oil products business** *HK$'000*	**Sales of electronic products** *HK$'000*	**Sales of properties** *HK$'000*
Sales and distribution of LPG				
Wholesalers	3,621,974	-	-	-
End users	2,782,957	-	-	-
	6,404,931	-	-	
Oil products business				-
Sale of oil products	-	10,987,845	-	-
Provision of agency				-
services	-	14,620	-	
	-	11,002,465	-	-
Sales of electronic products				
Integrated circuit	-	-	1,629,208	-
Mobile phones	-	-	23,739	-
	-	-	1,652,947	-
Sales of properties	-			119,500
Total	6,404,931	11,002,465	1,652,947	119,500
Geographical markets, based on shipment destination				
Mainland China	5,276,105	5,370,993	1,652,947	119,500
Hong Kong	28,512	2,026,933	-	-
Singapore and Malaysia	6,553	3,603,759	-	-
Others (*Note*)	1,093,761	780	-	-
Total	6,404,931	11,002,465	1,652,947	119,500

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

B. For the year ended 31 December 2019 (Audited)

Disaggregation of revenue from contracts with customers

Type of goods and services	Sales and distribution of LPG *HK$'000*	Oil products business *HK$'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 products business			
Sale of oil products	-	19,277,227	-
Provision of agency services	-	12,724	-
	-	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.

C. For the year ended 31 December 2020 and 2019

Performance obligation for contracts with customers

The Group recognises revenue from the sales and distribution of LPG, oil products, electronic products and properties 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 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 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 products business - This segment derives its revenue from selling of oil 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 2020 (Unaudited)

	Sales and distribution of LPG *HK$'000*	**Oil products business** *HK$'000*	**Sales of electronic products** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue	**6,404,931**	**11,002,465**	**1,652,947**	**19,060,343**
Segment loss	**(5,761)**	**(1,184,071)**	**(657,954)**	**(1,847,786)**
Share of profits of joint ventures	**3,473**	**-**	**-**	**3,473**
Share of profit of an associate	**849**	**-**	**-**	**849**
	(1,439)	**(1,184,071)**	**(657,954)**	**(1,843,464)**
Other income				**69,715**
Loss from property investment and development in the PRC				**(136,996)**
Central administration costs				**(86,597)**
Directors' emoluments				**(8,004)**
Changes in fair values of derivative financial instruments				**(124,780)**
Finance costs				**(282,706)**
Loss before taxation				**(2,412,832)**

For the year ended 31 December 2019 (Audited)

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

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, loss from property investment and development in the PRC, central administration costs, directors' emoluments, changes in fair values of derivative financial instruments and finance costs.

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

	2020 ***HK$'000*** **(Unaudited)**	2019 *HK$'000* (Audited)
Total reportable segment revenue	**19,060,343**	27,791,913
Add: Revenue from property investment and development in the PRC	**119,500**	-
	19,179,843	27,791,913

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 year ended 31 December 2019. 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

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Sales and distribution of LPG	**3,566,464**	4,122,900
Sales and distribution of NG	**18,545**	47,549
Oil products business	**5,088,158**	7,676,846
Sales of electronic products	**362,416**	456,622
Total segment assets	**9,035,583**	12,303,917
Deferred tax assets	**878**	821
Pledged bank deposits	**385,129**	360,218
Bank balances and cash	**873,742**	2,288,684
Derivative financial instruments	**13,775**	6,606
Properties under development for sales	**868,570**	766,253
Properties held for sales	**20,000**	146,841
Other unallocated assets	**2,073,191**	798,846
Consolidated assets	**13,270,868**	16,672,186

Segment liabilities

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Sales and distribution of LPG	**292,673**	717,687
Sales and distribution of NG	**-**	5,576
Oil products business	**212,110**	676,065
Sales of electronic products	**114**	114
Total segment liabilities	**504,897**	1,399,442
Derivative financial instruments	**25,180**	9,787
Tax liabilities	**108,813**	117,100
Deferred tax liabilities	**15,185**	64,280
Borrowings	**6,620,843**	7,054,410
Other unallocated liabilities	**90,947**	53,043
Consolidated liabilities	**7,365,865**	8,698,062

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

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Loss on disposal and written off of property, plant and equipment	**(122,801)**	(10,303)
Changes in fair values of derivative financial instruments	**(124,780)**	9,561
Gain on deemed disposal of a joint venture	**-**	9,218
Net exchange gain (loss)	**162,923**	(49,330)
Other gains and losses	**(84,658)**	(40,854)
Interest income for financial assets at amortised costs	**69,715**	20,697
Income from provision of transportation services	**10,760**	11,305
Government subsidy	**9,921**	2,495
Rental income	**58,860**	12,063
Others	**19,346**	15,890
Other income	**168,602**	62,450

6. Finance costs

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interests on bank trust receipts loans and other loans	**115,072**	154,949
Interests on bank loans pledged with RMB bank deposits	**12,866**	10,149
Interests on other bank borrowings	**146,601**	185,167
Interests on lease liabilities	**8,167**	8,220
	282,706	358,485

7. Taxation

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

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current tax		
Hong Kong	**(2,112)**	11,499
Other regions in the PRC	**6,138**	24,459
	4,026	35,958
Deferred tax		
Current year	**(50,962)**	(15,853)
	(46,936)	20,105

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2018 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2019 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, 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. (Loss) profit before taxation

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
(Loss) profit before taxation has been arrived at after charging (crediting):		
Amortisation of other intangible assets (included in selling and distribution expenses)	**40,020**	40,170
Allowance for inventories (included in cost of sales)	**349,000**	-
Auditor's remuneration	**5,381**	5,196
Depreciation of property, plant and equipment	**131,682**	151,641
Depreciation of right-of-use assets	**70,215**	57,888
Gross rental income from leasing of warehouses and oil vessels	**(58,860)**	(12,063)
Less: Direct operating expenses	**30,246**	4,296
	(28,614)	(7,767)
Staff costs		
Directors' fees	**450**	390
Directors' other emoluments	**7,554**	10,425
Contributions to retirement benefits schemes excluding HK$66,000 (2019: HK$88,000) included in directors' emoluments	**6,248**	10,906
Staff salaries and bonus	**145,497**	150,436
	159,749	172,157

9. Basic (loss) earnings per share

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

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
(Loss) earnings		
(Loss) earnings for the purposes of basic (loss) earnings per share ((loss) profit for the year attributable to the owners of the Company)	**(2,236,546)**	642,175

	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,468,124,216**	1,468,124,216

No diluted (loss) earnings per share is presented as there are no potential ordinary shares in issue during the years ended 31 December 2020 and 2019.

10. Trade receivables

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables – contracts with receivables	**3,987,749**	4,778,317

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:

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**455,904**	1,831,419
31 to 60 days	**654,981**	1,441,278
61 to 90 days	**1,003,010**	1,172,028
91 to 180 days	**1,587,548**	295,969
Over 180 days	**286,306**	37,623
	3,987,749	4,778,317

Bills amounting to approximately HK$10,150,000 (2019: HK$29,782,000) 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:

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**23,238**	866,247
31 to 60 days	**-**	86,927
61 to 90 days	**6**	-
91 to 180 days	**5**	73
Over 180 days	**21,138**	20,945
	44,387	974,192

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

12. Borrowings

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bank trust receipts loans	**3,274,648**	3,158,688
Bank loans (pledged with RMB bank deposits)	**328,487**	328,487
Bank loans (pledged with other assets)	**21,209**	33,831
Bank and other loans	**2,996,499**	3,533,404
	6,620,843	7,054,410
Repayable within one year shown under current liabilities		
Borrowings secured by pledged bank deposits	**328,487**	328,487
Borrowings secured by other assets	**21,209**	12,529
Borrowings unsecured	**6,271,147**	5,340,256
	6,620,843	5,681,272
Repayable over one year shown under non-current liabilities		
Borrowing secured – more than one year, but not exceeding two years	**-**	12,145
Borrowing unsecured – more than one year, but not exceeding two years	**-**	264,620
Borrowings secured – more than two years, but not exceeding five years	**-**	9,157
Borrowings unsecured – more than two years, but not exceeding five years	**-**	1,087,216
	-	1,373,138
	6,620,843	7,054,410

13. Share capital

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.10 each (2019: HK$0.10 each)		
Authorised share capital:		
At 1 January 2019, 31 December 2019 and 2020	20,000,000,000	2,000,000
Issued and fully paid share capital:		
At 1 January 2019, 31 December 2019 and 2020	1,468,124,216	146,812

14. Event after the end of the reporting period

As a result of the continuous outbreak of COVID-19, a series of precautionary and control measures have been and continued to be implemented across the regions in which the Group has business operations. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

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

Market Overview

1.1 International crude oil market

The first half of 2020 was braced for a dramatic turbulence in oil prices. Having initially priced at about US$65 per barrel in early 2020, Brent crude oil began its down trend since mid-February, with an even sharper decline in March. Such price, in a mere of two months, dived from around US$60 per barrel to a low of about US$20 per barrel in mid-April, right before its gradual pick up to US$40 per barrel in mid-May. In the second half of the year, the price gradually and steadily recovered, bouncing back US$51 per barrel at the end of the year. The volatility in price was mainly due to the hit that the global economy had taken during the first half of 2020 as a result of the outbreak of the 2019 novel coronavirus pandemic ("COVID-19"), where most economic activities had been halted. When there already existed an oversupply of energy products (such as oil products), oil prices saw a steep dip since March facing oil producing countries' adamant attitude towards output cuts while weathering the hit from the pandemic. On 20 April, the US crude oil index was pushed to record lows of negative US$37.63 per barrel. The global oil crash had exerted a substantial negative impact on the energy market, where many top-notch oil companies were thrown into the plight of liquidity issues or losses on derivative contracts as a consequence of the abrupt oil price collapse. Amid this crisis, Singapore's Hin Leong Trading (Pte.) Ltd., as one of the many victims within the industry, had filed for bankruptcy in April 2020. In response to the global crisis, many banks had put forward the choice of tightening the credit facilities granted to energy businesses. Their precipitous decision had eventually left many industry players scrambling to stay afloat when losing the support on their working capital, with our group being no exception. Despite the good track record in meeting contractual obligations without any defaults over the past decade or so, the Group had been thrown into a difficult position facing large-scale or early recalls of loans by certain banks, resulting into a serious liquidity mismatch. Since May, the recalls of loans by banks did not only cause ripples of negative impact, but also were a domino effect that had caused the extreme delay amid the Group's collection of trade receivables. Some clients even made different excuses to avoid repayment, which had given the Group no other choice but to file a lawsuit. Even worse, there were also instances of unlawful interruptions of certain banks to our clients, eventually forcing the Group to take the loan disputes of over US$10 million to the court for closure. For such, the Group reluctantly put its investment plans on hold, causing a huge economic loss. Following the incidents of loan recalls by the banks, the confidence of the banking industry for our industry had been shattered by the impact of the oil price plunge, so had their support to us, albeit the rebound in oil prices. As a result, the industry players, with NewOcean being no exception, had failed to secure a constant liquidity flow, being doomed to misery.

1.2 The exchange rate of Renminbi

During 2020, the exchange rate of Renminbi against the US dollar lingered between 6.46 to 7.15; yet, such fluctuation range had never been evident. When the market had most likely adapted to the tug-of-war between China and the United States, along with China's remarkable feat in keeping COVID-19 under control as compared to other countries (such as the United States) which are still reeling from the pandemic outbreak and sluggish economy, Renminbi had seen particularly strong growth in the second half of the year, with its exchange rate against the US dollar rising from 7.07 in mid-year, to a high of 6.46 at the end of the year. Such appreciation in Renminbi had brought a positive impact on the financial position of the Group during the year.

1.3 The oil and gas consumer market in the Mainland China

The first half year of 2020 did not change for China as the country still suffered from the impact of COVID-19, as well as the acts of hostilities of the United States and other western countries. Albeit the fierce efforts of the Chinese government in thriving its domestic demand, China market, including the Guangdong Province (i.e., the Group's major market in the Mainland China), had seen diminishing industrial outputs dragged by COVID-19. It is expected that China may still suffer an economic slowdown in the months ahead. During 2020, the annual demand for liquefied petroleum gas ("LPG") for re-export usages remained stable, but that of industrial usages had become weaker as a result of COVID-19; likewise, the vehicle-related demand for LPG had been on an ongoing downtrend, owing to the challenges not only thrown by COVID-19, but also the existence of liquefied natural gas and electric power, as well as the market structural changes across the taxi industry. In the long run, the demand for oil products and LPG in the Mainland China may only set for a low-to-moderate growth. With the backdrop of the successive emergence of new energies such as natural gas, electric power or even hydrogen energy onto the market, coupled with the roll-out of environmental protection policies by the government for the promotion of other eco-friendly new energies over the recent years, the demand for traditional energies, including oil products and LPG, in the Mainland China is expected to brace for some hit. Amid such conditions, the Group will strive to tap into new domestic and international markets while consolidating its existing presence in the current consumer market.

2. Basic situation of the Group during 2020

Faced with the challenging headwinds of a series of black swan events, for instance, the outbreak of COVID-19, the global oil crash, the stand-off between China and the United States and bank runs, our operating environment had been exceptionally undesirable over the first half of 2020. In times of market turmoil, some of our key competitors in the oil products market had sold large lots of oil products at bargain prices for cashing in during March and April. Under the operating model of the Group, it had been a tough decision to the Group to reluctantly follow suit and slash prices under the pressure of its mounting inventories over the successive months, resulting into a steep dive in the Group's overall gross profits in its energy products. Although gross profits for the second half of the year had returned to normal levels, there was still resistance against them to bounce back to the previous high. Furthermore, the global oil crash, coupled with banks' tightening policies on lending, altogether had created a market sentiment that affected some clients of our oil products, causing them to delay the repayment of trade or other receivables to a significant extent; which in return, an allowance for impairment loss as of about HK$760 million had been made. Likewise, with the backdrop of the diminishing demand for electronic parts (IC) in the domestic market, certain IC models had been sold at low prices to stimulate sales, resulting into an allowance for inventories of approximately HK$349 million. During the year, more than ten monohull oil tankers of the Group had been written off due to issues related to the specifications of oil tankers in the Mainland China; and in the meantime, the Group had shut down a number of auto-gas refueling stations because of the decreasing demand, altogether resulting into a loss of approximately HK$120 million for the disposition of the above fixed assets. Over the recent years, the changing government policies in the Mainland China had resulted into the sharp decline in both the volume of and the demand for auto-gas refueling in Guangzhou; hence, the Group had made an allowance for impairment in respect of its goodwill of business and intangible assets of approximately

HK$340 million. Facing the shrinkage in liquidity due to the lack of support to its business operations from most banks, the Group felt the needs to reallocate its resources, and eventually reached the decision to scale down both its marine and on-land bunkering businesses; and hence, an allowance for impairment in respect of the goodwill in this regard of approximately HK$420 million had been made at the end of the year. Due to the above factors, as well as most of the one-off allowances, the Group record a loss of approximately HK$2.37 billion during the year.

Given the recorded net loss for the year as of 2020, the Group was unable to fulfil some bank covenants relating to certain bank loans, thus the non-current portion of these bank borrowings, together with other bank loans due to cross-default, had been reclassified, and were presented as current portion of bank borrowings in the consolidated statement of financial position. Subsequent to the reclassification, the net current assets of the Group amounted to approximately HK$1.84 billion. In addition, due to the bankruptcy of Hin Leong Trading (Pte.) Ltd. and the slump in global oil prices during the first half year of 2020, many banks had extended requests to the Group in relation to stop using or limitation on letters of credit and other short-term credits. In order to ease the liquidity pressure and improve the financial position of the Group, our directors had taken the proactive approach to implement a range of measures, including opening negotiations with banks for the discussion of arrangements and the conclusion of agreement on debt restructuring. We also took the initiative to file the application to the court for convening meeting of debt restructuring for the cognizance of the restructuring proposal. The measures adopted by the Group and their respective background have been disclosed in details in Note 1A of the consolidated financial statement.

2.1 Operating Income

During 2020, the Group had achieved a total revenue of approximately HK$19,179,843,000 (among which, the revenue of energy products was approximately HK$17,407,396,000, contributing around 90.76% of the total revenue), representing a dip of around 30.99% as compared to that 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 of the year) in last year. During the year, the sales volume of energy products had seen a substantial decrease of approximately 1,829,000 tonnes as compared to that of last year. Coupled with the substantial price slides in oil and gas during March and April, the average prices of such over the year had been lower than those of last year, resulting into an approximately 30% decline in the annual revenue as compared to that of last year.

2.2 Gross profits

During the year, the total gross profits of the Group were approximately HK$195,638,000, representing an evident dip as compared with that of approximately HK$1,882,257,000 in the last year. The following is the analysis of gross profits by business segments:

	Gross profits/ gross margin of the year in 2020	Gross profits/ gross margin of the year in 2019
LPG	**HK$746,455,000/ 11.65%**	HK$953,030,000/ 12.67%
Oil products	**HK$224,133,000/ 2.04%**	HK$848,233,000/ 4.40%
Electronics	**HK$(637,954,000) / (38.59%)**	HK$80,994,000/ 8.24%
Sales of properties (Dongguan)	**HK$(136,996,000)/ (114.64%)**	N/A
Total	**HK$195,638,000/ 1.02%**	HK$1,882,257,000/ 6.77%

Our gross margin of LPG business remained above 10%; however, due to the fact that our major competitors had turned to cut-throat tactics to sell oil products in large lots at low prices for cashing in during March and April, the Group reluctantly had to follow suit to sell products below costs for the depletion of stock in order to avoid more onerous impairment risks as a result of the ongoing oil price slump. As a result, March and April had recorded a substantial amount of negative gross profits in our marine bunkering business. Riding on the market restoration during the second half of the year, our gross profits had bounced back to normal levels; however, our average gross profits for the year in overall had been dragged down to 2.04% (2019: 4.40%). At the beginning of year, it was once part of the Group's expectation that the order volume of its electronic parts (such as IC) may rise correspondingly under the Chinese government's relentless push for driving its domestic demand; nevertheless, the global outbreak of COVID-19 had brutally dampened the manufacturing industry in general to everyone's surprise, thus slashing the demands for parts. In response to the situation, the Group had launched price cuts for the electronic parts that it previously ordered during the second and third quarters to cash in. Regrettably, the sales of such had not been at its best, thus leading to an allowance for inventories of approximately HK$349,000,000 at the end of the year. During the year, our electronics business in overall had recorded gross loss of approximately HK$637,954,000 and a gross margin of negative 38.59%. During the year, the sales of properties were the real estate project that we had previously invested in located in Dongguan. Due to the rise in costs resulting from the cost overruns associated with the subsequent stages of the construction, gross loss were recorded. Given the uncertain economic outlook, the Group had already reviewed its existing business risks and coordinated resource reallocation, and eventually came to the decision of scaling down the business volumes of both its oil products and electronic businesses.

2.3 Net loss and profits and basic loss and profit per share

The loss for the year attributable to the owners of the Company was recorded as approximately HK$2,236,546,000, as compared to the profit of approximately HK$642,175,000 as recorded by the Group last year. Such loss was mainly due to the decline in gross profits, the allowances for inventories, trade receivables and other receivables, as well as the allowances for impairment of goodwill and intangible assets, which have been disclosed in details in the "Basic situation of the Group during 2020" in Note 2.

Throughout the year of 2020, the Group did not engage in any fund-raising activities in relation to its shares. As of 31 December 2020, the weighted average number of the Company's issued ordinary shares was 1,468,124,216 shares, and the basic loss per share for the year was around HK$1.52.

2.4 Net exchange gain and loss

As of 31 December 2020, the Group recorded a net exchange gain of approximately HK$162,923,000 thanks to the appreciation in RMB, as compared to the net exchange loss of approximately HK$49,330,000 of last year.

2.5 Changes in fair values of derivative financial instruments

Over the recent years, the ongoing improvement in the sales volume of oil products had determined the considerable amount of inventories of the Group. For mitigating any negative impacts on the Group's interests caused by factors such as price fluctuations and global economic uncertainties, the Group will enter into several derivative contracts for its oil products or LPG commodities for the purpose of hedging, all being done in response to its product inventory levels (if any holding over to next month) or any requests from individual clients on fixed price purchases with forward contract for the sake of lowering the risks of price volatility of its products. Nonetheless, the unforeseen global oil crash had led to steep dip in the prices of oil products within just a glimpse of time. During the year, the loss from derivative contracts amounted to approximately HK$125 million.

2.6 Finance costs

As a result of the price slumps of oil products and LPG during the year, coupled with the global roll-out of rate cut since the second half of 2019 and the decrease in bank loans on average throughout the year, our finance costs were down to around HK$282,706,000, representing a decrease of approximately 21.14% as compared with that of approximately HK$358,485,000 last year.

2.7 Net current assets

As of 31 December 2020, the Group had net current assets amounting to around HK$1,839,826,000 and a current ratio of about 125.30%, representing a dip of approximately HK$3,207,185,000 in its net current assets, as compared to the net current assets of about HK$5,047,011,000 (current ratio: 170.63%) as of 31 December 2019. Such decline was mainly due to the non-current bank borrowings having classified as current liabilities, as well as the drop in current assets as a result of the allowances for trade receivables, other receivables and inventories.

2.8 Net cash flow incurred by the operating activities

As of 31 December 2020, a net cash inflow of approximately HK$340 million had been incurred by our operating activities; contrastingly, our investing and financing activities had recorded a net cash outflow of approximately HK$1.01 billion and HK$730 million respectively, altogether contributing to the decrease of approximately HK$1.4 billion in our cash and cash equivalents at the end of December. The main cash outflow incurred by investing activities included a short-term borrowing to an independent third party amounting to approximately HK$417 million, as well as the investments in the construction of hydrogen refueling plants amounting to approximately HK$170 million and in the property project in Zhuhai, whereas the majority of cash outflow incurred by financing activities was from the repayment of bank borrowings.

3. Performance review

During the year, the Group continued to focus its efforts on its energy products business. In 2020, the Group achieved a total sales volume of approximately 5,636,000 tonnes, among which, the sales volume of LPG was around 1,712,000 tonnes, which were comparable to that of last year. On the other hand, the sales volume of oil products of the year had reached 3,924,000 tonnes, representing a sharp fall of around 30% as compared to that of last year, which was mainly due to the fact that the Group was low in funds to continue the operations of its oil products business.

	Full year 2020	Full year 2019
Sales volume of LPG (percentage contributed to the total sales volume of the year)	**1,712,000 tonnes (30.38%)**	1,848,000 tonnes (24.76%)
Sales volume of oil products (percentage contributed to the total sales volume of the year)	**3,924,000 tonnes (69.62%)**	5,617,000 tonnes (75.24%)
Total sales volume	**5,636,000 tonnes (100.00%)**	7,465,000 tonnes (100.00%)

3.1 LPG business

Throughout the year, the Group realized a sales volume of approximately 1,712,000 tonnes for LPG, representing a decrease of around 7.36% as compared with approximately 1,848,000 tonnes of last year. The sales volume contributed by wholesalers and industrial customers had shrunk due to COVID-19, whereas that of LPG for civilian usage had also fallen given the emergence of new energies such as electric power and LNG energy.

During the year, the LPG business recorded a revenue of approximately HK$6.40 billion, representing a decline of approximately 14.89% as compared with that of nearly HK$7.52 billion of last year, which was mainly due to the drop in sales volume, as well as the diminishing average price of LPG as a result of the global oil crash.

The Group had realized gross profits of approximately HK$746 million over the year, representing a dip of nearly 21.72% as compared with that of approximately HK$953 million of last year. Dragged by the oil price crash, LPG prices had seen a fall; however, no corresponding immediate downward adjustments in selling prices had been seen in end-user markets, for instance, the sales of bottled LPG. During the year, the average gross margin of LPG business was approximately 11.65%, representing a mild drop as compared to that of approximately 12.67% of last year.

Sales

Sales category	**Full year 2020**	Full year 2019
Wholesalers	**1,012,200 tonnes**	801,000 tonnes
End-users	**699,800 tonnes**	1,047,000 tonnes
Total	**1,712,000 tonnes**	1,848,000 tonnes

Impacted by COVID-19, the domestic demand had seen a downturn over the year, whereas the business of LPG for civilian usage and industrial customers had also correspondingly decreased, with the shrinkage in the volume of auto-gas refueling being relatively more prominent. In Guangzhou, the LPG auto-gas refueling market target buses and taxis as its core customers. Adhering to the government policies, all of the buses were required to switch to be running on liquefied natural gas or electric power, resulting into a drastic decrease in the number of LPG fueled buses, thus directly leading to a slash in LPG demand. On the other hand, the taxi industry was prone to serious underutilization as affected by the improper on-line car hiring services and COVID-19. In the circumstance that the demand for LPG from buses and taxies both declined due to different grounds, the ongoing shrinkage in the business volume of auto-gas refueling business had become unavoidable. During the year, there had been a number of refueling stations in Guangzhou being shut down, resulting into an allowance for impairment in respect of the goodwill and intangible assets having incurred at the acquisition of auto-gas refueling stations some years ago. Given the sluggish LPG sales in the Mainland China, the Group had devoted more wholesaling efforts in order to make up for the deficiency in sales to its end-users. It is part of the Group’s belief that the sales volume contributed by its end-users will rise again following the subsidence of COVID-19.

3.2 Oil products business

Throughout the year of 2020, the Group achieved a total sales volume of approximately 3,924,000 tonnes of oil products in Hong Kong, the Mainland China and Singapore, representing a decline of around 30.14% as compared with approximately 5,617,000 tonnes last year.

Our oil products business recorded a revenue of approximately HK$11.002 billion throughout the year, representing a contraction of approximately 42.97% as compared to that of nearly HK$19.29 billion of last year, which was mainly due to the decreases in the average prices of oil products and sales volumes. The gross margins of oil products had narrowed to 2.04% (2019: 4.40%). A detailed analysis on the reasons for such is explained in the paragraph of “2.2 Gross profits”.

Sales

Sales category	**Full year 2020**	Full year 2019
Hong Kong/ Singapore		
Oil products	**2,117,000 tonnes**	4,529,000 tonnes
China		
Oil products	**1,807,000 tonnes**	1,088,000 tonnes
Total	**3,924,000 tonnes**	5,617,000 tonnes

The impact of COVID-19 on global shipping businesses, coupled with the disequilibrium between the supply and the demand for oil products, altogether contributed to the diminishing sales volume in the overseas markets; in addition, with the Group's decision of its gradual withdrawal of resources invested in the oil products business since mid-year of last year, the sales volume of this business had entailed a corresponding reduction. Nonetheless, along with the recovery in oil products transactions amid the abatement of COVID-19 after March, the Group had reinforced its domestic trading of oil products to secure solid sales volume.

3.3 Electronic business

Throughout the year, the electronics business recorded a revenue amounting to approximately HK$1,652,947,000 in total, that was a surge as compared to around HK$982,736,000 of last year. To be in line with the Group's expectation on the rise in domestic demand at the beginning of the year, our order quantities had been lifted; however, because of the unpredicted advent of COVID-19, demands for our products both in the Mainland China and Southeast Asia had seen a drawback. For mitigating the risks associated with inventories, the Group had launched price cuts in its inventory sell-off, resulting into the recorded negative gross profits of approximately HK$640 million.

3.4 Other businesses

Hydrogen and LNG auto-gas refueling station business — Despite the establishment of the hydrogen station in Guangzhou last year, the demand for hydrogen as an automobile power remained limited; however, with the vigorous efforts made by the government in promoting eco-friendly energies, the market demand for such is expected to soar in the future. In addition, the Group had also kick-started its plan to establish hydrogen refueling plants, whereas its LNG business is still under development at present. We have screened our existing projects, and undertaken initiatives to axe projects which only have a slim chance of making profits to our Group. We will instead focus on devoting resources to nurture other potential projects, for instance, shifting our attention from our current cooperative LNG projects with logistic companies, to the construction of refueling stations for striving for better investment returns.

Real estate business — Since the third quarter of 2019, the Group had launched sales of Block A and B of the apartment property located in Zhuhai, where more than 30 apartments had been successfully sold. In early 2020, a potential buyer had made an offer to acquire the entire Block B and E (office building); nonetheless, the social movements in Hong Kong later, coupled with the advent of COVID-19, altogether had delayed the sales plan. Following the abatement of the pandemic, the Group will set for redeploying its marketing strategies and models in hope of maximizing the profits netted from the sale of such prime property.

4. Business Outlook

(Such outlook is based upon the success of the Group in proceeding with its debt restructuring and the plans will also be adopted to reflect the developing financial environments of the Group)

Over the past years, the Southern China region has always been the major markets of the Group; nevertheless, the fierce domestic competitions, as well as the ongoing trade repression by the United States, had altogether casted a shadow across the Chinese market, which may possibly deteriorate our operating environment. While there may be practical difficulties in avoiding such market risks, setting footholds in much more diversified markets can be one of the effective solutions to the Group.

In view of these, the Group laid out its development blueprint as early as in 2017, that was to expand its overseas businesses in a proactive manner. We will continue to adopt the same operating strategies to drive our developments with the use of our end-user markets, so as to ensure an exponential growth in our business volume. In the meantime, we are reviewing the Group's industry structure and operating model for the continuous improvements in the coordination between our industry and logistics chains. It is expected that such measures will enhance our operating efficiency and further lower our operating costs.

Given the global oil crash and a number of unfavorable factors for business operations during the first half of 2020, the future remains uncertain. At present, the Group is reviewing its development strategies, and in the meantime, it is committed to deploy its limited resources into its core businesses.

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

(1) While exploring opportunities for the further expansion in the end-user markets for our bottled LPG, we will strengthen our management of distributors, and give them stronger backing for the improvements of our sales volume, and thus our profitability.

(2) We are actively seeking industrial users of LPG. When the emergence of new energies has already affected our business of auto-gas refueling for civilian usage, the volume of LPG for industrial usage skyrockets on a year-on-year basis, although the outbreak of COVID-19 had still pushed down the demand for such during the first half of 2020. The Group believes that such impact would only be temporary, thus our sales team in the Mainland China will step up their efforts to seek 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 in the search of 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.

Oil products business — Being all set for the significant scale-down of our oil products business, we are committed to focusing not only on the sales of products with high gross profits, but also on lowering our costs. When the costs of refueling business in Hong Kong are relatively high, the Group will step up its efforts to sell wholesale to our clients who are distributors, and to lease its existing oil tankers to wholesalers or list them for sale. As to our business in Singapore, certain extent of its marine bunkering business will remain, with oil products of relatively stable gross profits and high sulphur fuel oil being the key focus of the business. Meanwhile, the Group will take the occupancy of a small portion of the total leased capacity of 300,000 tonnes of floating storage unit, while the remaining part will be leased to third parties for cost saving purposes.

Electronic business — The Group recorded losses in this project amid the volatility in the market, thus the resources being invested in this business are expected to see significant decline.

New energy business — With the promotion of eco-friendly energies by the Chinese government, the Group will take its initiative to grow its hydrogen business, such as constructing hydrogen refueling plants. Given the LNG market in Guangdong is not ripe enough, the Group is only investing limited resources in the planning and construction of sales network at this stage.

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

(1) Once COVID-19 subsides, the Group will look for suitable investment partners to propel the proposed construction project of a refinery in Malaysia. We are confident that the products manufactured by the refinery upon its completion will contribute a significant part of the Group's annual oil and gas sales volume. From then, the Group's oil and gas business will be able to progress from being passively dependent on the supply from external sources, to be more genuinely self-sufficient.

(2) The completion of such vertical integration will enable the Group to reach its goal of bettering controls over costs under a low-risk and cost-saving ecosystem; and in the meantime, profoundly enhancing the Group's bargaining power on the international markets. It will also broaden our procurement channels, thus creating more sales opportunities to the Group.

We firmly believe that, the unceasing expansion of our end-user sales network in the Southern China region, along with the active growth of our sales markets overseas, as well as the vertical integration of our supply chain, are the three cornerstone attributes for the Group to secure a sustainable growth in business and an improvement in its profitability in a more effective way.

FINAL DIVIDEND

The directors do not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company will be held on Friday, 4 June 2021. 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, 1 June 2021 to Friday, 4 June 2021 (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, 31 May 2021.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 31 December 2020 and 2019.

PLEDGE OF ASSETS

At 31 December 2020, apart from the pledged bank deposits of approximately HK$385,129,000, the Group also pledged its oil vessels with carrying value of approximately HK$83,184,000 to secure bank loans granted to the Group.

EMPLOYEES AND EMPLOYEE BENEFITS

As at 31 December 2020, the Group employed over 1,000 (2019: 1,200) 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 2020.

CORPORATE GOVERNANCE

In the opinion of the directors, throughout the year ended 31 December 2020 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

Up to the date of this announcement, strict travel restrictions and quarantine policies due to COVID-19 have yet be lifted in certain countries where the Group has footprints in, such as the PRC, Singapore, Malaysia, middle East, Japan, South Korea, and other Asia Pacific countries. Due to the impact of COVID-19 on travel restriction, quarantine policies, as well the resulted work-from-home policies in multiple geographical locations, the preparation of financial statements by the management has been delayed, which affected the audit progress of its auditors, Messrs. Deloitte Touche Tohmatsu ("**DTT**"). As such, the Group and DTT encountered significant difficulties in finalizing the audit of the consolidated financial statements of the Group for the year ended 31 December 2020. Accordingly, the annual results for the year ended 31 December 2020 of the Group based on the financial information agreed with DTT were unable to be published within the three months after the year end date. In order to keep the shareholders and potential investors of the Company informed of the Group's financial information, the Board set forth in this announcement the unaudited results of the Group for the year ended 31 December 2020, which was extracted from the latest unaudited management accounts of the Group for the year ended 31 December 2020. 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 2020.

The unaudited annual results have not yet been agreed by the auditors of the Company with the following items in the unaudited annual results of the Group for the year ended 31 December 2020 are subject to uncertainties and final agreement with the auditors of the Company.

(1) Going concern assumption

As mentioned in note 1A in the unaudited annual result announcement, a number of factors indicate material uncertainty exists that cast significant doubt on the Group's ability to continue as a going concern. DTT requires further information to assess on the going concern assumption as it considered that the uncertainty of the outcome of the scheme meeting approving the Court Scheme would materially affect the basis of preparation of consolidated financial statements of the Group for the year ended 31 December 2020 on a going concern assumption.

(2) Impairment assessment as to certain assets
Due to the deteriorating market conditions, certain trade receivables, other receivables, deposits and prepayments have shown increasing credit risk profile. Due to the impact of COVID-19 on the travel restrictions of certain countries in Asia Pacific, the Group encountered significant delay in its travel itinerary to travel across countries to collect and assess the recoverability of certain trade receivables, other receivables, deposits and prepayments, which increased difficulties to the Group in assessing the credit risk profile of the debtors of certain trade receivables, other receivables, deposits and prepayments in those countries. This, in turn, hinders the audit work progress of DTT regarding the basis of the ECL provisions and recoverability of on certain trade receivables, other receivables, deposits and prepayments, and thus, DTT requires additional time to complete its audit procedures. For instance, a debtor of a substantial loan receivable as at 31 December 2020 notified the Company as to its potential financial difficulties in the repayment of such loan receivable in full when it falls due, who offered to provide security of the iron ore mine in Malaysia for extension of the terms of such loan receivable. Due to the impact of COVID-19 on travel restriction to Malaysia, the Group encountered difficulties to conduct on-site due diligence on the iron ore mine in Malaysia. This affects the Group's assessment of the credit risk profile for such particular loan receivable, and thus, hinders the audit process of DTT regarding the basis of the recoverability and impairment assessment of such loan receivable.

As at 31 December 2020, the carrying amount of the trade receivables, other receivables, deposits and prepayments, subject to the impairment assessment and ECL provisions, is amounted to approximately HK$7,281,385,000.

Due to the impact of COVID-19 on the energy market in the PRC, there have been impairment indicators as to the recoverable amount of the cash-generating units relating to the sales and distribution of LPG and oil products, and thus the Group has made impairments on certain relevant non-current assets including goodwill, property, plant and equipment and other intangible assets. Due to the impacts of COVID-19 on quarantine policies, the senior management of the Group encountered significantly prolonged quarantine requirement to visit the on-site facilities to assess the value-in-use of the multiple cash generating units across the PRC. This significantly delayed the information provision to DTT for its audit procedures regarding basis of the impairment assessments for the relevant assets.

As at 31 December 2020, the carrying amount of the non-current assets, comprising of property, plant and equipment, goodwill and other intangible assets, which are subject to the impairment assessments is amounted to approximately HK$2,441,023,000.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited annual results for the year ended 31 December 2020 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

Upon resolving the above uncertainties with the agreement with the auditors of the Company, the Board expected to publish the Group's audited annual results for the year ended 31 December 2020 on 30 April 2021.

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 2020 will be dispatched to shareholders on or before 30 April 2021 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, 31 March 2021

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