



NewOcean Energy Holdings Limited

(新海能源集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 342)

website: <http://www.newoceanhk.com>

AUDITED RESULTS FOR THE YEAR ENDED DECEMBER 31, 2006

The Board of Directors (the “Board”) of NewOcean Energy Holdings Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended December 31, 2006 together with comparative figures for the year ended December 31, 2005 as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Continuing operations			
Revenue	2	2,384,835	1,610,785
Cost of sales		(2,261,555)	(1,530,602)
Gross profit		123,280	80,183
Other income	4	35,310	8,140
Selling and distribution expenses		(28,431)	(19,846)
Administrative expenses		(44,188)	(30,989)
Impairment losses on receivables		(2,658)	(4,056)
Adjustment to goodwill		(1,123)	—
Loss on disposals and write-offs of property, plant and equipment		(404)	(10)
Recognition of impairment loss on property, plant and equipment		—	(2,776)
Gain on disposal of a subsidiary		—	2,710
Finance costs		(37,280)	(9,488)
Share of loss of a jointly controlled entity		(418)	(402)
Recognition of share-based payments	5	(5,855)	—
Profit before taxation		38,233	23,466
Taxation	6	179	3,667
Profit for the year from continuing operations		38,412	27,133
Discontinued operations			
Profit for the year from discontinued operations		5,718	6,777
Profit for the year	7	44,130	33,910

* for identification purpose only

Attributable to:			
Equity holders of the Company		44,130	35,702
Minority interests		—	(1,792)
		<u>44,130</u>	<u>33,910</u>
Earnings per share	8		
From continuing and discontinued operations			
Basic		<u>HK9.16 cents</u>	<u>HK7.41 cents</u>
Diluted		<u>HK9.16 cents</u>	<u>N/A</u>
From continuing operations			
Basic		<u>HK7.97 cents</u>	<u>HK6.01 cents</u>
Diluted		<u>HK7.97 cents</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		438,592	170,094
Prepaid lease payments for lands		51,823	46,899
Prepaid lease payments for coast		12,137	12,366
Investment properties		—	46,000
Goodwill		84,428	61,893
Interest in a jointly controlled entity		11,932	12,350
Other assets		65,694	18,754
Deferred tax assets		2,636	2,326
		<u>667,242</u>	<u>370,682</u>
Current assets			
Inventories		57,970	40,197
Trade debtors and bills receivable	9	139,338	50,340
Other debtors, deposits and prepayments		129,558	100,928
Prepaid lease payments for lands		2,061	1,868
Prepaid lease payments for coast		683	653
Amount due from a jointly controlled entity		270	153
Amount due from a former shareholder of a subsidiary		—	2,435
Pledged bank deposits		313,657	207,909
Bank balances and cash		151,034	57,479
		<u>794,571</u>	<u>461,962</u>
Current liabilities			
Trade creditors and bills payable	10	284,714	63,246
Other creditors and accrued charges		87,409	26,046
Tax liabilities		9,286	8,971
Borrowings, partly secured — repayable within one year		401,444	334,407
		<u>782,853</u>	<u>432,670</u>
Net current assets		<u>11,718</u>	<u>29,292</u>
Total assets less current liabilities		<u>678,960</u>	<u>399,974</u>
Capital and reserves			
Share capital		48,168	48,168
Share premium and other reserves		397,782	340,764
Equity attributable to equity holders of the Company		445,950	388,932
Minority interests		1,531	1,531
Total equity		<u>447,481</u>	<u>390,463</u>
Non-current liabilities			
Deferred tax liabilities		9,246	9,511
Borrowings, partly secured — repayable over one year		222,233	—
		<u>231,479</u>	<u>9,511</u>
		<u>678,960</u>	<u>399,974</u>

1. Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, which are either effective for accounting periods beginning on or after December 1, 2005 or January 1, 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HKFRS 8	Operating segments ²
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ³
HK(IFRIC) — INT 8	Scope of HKFRS 2 ⁴
HK(IFRIC) — INT 9	Reassessment of embedded derivatives ⁵
HK(IFRIC) — INT 10	Interim financial reporting and impairment ⁶
HK(IFRIC) — INT 11	HKFRS 2 — Group and treasury share transactions ⁷
HK(IFRIC) — INT 12	Service concession arrangements ⁸

¹ Effective for annual periods beginning on or after January 1, 2007.

² Effective for annual periods beginning on or after January 1, 2009.

³ Effective for annual periods beginning on or after March 1, 2006.

⁴ Effective for annual periods beginning on or after May 1, 2006.

⁵ Effective for annual periods beginning on or after June 1, 2006.

⁶ Effective for annual periods beginning on or after November 1, 2006.

⁷ Effective for annual periods beginning on or after March 1, 2007.

⁸ Effective for annual periods beginning on or after January 1, 2008.

2. Revenue

Revenue represents the fair value of amounts received and receivable for goods sold by the Group to outside customers, less discount, related taxes, return and allowances, and rental and leasing income for the year, and is analysed as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Continuing operations		
Sale and distribution of liquefied petroleum gas (“LPG”)	2,287,545	1,372,849
Sale of electronic products	97,290	237,936
	<u>2,384,835</u>	<u>1,610,785</u>
Discontinued operations		
Leasing of investment properties, property, plant and equipment	2,696	4,694
	<u>2,387,531</u>	<u>1,615,479</u>

3. Business and geographical segments

The Group is principally engaged in sale and distribution of LPG and sale of electronic products. These businesses are the basis on which the Group reports its primary segment information.

The Group was also involved in the leasing of investment properties, properties, plant and equipment. The operation was discontinued during the year.

Segment information about these businesses is presented below:

Business segments

Income statement

For the year ended December 31, 2006:

	Continuing operations				Discontinued operations	Consolidated HK\$'000
	Sale and distribution of LPG HK\$'000	Sale of electronic products HK\$'000	Unallocated HK\$'000	Total HK\$'000	Leasing of investment properties, property, plant and equipment HK\$'000	
Segment revenue	<u>2,287,545</u>	<u>97,290</u>	<u>—</u>	<u>2,384,835</u>	<u>2,696</u>	<u>2,387,531</u>
Segment result	68,209	13,650	—	81,859	2,401	84,260
Interest income	—	—	13,394	13,394	2	13,396
Net gain (loss) on disposals and write-offs of property, plant and equipment	(404)	—	—	(404)	86	(318)
Gain on disposals of investment properties	—	—	—	—	3,229	3,229
Unallocated corporate expenses	—	—	(18,918)	(18,918)	—	(18,918)
Finance costs	—	—	(37,280)	(37,280)	—	(37,280)
Share of loss of a jointly controlled entity	<u>(418)</u>	<u>—</u>	<u>—</u>	<u>(418)</u>	<u>—</u>	<u>(418)</u>
Profit (loss) before taxation	<u>67,387</u>	<u>13,650</u>	<u>(42,804)</u>	<u>38,233</u>	<u>5,718</u>	<u>43,951</u>
Taxation credit						<u>179</u>
Profit for the year						<u>44,130</u>

For the year ended 31 December, 2005:

	Continuing operations				Discontinued operations	Consolidated HK\$'000
	Sale and distribution of LPG HK\$'000	Sale of electronic products HK\$'000	Unallocated HK\$'000	Total HK\$'000	Leasing of investment properties, property, plant and equipment HK\$'000	
Segment revenue	<u>1,372,849</u>	<u>237,936</u>	<u>—</u>	<u>1,610,785</u>	<u>4,694</u>	<u>1,615,479</u>
Segment result	25,542	15,323	—	40,865	(538)	40,327
Interest income	—	—	1,862	1,862	3	1,865
Net gain (loss) on disposals and write-offs of property, plant and equipment	—	—	(10)	(10)	6,171	6,161
Gain on disposals of a subsidiary	—	—	2,710	2,710	—	2,710
Gain on change in fair value of investment properties	—	—	—	—	1,141	1,141
Unallocated corporate expenses	—	—	(12,071)	(12,071)	—	(12,071)
Finance costs	—	—	(9,488)	(9,488)	—	(9,488)
Share of loss of a jointly controlled entity	<u>(402)</u>	<u>—</u>	<u>—</u>	<u>(402)</u>	<u>—</u>	<u>(402)</u>
Profit (loss) before taxation	<u>25,140</u>	<u>15,323</u>	<u>(16,997)</u>	<u>23,466</u>	<u>6,777</u>	<u>30,243</u>
Taxation credit						<u>3,667</u>
Profit for the year						<u>33,910</u>

Geographical segments

The Group's operations, by the geographical location of its customers, were located in Hong Kong and the People's Republic of China (the "PRC"), South East Asia, Korea and Europe. The Group's sale and distribution of LPG was carried out in the PRC. The Group's sale of electronic products was carried out in Hong Kong.

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods:

	Sales revenue from continuing operations by geographical markets	
	2006 HK\$'000	2005 HK\$'000
The PRC	2,207,287	1,513,931
South East Asia	62,528	89,094
Hong Kong	42,667	7,760
Korea	37,108	—
Europe	35,245	—
	<u>2,384,835</u>	<u>1,610,785</u>

Revenue from the Group's discontinued operation, the leasing of properties, plant and equipment was derived principally from the PRC.

4. Other income

	Continuing operations		Discontinued operations		Consolidated	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Interest earned on bank deposits	13,394	1,862	2	3	13,396	1,865
Net exchange gain	16,638	4,770	80	—	16,718	4,770
Gain on change in fair value of derivative financial instruments	1,481	—	—	—	1,481	—
Others	3,797	1,508	1,309	56	5,106	1,564
	<u>35,310</u>	<u>8,140</u>	<u>1,391</u>	<u>59</u>	<u>36,701</u>	<u>8,199</u>

5. Share-based payment transactions

During the year ended December 31, 2006, options were granted on May 15, 2006 and June 16, 2006. The estimated fair value of the options granted on these dates is approximately HK\$5,855,000. During the year ended December 31, 2005, no option was granted.

The fair value is calculated using the Black-Scholes pricing model. The inputs into the model are as follows:

Weighted average share price	HK\$0.73
Exercise price	HK\$0.69
Expected volatility	59.36%
Expected life in years	1
Risk free rate	4.57%
Expected dividend yield	1.50%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous one year. The expected life used in the model was based on management's best estimation taking into account non-transferability and other behavioural consideration. Risk free rate was determined by reference to the yield of 1 year Exchange Fund Notes at the date of grant. Expected dividend yield was based on historical dividend yield of the shares of the Company.

The Group recognised a total expense of approximately HK\$5,855,000 in the consolidated income statement for the year ended December 31, 2006 (2005: nil) in relation to share options granted by the Company.

6. Taxation

The amount of taxation credited to the consolidated income statement represents:

	2006 HK\$'000	2005 HK\$'000
Current tax:		
Hong Kong	(470)	(164)
Other regions in the PRC	(313)	(1,283)
	<u>(783)</u>	<u>(1,447)</u>
Deferred tax	962	5,114
	<u>179</u>	<u>3,667</u>

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year.

The current tax for other regions in the PRC represents PRC enterprise income tax, which is calculated at the rates prevailing, in respect of the Company's subsidiaries operating in the PRC.

7. Profit for the year

	Continuing operations		Discontinued operations		Consolidated	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Profit for the year has been arrived at after charging (crediting):						
Amortisation of prepaid lease payments for lands	1,991	1,834	—	—	1,991	1,834
Amortisation of prepaid lease payments for coast	670	653	—	—	670	653
Auditor's remuneration	1,347	1,144	—	—	1,347	1,144
Depreciation for property, plant and equipment	14,620	12,710	—	3,235	14,620	15,945
Minimum lease payments under operating leases:						
— LPG vessel	3,808	2,696	—	—	3,808	2,696
— Premises	1,322	1,117	14	9	1,336	1,126
Staff costs						
Directors' fees	378	330	—	—	378	330
Directors' other emoluments	8,293	2,518	—	—	8,293	2,518
Contributions to retirement benefits schemes excluding HK\$60,000 (2005: HK\$59,000) included in directors' emoluments	174	270	14	14	188	284
Others	12,250	8,391	409	371	12,659	8,762
	21,095	11,509	423	385	21,518	11,894
Gross rental income from investment properties	—	—	(2,696)	(4,164)	(2,696)	(4,164)
Less: Outgoings	—	—	551	1,017	551	1,017
	—	—	(2,145)	(3,147)	(2,145)	(3,147)

8. Earnings per share

For continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Profit attributable to the equity holders of the parent for the purposes of basic and diluted earnings per share	<u>44,130</u>	<u>35,702</u>
Number of ordinary shares for the purposes of basic earnings per share	481,676,687	<u>481,676,687</u>
Effect of dilutive potential ordinary shares:		
Options	<u>170</u>	
Number of ordinary shares for the purposes of diluted earnings per share	<u>481,676,857</u>	

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the parent entity is based on the following data:

Earnings figures are calculated as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	44,130	35,702
Less: Profit for the year from discontinued operations	<u>(5,718)</u>	<u>(6,777)</u>
	<u>38,412</u>	<u>28,925</u>

The denominators used are the same as those detailed above for basic and diluted earnings per share.

From discontinued operations

Basic earnings per share for the discontinued operations is HK1.19 cents per share (2005: HK1.40 cents per share), based on the profit for the year from the discontinued operations of approximately HK\$5,718,000 (2005: HK\$6,777,000) and the denominators detailed above for basic earnings per share.

Diluted earnings per share for the discontinued operation is HK1.19 cents per share (2005: Nil). No diluted earnings per share has been presented for the year ended December 31, 2005 because the exercise price of the Company's outstanding share options were higher than the average market price for shares.

9. Trade debtors and bills receivable

The credit terms of the Group range from 0 to 180 days. The aged analysis of trade debtors is as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
0 to 30 days	77,277	21,624
31 to 60 days	2,213	16,230
61 to 90 days	217	2,003
91 to 120 days	11	3,716
More than 120 days	108	6,767
	<hr/>	<hr/>
	79,826	50,340
Bills receivable	59,512	—
	<hr/>	<hr/>
	139,338	50,340
	<hr/> <hr/>	<hr/> <hr/>

The bills receivable are matured within the range of 30 days to 90 days.

10. Trade creditors and bills payable

The aged analysis of trade creditors is as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
0 to 30 days	158,094	18,340
31 to 60 days	—	3,154
61 to 90 days	—	35
More than 120 days	—	394
	<hr/>	<hr/>
	158,094	21,923
Bills payable	126,620	41,323
	<hr/>	<hr/>
	284,714	63,246
	<hr/> <hr/>	<hr/> <hr/>

The bills payable are matured within the range of 0 days to 60 days (2005: 30 days to 90 days).

FINAL DIVIDEND

The Directors has recommended a final dividend of HK1 cent per share (2005: HK1.2 cents) per share be paid to shareholders on the register of members on June 11, 2007. Subject to shareholders' approval at the forthcoming annual general meeting to be held on June 15, 2007, the final dividend will be paid on or about June 25, 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from June 11, 2007 to June 15, 2007, both days inclusive, during which period no share transfers can be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrars, Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4.00 p.m. on Friday, June 8, 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary

The Group once again achieved another year of high business growth in 2006. It recorded a revenue of HK\$2,384,835,000 from continuing operations for the year ended December 31, 2006, a substantial growth of 48.05% in comparison with the revenue of HK\$1,610,785,000 from continuing operations for the year ended December 31, 2005. Profit attributable to the equity holders of the Company for the year 2006 was HK\$44,130,000, an increase of 23.61% over the amount HK\$35,702,000 in the year 2005. As at December 31, 2006, the Company had 481,676,687 shares in its issued and paid up capital. Basic earning per share for the year 2006 was HK9.16 cents, an increase of 23.62% comparing with the basic earnings per share of HK7.41 cents for the year ended December 31, 2005.

In 2006, the Group sold 520,000 tons of LPG, which represents a growth of about 48.57% when compared with the sales volume of 350,000 tons achieved in 2005.

Market Situation of LPG

Market changes

While the demand for imported LPG in China remains strong, the LPG market in southern China had gone through a structural change in 2006. The market has been gradually evolving towards the segregation between imported LPG (for industrial or automobile use) and local LPG (for household use). The change is brought about by the following factors:

1. Since 2005, the international market price for LPG had been continually rising. For the most part of 2006, the pre-tariff price for LPG arriving at China ports ranged from about US\$500 to US\$600 per MT, representing an average price 20% higher than the 2005 level. During this prolong period of price rising imported LPG, which traditionally did not have any obvious price advantage, had lost its competitiveness further to local LPG because of the price differential. Selling imported LPG became especially challenging. Had it not been for the continuous appreciation of RMB during the period (the importers could save about 6% through settlement in foreign exchange for payments to international suppliers), imported LPG would have lost even more of its competitiveness to local LPG.
2. The supply of LPG from local refineries in southern China was substantially increased in the year 2006. In addition to the increase in production of the existing plants (MaoMing Petrochemicals and Guangzhou Petrochemicals), the commencement of the operation of Hainan Refinery and Zhuhai Hengqin Gas Processing Plant added further supply to the market. In 2006, the local supply increased from 500,000 tons to 1,000,000 tons, an increase of 100% (equivalent to about 20% of the total demand for LPG in Guangdong Province). It is estimated that in the year of 2007, with the full operation of Hainan Refinery and Zhuhai Hengqin Gas Processing Plant, the local supply of LPG could go up to 1,400,000 — 1,600,000 tons, equivalent to about 27% to 30% of the total demand in Guangdong Province.
3. Refineries in the north also increased their production of LPG, and because of the more convenient transportation facilitated by road network improvement, LPG was channelled by trucks from the north to the south in higher frequencies than before. The daily volume reached between 400 tons to 500 tons, or, on annual basis, 150,000 tons to 180,000 tons (equivalent to about 3% to 3.5% of the total demand in Guangdong Province). At the same time, the supply by barges increased too. The volume is estimated to be approximately 200,000 tons for the whole year of 2006, being equivalent to about 4% of the total demand in Guangdong Province. The total volume channelled from the north into Guangdong was between 350,000 tons to 400,000 tons, supplying about 8% of Guangdong's demand.

In Guangdong Province, the market share of imported LPG had gone down to 73% from 90% despite the substantial growth in demand for auto-gas (the estimated daily demand for auto-gas as at the end of year 2006 was about 700 tons, or approximately 250,000 tons on an annual basis, all of which are required to be imported). In the year 2006, Guangdong's total import of LPG dropped by 14.7% (2005 import volume: 4,474,000 tons; 2006 import volume: 3,816,000 tons). In 2007, it is estimated that the market share of imported LPG will go down further to only 60%.

If international price of LPG should remain above US\$500 per ton in 2007, competition from local LPG would further intensify. However, it is generally accepted in the LPG industry that the global supply of LPG will increase from currently 25,000,000 tons to 40,000,000 tons in 2 to 3 years time. While the demand in most of the development regions (Europe, Japan, Korea, etc.) is expected to be stagnant, the increased volume will be channelled to China, India and other regions in Southeast Asia. The price of international LPG therefore is more likely to come down. Also, new refrigerated vessels (VLGC) are to be launched in 2007 and 2008 in greater numbers and shipping costs would have to decrease. All these indicate a definite possibility that CFR (Cost and Freight) price for cargoes arriving at China ports will go down to the US\$400 per ton level at some point in future. When such time comes, even though the price of local LPG would still be lower than imported LPG, the difference would be significantly narrowed. Because of its much better quality, imported LPG will re-consolidate its lead in the LPG market of Guangdong Province.

Wholesale market situation

2006 was a difficult year for most of the LPG wholesalers (mainly the coastal terminals) in southern China. In response to the substantial increase in the supply of local LPG and in order to avoid loss making, LPG wholesalers generally reduced their import quantity. At the same time, industrial users and auto-gas operators, who rely solely on imported LPG, immediately became target customers of most wholesalers. During the year, the wholesale price maintained in the range of RMB4,800 — RMB5,700. In November and December, as many local refineries were shut down for maintenance, the wholesale price went up to approximately RMB6,000 per ton. That allowed many LPG wholesalers to make precious profit for the year.

Retail market situation

The LPG industry has benefit from the experience of 2005. At the end of that year, retail price of bottled LPG (15 kg) went up to a record high of RMB110 per bottle. The local government tried to impose a ceiling price for both retail and wholesale markets. Supply suddenly became very tight and the price went up further. Within two weeks, as the supply went back to normal, the price of bottled LPG went down to around RMB100 per bottle. During the entire year 2006, in most of the areas in the Guangdong province the retail market was steady and the selling price was in the range of RMB85 to RMB95 per bottle (equivalent to RMB5,950 to RMB6,650 per ton), approximately 15% to 23% lower than the record high. The consumer has already adjusted to the price level and there was no government price intervention during the year. On the purchasing side, the increase of local LPG did offer more choices to the market. As long as the quality was not extraordinarily sub-standard, retailers would choose to use more local LPG, or mix the local LPG with imported LPG. Therefore, purchasing costs were substantially lower than the 2005 level and gross margin widened. 2006 was certainly a profitable year for retailers.

Business situation

LPG Wholesale business

In mid-2005, the Group's Zhuhai terminal started to incorporate "Joint Purchase" and "Bonded Export" arrangements into our business expansion plan. These two arrangements also effectively helped to mitigate market risks in 2006 as mentioned above. "Joint Purchase" arrangement actually involves the selling of LPG imported by the Zhuhai Terminal to our business partners at costs (including all the relevant taxes and tariffs) plus a premium. Although the profit margin generated from Joint Purchase arrangement is thin, the transactions are free of price risk. "Bonded Export" is the re-export of refrigerated cargo to the international market (mainly Hong Kong, Vietnam and the Philippines) through pressurized barges during the designated time. As there is no competition from local LPG, and the time lag between the purchase and the sales is somewhat shortened, price risk for Bonded Export transaction was minimal.

The purchase volume of the Group in 2006

	Import		Domestic	
	Number of Shipments	Number of Tons	Number of Shipments	Number of Tons
Refrigerated LPG	24	443,000	0	0
Pressurized LPG	7	13,000	14	16,000
Trucks	0	0	approximately 2,000 Trucks	48,000
Total		456,000		64,000
Total purchase volume		approximately 520,000 tons		

In our total purchase volume, 210,000 tons (approximately 40%) were "Joint Purchase" transactions, 35,000 tons (approximately 6.7%) were "Bonded Export" transactions, 120,000 tons (approximately 23%) were inter-group sales to the Group's own retailing network, and the remaining 155,000 tons were sales to other domestic customers on spot basis. By these methods, the Group had achieved about 400,000 tons of wholesale volume. The profit margin was slim, but the risk was effectively hedged (especially when there is severe competition from local LPG).

We estimate that, in 2007, Joint Purchase volume will maintain at the range of 200,000 tons to 250,000 tons; Bonded Export volume will exceed 130,000 tons (at the end of 2006, the Group had entered into LPG price index based term supply contracts with various international buyers); and the volume of LPG price index based term supply contracts with local customers will exceed 100,000 tons. If we include the volume of spot wholesaling to the local market, the total wholesale volume would go up to 600,000 tons. On the purchase side, in the first quarter of 2007, the Group had entered into two term supply contracts (also on the basis of LPG price index) with two prominent suppliers and secured the supply of over 250,000 tons. As this purchase volume matches closely with the volume of sales contracts (on the same basis of LPG price index), price fluctuation risk is fully hedged.

In general, the Group will maintain its conservative approach to operate its wholesale business and use effective risk management techniques to achieve not less than 40% growth in its business volume.

LPG Retail business

In the year of 2006, the Group continued to expand its retailing network by acquiring existing retailers in Guangdong Province. In early 2006, the Group acquired Baorun Bottling Plant, an LPG bottling plant and retail depot operating in the area around Shenzhen and Dong Guan. After we took over the operation, the business improved remarkably and its sales averaged about 100 tons per day, making it the LPG depot with highest turnover in the Group. At the end of 2006 and early 2007, the Group respectively acquired 100% shares of Deqing Nan Qiong Bottling Plant (with lighters manufacturers as its major customers) and 51% shares of Guangzhou Menghua Gas Company Limited. These acquisitions further solidified the foundation for the expansion of the Group's retail network.

In the year 2006, the Group's 9 bottling plants and retail depots in 7 cities achieved a turnover of approximately 170,000 tons. The gross margin had slightly improved from the previous year, though it did not reach the level of other retailers in the region. The main cause is that, for logistics reasons, a major portion of their LPG supply came from our Zhuhai Terminal. As the cargo from Zhuhai terminal is mainly imported LPG, the purchase cost of our LPG depots was therefore higher than other retailers who relied more on local LPG.

Looking ahead into 2007, with Deqing Nan Qiong and Guangzhou Menghua, the Group will be operating 14 bottling plants and retail depots in 9 cities. The retailing turnover is expected to go up to about 230,000 tons. Moreover, in line with the completion of the storage expansion at Zhuhai Terminal in 2007, the Group's bottling plants are going to reduce substantially the purchase of imported LPG from Zhuhai Terminal. These depots will be able to source more local LPG to improve their profitability.

Electronic business

In 2006, the Group maintained its electronics trading business by exporting cell phones from China to the developing countries in the Indo-China regions. Though electronics trading does not occupy major share of the Group's business, this line of business enjoys a high development potential.

Business outlook

The Group's LPG wholesale business is operated through the Zhuhai Terminal. We believe that the competitiveness of a terminal is highly dependent on its geographical location and its throughput efficiency. Since the acquisition of the Zhuhai Terminal in 2004, the Group had already formulated a number of efficiency improvement plans for the terminal's operation. These include periodic dredging of the sea channel, expansion of the storage capacity (in the second half of 2007, the storage capacity will be increased to 15,600 tons from the original 2,100 tons), separate storage for propane and butane, and installation of new mixing facilities that enables the terminal to meet with specific requirements of the customers (to be completed in the second half of 2007). We are also conducting a feasibility study on the addition of two more berths along the Terminal's coastal line. If all these can be completed in 2008, the throughput capacity of the terminal would be enhanced from the original designed capacity of 800,000 tons per annum to 1,500,000 tons per annum.

In June 2006, the Group entered into a contract with Caltex to build an oil storage on a vacant site at the Terminal. The project is now at the preparatory stage. Construction is expected to start in the second half of 2007 and be completed before the end of 2008. When the above mentioned throughput efficiency improvement plans are all implemented, the Terminal will be able to handle 1,500,000 tons of LPG and concurrently 2,000,000 tons of oil products. That makes it the most efficient terminal in southern China.

For the retailing business, the Group will maintain the strategy to acquire 2 or 3 bottling plants in a year. The goal is to achieve 350,000 tons of annual turnover in two years time. And we could take advantage in the trend of falling of international LPG price to further improve our profitability.

LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2006, the net current assets of the Group amounted approximately to HK\$11,718,000 and the Group's bank balances and cash was HK\$151,034,000. At the balance sheet date, current ratio was 1.01:1, quick ratio was 0.94:1, gearing ratio was 0.69:1 which was calculated based on total liabilities of HK\$1,014,332,000 and total assets of HK\$1,461,813,000.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at December 31, 2006 and 2005.

PLEDGE OF ASSETS

At December 31, 2006, the Group pledged its bank deposits amounting to HK\$313,657,000 (2005: HK\$207,909,000) to secure general banking facilities granted to the Group. The bank loans of the Group comprise of an amount of approximately HK\$163,380,000 (2005: nil) drawn under a term loan facility secured by a floating charge over the assets of the Company, and by share mortgages of the issued capital and floating charges over the assets of Sound Hong Kong Limited, Sound Green Energy Limited and NewOcean Shenzhen Energy Investment Limited which are subsidiaries of the Company. In the year 2005, the Group has also pledged prepaid lease payments for lands having an aggregate net book value of HK\$2,045,000 to secure general banking facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2006, the Group employed approximately 310 full time employees in Hong Kong and the PRC. The Group remunerated the employees based on their performance, experience and prevailing market practice. Employee benefits provided by the Group include a provident fund scheme, medical insurance scheme and an employee share option 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 12 months ended December 31, 2006.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended December 31, 2006, except that the independent non-executive directors of the Company are not appointed for terms of office determined according to a fixed period of time. Nevertheless, such directors were appointed to their offices for such term of office and are subject to retirement in accordance with the provisions in the Bye-laws of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiries of all directors and all directors confirmed they have complied with the required standard of dealings set out therein during the year.

REVIEW OF ANNUAL RESULT

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 audited financial statements for the year ended December 31, 2006.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

Detailed information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange as soon as practicable.

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

Hong Kong, April 18, 2007

As at the date of this announcement, the Board of the Company comprises Mr. Shum Siu Hung, Mr. Raymond Chiu Sing Chung, Mr. Lawrence Shum Chun and Mr. Cen Ziniu, being the executive directors, Mr. Wu Hong Cho being the non-executive director, Mr. Anthony Cheung Kwan Hung, Mr. Joseph Ma Man Hoi, Mr. Benedict Chan Yuk Wai and Dr. Xu Mingshe being the independent non-executive directors.