



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

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

Stock Code 股份代號 : 342

Environmental, Social and Governance Report 2016



INTRODUCTION

NewOcean Energy Holdings Limited (together with its subsidiaries hereafter referred to as the “Group” or the “Company”) is a company listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). We are one of the largest energy suppliers in Guangdong province with its energy operations across the southern China region. The Group’s principle activities are the sale and distribution of Liquefied Petroleum Gas (“LPG”), natural gas (“NG”), oil products and electronic products. In December 2016, the Group acquired a technical know-how for production of charcoals through acquisition of two companies. The Group will be engaged in manufacturing and distribution of anthracite charcoals and active charcoals in year 2017.

We are pleased to present this report to in accordance with the Environment, Social and Governance Reporting Guide (the “ESG Guide”) published by the Stock Exchange. This report describes the Group’s policies and activities in 2016 that were designed to fulfil the Group’s obligations with respect to sustainable development and social responsibilities areas, as required by the ESG Guide.

The Group has been operating a highly efficient sales and distribution network with emphasis safety and environmental friendliness. We are committed to motivating the low-carbon growth of the industry, providing green energy for the development of the whole society and considering the needs of our stakeholders, including impact on the environment and the communities in which we operate. This report provides an overview of the sustainability strategies and social responsibilities undertaken by the Group.



ENVIRONMENTAL PROTECTION

Emissions

As an energy business, the Group aims to support sustainable development by conducting our business in an environmentally responsible manner. The Group is aware of the impact of climate change and make effort to minimise the effect our operations have on the environment. Thus, when engaging the building construction of warehouses, autogas refueling stations, NG refueling stations and petrol stations, we requested our contractors to build in an eco-friendly



way that using materials and building methods which would be less harmful to our environment, less greenhouse gas (“GHG”) would be emitted and less wastes would be produced during our operation. Furthermore, our management concerned the efforts in implementing energy saving measures, we have purchased better LPG bottles, tankers trucks, oil carriers which are energy saving.

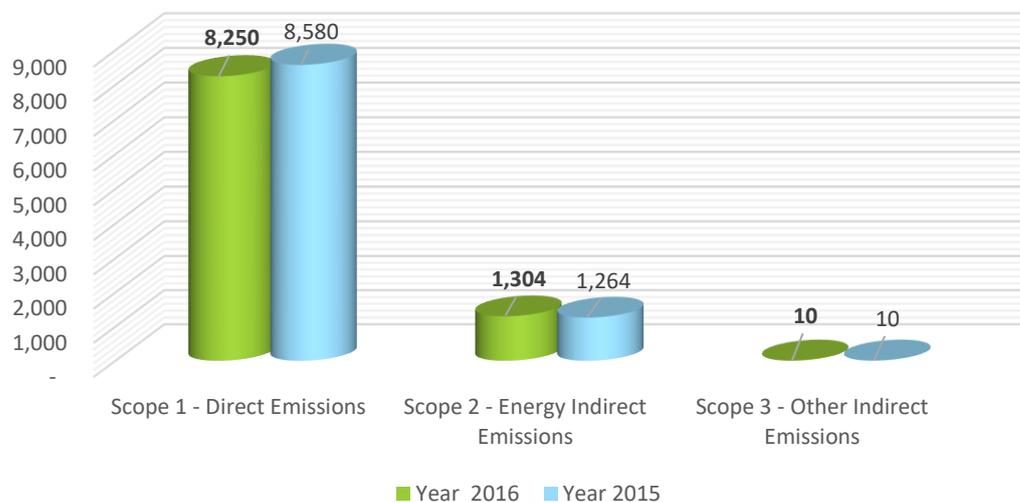
Use of Resources

The Group has established a culture of energy saving in managing production and business operation. Started from 2013, the Group began to imply carbon footprint management strategy to manage the Group’s the energy consumptions, including our 23 office areas and warehouses in Hong Kong and Guangdong Province, then categorised emissions into following 3 scopes:

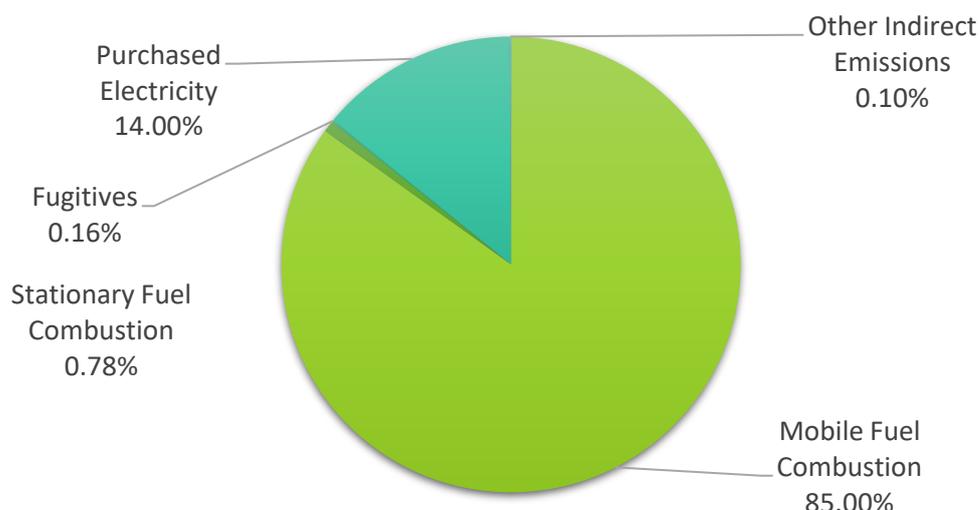
- Scope 1: Direct emission from sources that are owned or controlled by the Group
- Scope 2: Indirect emissions from the generation of purchased electricity consumed by the Group
- Scope 3: All other indirect emissions as a consequence of the activities of the Group that occur from sources not owned or controlled by the Group.

During the period of year 2016, the Group’s total GHG emissions were 9,564 tons of Co²e (2015: 9,854 tons of Co²e), which mobile fuel combustion (direct emissions) and purchased electricity (indirect emissions) had consumed around 99% of total emissions.

Total GHG Emissions In Year 2016 and 2015



GHG emissions by emission source in 2016



The Group total sales of LPG and oil products increased significant from 3,886,000 tons in year 2015 to 5,190,100 tons in year 2016, which increased by 33.56%. While the Group's business operation is rapidly expending year by year, we have also put a lot of effect to reduce our GHG emissions alternatively. Average GHG emission per each ton of our total sale of energy products (ie. LPG and oil products) is reduced from approximately 2.5 kg of Co²e in year 2015 to approximately 1.8 kg of Co²e in year 2016. It shows the Group has proactively input effort in environmental protection to minimise emissions.

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For our continuous improvement, in early 2016, two of our group's largest oil vessels had been awarded ISO14001 certification in Hong Kong. It supports that we have a formalized and efficient environmental management system to commit our environment goals.

Green Office

The Group has adopted green office practices in daily business activities to reduce natural resource consumptions and cost saving opportunities:

1. Turn up the air-conditioner temperature to comply with the standard guidelines of 25.5 °C.
2. All printers are set to print double-sided by default to reduce paper use, and to print in black-and-white to conserve printer ink. And there are printers in offices are specifically used to print by recycle papers.



3. Proactive to becoming paperless and move documents into digital format. Also, encouraging to use teleconference and internet-meeting to avoid unnecessary travel.



SOCIAL RESPONSIBILITY

The Group's view of social responsibilities:



Employee Development

Working Condition

The Group establishes a healthy and pleasant workplace for our employees. We care for our employees and recognise that having good staff relations and a motivated workplace play a vital role in the Group's operation. Also, the Group aims to establish team of talents and provides a fair workplace for our employees and advocates a working background embracing diverse culture in encouraging employees to maximise their potential and make contribution to the Group. Our employment practices do not discriminate on grounds of gender, age, sexual orientation, disability, pregnancy, family status, race, religion, or other conditions.

The Group has complied with labour laws and government regulations set out by the Hong Kong, Macau and other regions in the People's Republic of China (the "PRC" or "China"). The Group

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does not employ staff who are below 18 years of age. No employee is paid less than the minimum wage specified by the government regulations in different jurisdictions. In addition, a code of conduct for directors and employees (the “Code of Conducts”) was established, which applying to directors, managements and employees of the Group and which are clearly communicated to all, including new staffs. The Code of Conducts mainly include three principles: 1) soliciting or accepting advantages & offering advantages; 2) conflicts of interest; 3) data protection. As for the handling of any breach of the law and misconduct, we have in place a “whistle-blowing” system which is monitored by the audit committee of the Company.

Health and Safety

Our industry is highly regulated by the government authorities, but existing with potential injury hazards from manual handling during the storage and transportation of LPG and oil. We have established a safety manual for respective operations. All staffs are well-trained with respective safety knowledge before working in the respective areas. Each year, we have input many resources to organise number of training sections and events to all operation staffs. For example, we invited Zhuhai fire departments to enhance our staffs extinguishing knowledge and provide training sessions in June 2016.



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The safety of LPG gas stations, autogas stations, NG stations, oil stations and LPG and oil storage depot are closely monitored and maintained by qualified and licensed persons. Inspection for oil equipment and plants are carried out by a special technical team quarterly. In 2016, all of our subsidiaries with operations have passed all the regulated annual inspections and testing enforced by relevant governing authorities of respective locations. Our safety management team take part to inspect all stations, oil tanks and work fields routinely, and provide training programs, including:



Safety education video sharing

Safety supervisor training

Accident investigation skills

Fire drill training

NewOcean safety knowledge competition

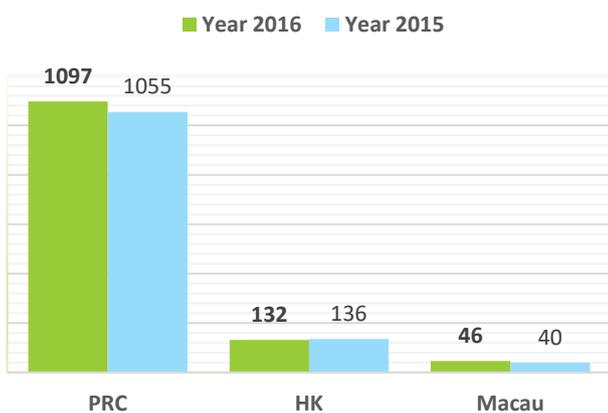
During the year of 2016, the Group has zero fatality (2015: zero fatality) occasion but 2 (2015: 3) working injury cases are reported. We have established and reviewed our safety procedures periodically and further improved our working environment by identifying the risks in working environments. We believe that accidents are avoidable by enhancing our safety management systems and providing more proper safety equipment and education to staffs. We aim to lower the number of accidents year by year and eventually attain the goal of zero injury in near future. We will continue our efforts to protect our employees' health and safety in different aspects.

Development and training

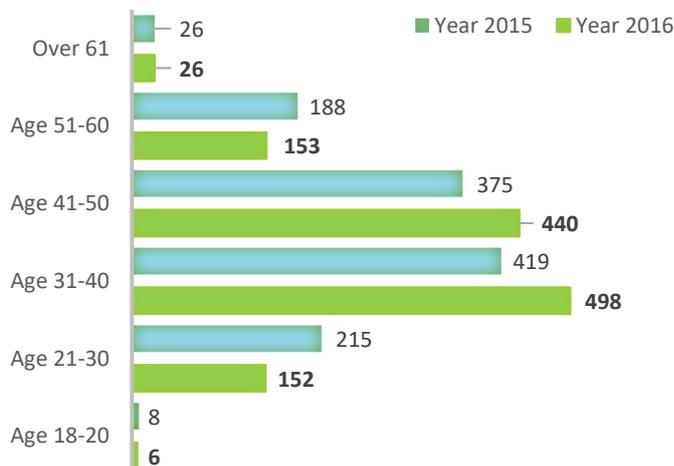
The Group believes that the quality of its employees is the most important factor in sustaining the Group's growth and improving its profitability. We committed to allocate resources to develop our staffs, including provide trainings to enhance the technical competency and safety consciousness for the operation staffs; accounting technical updates and discussion section for accounting staffs, etc. We also sponsored our staff to take several trainings provided by professional bodies. In 2016, we provided an average 9 hours (2015: 8 hours) of internal or external training per staff.



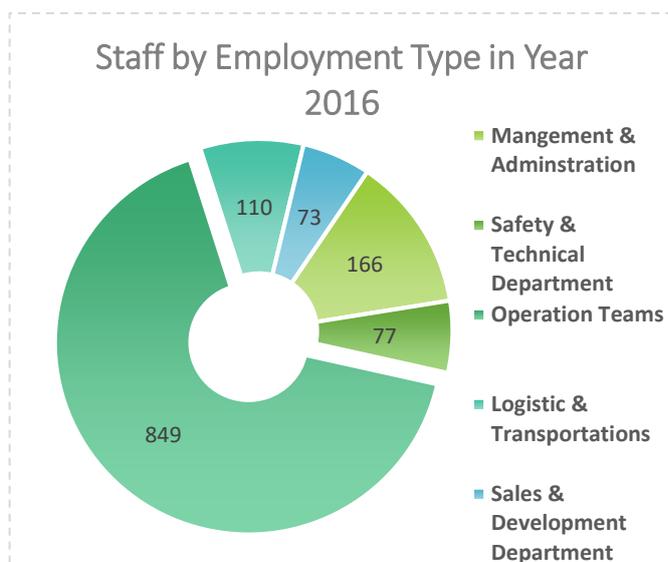
Staff by Geographical Region



STAFF BY AGE



We strongly believe the key to our success is our passionate and progressive employees. As at 31 December 2016, we employed a total 1,275 full time employees (2015: 1,231 full time employees), in Hong Kong and Macau and various locations in China, of which 76% were male and 24% were female. During 2016, 145 employees were recruited, which mainly for the operating team in Hong Kong and Zhuhai, transportation team in Zhuhai, autogas stations in Guangdong and various LPG bottling plants in South China.



The labour markets in China, Hong Kong and Macau are highly competitive and retaining quality staff become challenging. We put a great effort to retain our quality staffs by providing competitive remuneration packages, providing continuously on-job training and development to enhance our staff, and encouraging a work-life balance working environment.

Our employee turnover in 2016 was 24 staffs in Hong Kong, 5 staffs in Macau and 72 staffs in the PRC. In respect of the management positions or senior grade employees, the turnover rate is remained at low level, which providing a steady management team for the Group's continuous development and achieving Group's strategies. The high employee turnover rate in PRC and Hong Kong is mainly related to the blue-collar level autogas stations workers and oil bunkering service workers and sailors. In PRC regions, the Group employed certain sum of autogas stations workers from other rural areas and normally these employees would terminate their employment within one year. For marine industry, the turnover rate for sailor is normally high.

Going forward, we aim to further enhance our staff engagement and development effort including subsidy to ensure more of our talents are retained. Also, to enhance a better control environment, we have offered new positions in the areas of management, accounting, internal audit, and staff for operations in various locations.

COMMUNITY CARE

Charity

The Group believes that our role and responsibility in the communities we operate goes beyond being just an energy supplier. We develop harmonious environment for the local communities in which we are operating in. The Group hire staffs from local communities, listen their needs,

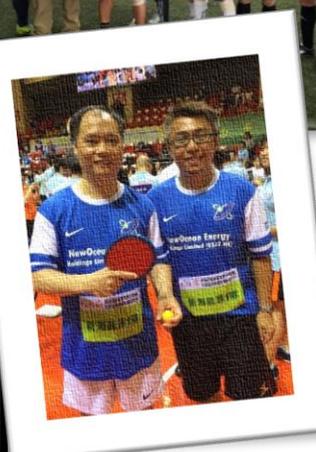
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and maintain a pleasant working environment. During 2016, the Group has made numbers of donations to charity bodies and be sponsor of charity functions total of approximately HK\$400,000, including, Yan Oi Tong, Lok Kwan Social Service, Hong Kong Jiangmen Youth Exchange Promotion Association and North District Football Club, etc. Our management wants to express our great gratitude to our communities and plans to contribute the society, hence, we are developing a systematic policy and methods to give back to the society, i.e. to participate or encourage our staff in joining charity activities.



Recreational activities

We understand health of our employees is a high priority for our group missions. During 2016, the Group organised various recreational activities for staffs, including soccer competitions, table tennis games, and dragon boat festivities. We are also willing to get more connections and interactions with socials through our activities, and promote our idea of healthy working life.



OPERATING PRACTICES

Supply Chain

As one of the largest LPG suppliers in South China, the Group takes environmental issues seriously. We give priority to suppliers with energy-conserving and environment-friendly products, active in fulfilling social responsibilities in the society and compile with relevant legislations. We hold periodical meeting with our suppliers to facilitate our business relationships and also search for new suppliers. Currently, the Group has a number of stable LPG and oil suppliers, including Shell International Eastern Trading Company, Sinopec Group, Brightoil Petroleum (Singapore) Pte Ltd, ExxonMobil Hong Kong Limited, SK Gas Co. Ltd., etc. The procurement of short to medium term supply contracts from various suppliers provide larger flexibility for our trading and help to maintain a competitive price.

Product responsibility

In view of our industry, sourcing quality energy products are our top concerns. We have our internal inspection experts to inspect our purchased LPG, LNG and oil products are up to the required safety standards and quality.

Operating Business	Operating Area/Region	Safety or Quality Standards Comply With
LPG wholesales and trading	Zhuhai	Zhuhai Port Authority (珠海市港口管理局)
LPG bottle business	Guangdong province	China Quality and Technology Supervision Bureau (國家品質技術監督局)
LPG bottle business	Hong Kong	Hong Kong Electrical and Mechanical Services Department (香港機電工程署)
Oil bunkering services	Hong Kong	Marine Department - The Government of the Hong Kong Special Administrative Region. (香港特別行政區政府海事處)
Oil wholesales	Guangdong / Fujian province	China Quality and Technology Supervision Bureau (國家品質技術監督局)
Autogas/NG refueling stations business	Guangzhou	Administration of Work Safety of Guangzhou City (廣州市安全生產監督管理局)
		Quality and Technology Supervision Bureau of Guangzhou City (廣州市品質技術監督局)

During the year 2016, two of our largest operating vessels in Hong Kong has been certified to ISO9001 quality management system, ISO14001 environmental management system, and OHSAS 18001 Occupational Health and Safety Management Systems certifications. It recognizes our efforts and ambitions to align our environmental and safety management to international standards, and take the responsibility to our environment, employees, community and customers.

We put efforts to ensure our quality of energy products can satisfy our customers. We have established standard procedures to recall products that have quality issues and the periodical review on such procedures are performed by our management. During 2016, the recall rate for quality reason is remained at a minimal level.

Anti-corruption

Conducting business with integrity is one of our core values in the Group's business operations. The Group has implemented anti-corruption measures, we have established prevention system by setting up communication channels for faults and anti-corruption reporting and relevant regulations was covered by the Code of Conducts: soliciting or accepting advantages and offering advantages. The whistle-blowing system can handle any breach of the law and we have not aware any material non-compliance up to the date of this report.