



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



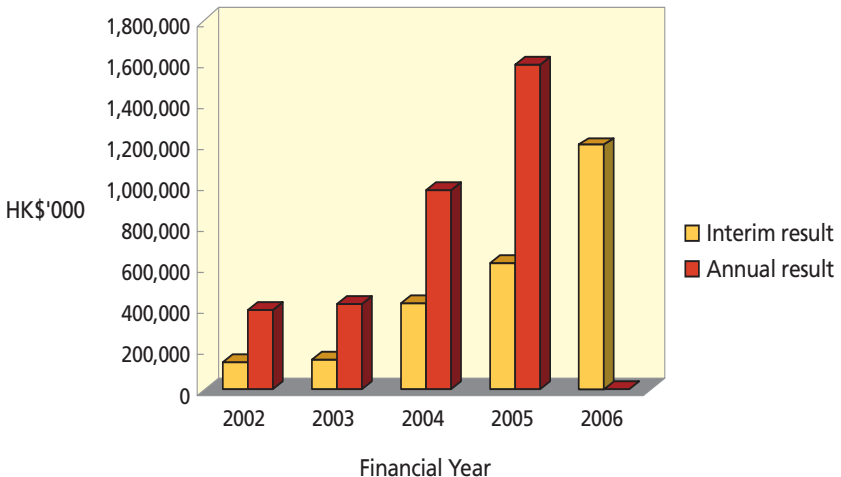
Interim
Report 2006

Financial Highlights

	For the six months ended 30 June		Changes
	2006 (unaudited)	2005 (unaudited)	
	HK\$'000	HK\$'000	
Revenue	1,250,507	656,200	+91%
Profit attributable to equity holders of the Company	17,245	20,332	-15%
Profit attributable to equity holders of the Company (excluding "share-based payment expenses" [#] in calculation)	23,100	20,332	+14%
EBITDA	38,782	29,545	+31%
EBITDA (excluding "share-based payment expenses" [#] in calculation)	44,637	29,545	+51%
Basic earnings per share	3.58 cents	4.22 cents	-15%

[#] "Share-based payment expenses" represents the estimated fair value of share options granted during the current period ended 30 June 2006 and is recognized in the income statement for the current period with the adoption of Hong Kong Financial Reporting Standard 2 effective from 1 January 2005 which have an effect on the result of the Group for the current period while no options were granted during the period ended 2005.

Revenue Growth



Significant Achievements and Events

(1) 16 December 2005

Commencement of the storage expansion construction work at Zhuhai sea terminal.



(2) 1 April 2006

Completion of the acquisition of Shenzhen Baorun Liquefied Petroleum Gas Co., Ltd.



Significant Achievements and Events *(Continued)*

(3) 20 June 2006

Entered into a Share Transfer and Option Agreement with Caltex South China Investments Limited for the establishment of a joint venture to develop and operate an 80,000 metric ton depot for petroleum products at the Group's Zhuhai sea terminal.



for the purpose of financing the construction project and enhancing the working capital of the Group.

(4) 14 August 2006

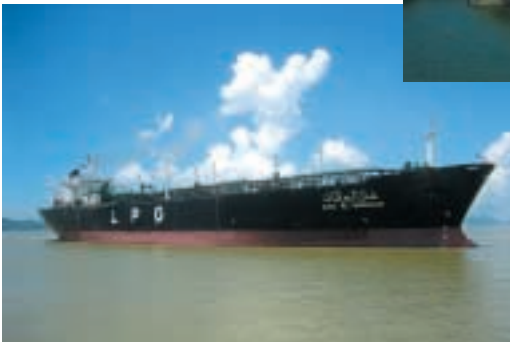
Signing ceremony of entering into a facility agreement with the banks for the facility amounts of US\$22,000,000



Significant Achievements and Events *(Continued)*

(5) During the period from 1 January 2006 to 30 June 2006

The average import volume of the Group's Zhuhai sea terminal was approximately 40,000 tons per month during the first half of 2006.



The Board of Directors (the "Board") of NewOcean Energy Holdings Limited (the "Company") presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006 together with comparative figures for the corresponding period in 2005. These condensed consolidated interim results have not been audited, but have been reviewed by the Company's audit committee.

Condensed Consolidated Income Statement

	Notes	6 months ended 30.06.2006 (Unaudited) HK\$'000	6 months ended 30.06.2005 (Unaudited) HK\$'000
Revenue	3	1,250,507	656,200
Cost of sales		(1,193,955)	(614,039)
Gross profit		56,552	42,161
Other income	4	12,186	871
Selling and distribution expenses		(12,170)	(8,391)
Administrative expenses		(20,312)	(14,080)
Share-based payment expenses	14	(5,855)	—
Finance costs		(13,789)	(2,703)
Share of results of a jointly controlled entity		(248)	(154)
Profit before taxation	5	16,364	17,704
Taxation credit	6	881	2,757
Profit for the period		17,245	20,461
Attributable to:			
Equity holders of the Company		17,245	20,332
Minority interests		—	129
		17,245	20,461
Earnings per share	8		
Basic		3.58 cents	4.22 cents
Diluted		3.58 cents	4.22 cents

Condensed Consolidated Balance Sheet

	<i>Notes</i>	30.06.2006 (Unaudited) HK\$'000	31.12.2005 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	178,692	170,094
Prepaid lease payments for lands	9	50,967	46,899
Prepaid lease payments for coast		12,032	12,366
Investment properties	9	46,000	46,000
Goodwill		87,787	61,893
Interest in a jointly controlled entity		12,102	12,350
Other assets		14,395	18,754
Deferred tax assets		2,592	2,326
		404,567	370,682
Current assets			
Inventories		38,280	40,197
Trade debtors	10	107,002	50,340
Other debtors, deposits and prepayments		109,330	100,928
Prepaid lease payments for lands		1,980	1,868
Prepaid lease payments for coast		658	653
Amount due from a jointly controlled entity		153	153
Amount due from a former shareholder of a subsidiary		2,435	2,435
Pledged bank deposits		394,559	207,909
Bank balances and cash		41,826	57,479
		696,223	461,962

Condensed Consolidated Balance Sheet *(Continued)*

	Notes	30.06.2006 (Unaudited) HK\$'000	31.12.2005 (Audited) HK\$'000
Current liabilities			
Trade creditors and bills payable	11	48,220	63,246
Other creditors and accrued charges		121,794	26,046
Tax liabilities		9,133	8,971
Borrowings, partly secured — repayable within one year	12	493,917	334,407
		673,064	432,670
Net current assets			
		23,159	29,292
		427,726	399,974
Capital and reserves			
Share capital	13	48,168	48,168
Share premium and reserves		357,663	340,764
Equity attributable to equity holders of the Company		405,831	388,932
Minority interests		1,531	1,531
Total equity			
		407,362	390,463
Non-current liabilities			
Borrowings, unsecured — repayable over one year	12	11,333	—
Deferred tax liabilities		9,031	9,511
		20,364	9,511
		427,726	399,974

Condensed Consolidated Statement of Changes in Equity

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Contributed surplus accounts HK\$'000	Retained (losses)/ profit HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2005	48,168	199,299	122,085	1,529	—	1,667	(18,120)	354,628	4,709	359,337
Exchange differences arising from translation of financial statements of overseas subsidiaries recognized directly in equity	—	—	—	168	—	—	—	168	—	168
Profit for the period	—	—	—	—	—	—	20,332	20,332	129	20,461
Total recognized income and expense for the period	—	—	—	168	—	—	20,332	20,500	129	20,629
Dividend paid	—	—	—	—	—	—	(4,817)	(4,817)	—	(4,817)
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	1,530	1,530
At 30 June 2005	48,168	199,299	122,085	1,697	—	1,667	(2,605)	370,311	6,368	376,679
At 1 January 2006	48,168	199,299	122,085	4,948	—	1,667	12,765	388,932	1,531	390,463
Exchange differences arising from translation of financial statements of overseas subsidiaries recognized directly in equity	—	—	—	(421)	—	—	—	(421)	—	(421)
Profit for the period	—	—	—	—	—	—	17,245	17,245	—	17,245
Total recognized income and expense for the period	—	—	—	(421)	—	—	17,245	16,824	—	16,824
Dividend paid	—	—	—	—	—	—	(5,780)	(5,780)	—	(5,780)
Recognition of equity settled share-based payment (note 14)	—	—	—	—	5,855	—	—	5,855	—	5,855
At 30 June 2006	48,168	199,299	122,085	4,527	5,855	1,667	24,230	405,831	1,531	407,362

The special reserve of the Group represents the difference between the share capital, share premium and capital redemption reserve of the Group's former ultimate holding company whose shares were exchanged for the Company's shares and the nominal amount of the share capital issued by the Company pursuant to a scheme of arrangement dated 14 April 1999.

Condensed Consolidated Cash Flow Statement

	6 months ended 30.06.2006 (Unaudited) HK\$'000	6 months ended 30.06.2005 (Unaudited) HK\$'000
Net cash generated from (used in) operating activities	42,984	(5,110)
Net cash used in investing activities	(36,630)	(17,922)
Net cash (used in) generated from financing activities	(21,586)	35,345
Net (decrease) increase in cash and cash equivalents	(15,232)	12,313
Cash and cash equivalents at beginning of the period	57,479	55,937
Effect of foreign exchange rate changes	(421)	168
Cash and cash equivalents at end of the period	41,826	68,418
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	41,826	68,418

Notes to The Condensed Consolidated Financial Statements

1. Basis of Preparation and Principal Accounting Policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2005.

2. Changes in Accounting Policies

In the current period, the Group has adopted for the first time a number of new or revised Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006 respectively. The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior year adjustment has been required.

2. Changes in Accounting Policies *(Continued)*

The HKICPA has issued the following new HKFRSs that are not yet effective. The Group has not early adopted these new HKFRSs. The directors of the Company anticipate that the application of these new HKFRSs will have no material impacts on the results and financial positions of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) — Int 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) — Int 8	Scope of HKFRS 2 ³
HK(IFRIC) — Int 9	Reassessment of embedded derivatives ⁴

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

² Effective for annual periods beginning on or after 1 March 2006.

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

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

3. Segmental Information

The Group is principally engaged in sale and distribution of liquefied petroleum gas (“LPG”), sale of electronic products and leasing of investment properties, property, plant and equipment. These businesses are the basis on which the Group reports its primary segment information.

3. Segmental Information *(Continued)*

Segment information about these businesses is presented below:

Business segments

Six months ended 30.06.2006 (Unaudited)

	Sale and distribution of LPG HK\$'000	Sale of electronic products HK\$'000	Leasing of investment properties, property, plant and equipment HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment revenues	1,216,496	31,864	2,147	—	1,250,507
Segment results	41,882	347	1,757	10	43,996
Unallocated corporate expenses	—	—	—	(7,740)	(7,740)
Share-based payment expenses	—	—	—	(5,855)	(5,855)
Finance costs	—	—	—	(13,789)	(13,789)
Share of results of a jointly controlled entity	(248)	—	—	—	(248)
Profit/(loss) before taxation	41,634	347	1,757	(27,374)	16,364
Taxation credit					881
Profit for the period					17,245

3. Segmental Information *(Continued)*

Business segments *(Continued)*

Six months ended 30.06.2005 (Unaudited)

	Sale and distribution of LPG <i>HK\$'000</i>	Sale of electronic products <i>HK\$'000</i>	Leasing of investment properties, property, plant and equipment <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenues	564,336	81,264	2,951	7,649	656,200
Segment results	14,709	9,820	222	765	25,516
Unallocated corporate expenses	—	—	—	(4,955)	(4,955)
Finance costs	—	—	—	(2,703)	(2,703)
Share of results of a jointly controlled entity	—	—	—	(154)	(154)
Profit/(loss) before taxation	14,709	9,820	222	(7,047)	17,704
Taxation credit					2,757
Profit for the period					20,461

4. Other Income

	6 months ended 30.06.2006 (Unaudited) HK\$'000	6 months ended 30.06.2005 (Unaudited) HK\$'000
Interest earned on bank deposits	4,348	100
Net exchange gain	6,632	—
Waiver of outstanding debts by vendors	546	—
Other	660	771
	12,186	871

5. Profit Before Taxation

Profit before taxation is stated after charging the following items:

	6 months ended 30.06.2006 (Unaudited) HK\$'000	6 months ended 30.06.2005 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	7,338	7,926
Amortisation of prepaid lease payments for lands	962	888
Amortisation of prepaid lease payments for coast	329	324
Total depreciation and amortisation	8,629	9,138

6. Taxation Credit

	6 months ended 30.06.2006 (Unaudited) HK\$'000	6 months ended 30.06.2005 (Unaudited) HK\$'000
Current tax:		
Hong Kong	—	—
Other regions in the People's Republic of China (the "PRC")	(33)	(54)
Deferred tax	914	2,811
	881	2,757

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company's subsidiaries operating in Hong Kong incurred a tax loss for the period.

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. Dividend

On 23 June 2006, a dividend of HK1.2 cents per share (2005: HK1 cent per share of HK\$0.10 each) was paid to shareholders as the final dividend for 2005.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006 (six months ended 30 June 2005: nil).

8. Earnings Per Share

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:

	6 months ended 30.06.2006 (Unaudited) HK\$'000	6 months ended 30.06.2005 (Unaudited) HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (net profit for the period attributable to equity holders of the Company)	17,245	20,332
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	481,676,687	481,676,687
Effect of dilutive potential ordinary shares: share options	259,636	123,911
Weighted average number of ordinary shares for the purposes of diluted earnings per share	481,936,323	481,800,598

9. Movements in Property, Plant and Equipment, Prepaid Lease Payments for Lands and Investment Properties

During the period, property, plant and equipment and prepaid lease payments for lands of approximately HK\$19,058,000 were acquired upon the acquisition of 100% of the entire equity interest of Shenzhen Baorun Liquefied Petroleum Gas Co., Ltd. ("Baorun").

At 30 June 2006, the directors consider the fair values of the Group's investment properties do not differ significantly from the carrying amount at 31 December 2005.

10. Trade Debtors

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

	30.06.2006 (Unaudited) HK\$'000	31.12.2005 (Audited) HK\$'000
0 to 30 days	102,500	21,624
31 to 60 days	1,357	16,230
61 to 90 days	1,680	2,003
91 to 120 days	871	3,716
More than 120 days	594	6,767
	107,002	50,340

11. Trade Creditors and Bills Payable

The aged analysis of trade creditors is as follows:

	30.06.2006 (Unaudited) HK\$'000	31.12.2005 (Audited) HK\$'000
0 to 30 days	16,926	18,340
31 to 60 days	44	3,154
61 to 90 days	3	35
91 to 120 days	—	—
More than 120 days	502	394
	17,475	21,923
Bills payable	30,745	41,323
	48,220	63,246

12. Borrowings

	30.06.2006 (Unaudited) HK\$'000	31.12.2005 (Audited) HK\$'000
Bank trust receipt loans	489,667	327,415
Other bank loans	15,583	6,992
	505,250	334,407
Less: Amount due within one year shown under current liabilities	(493,917)	(334,407)
Amount due after one year	11,333	—
Analysed as:		
Secured	421,836	250,247
Unsecured	83,414	84,160
	505,250	334,407

13. Share Capital

Ordinary shares of HK\$0.10 each (31.12.2005: HK\$0.10 each).

	Number of Shares	Amount <i>HK\$'000</i>
Authorised share capital:		
At 31 December 2005 and 30 June 2006	20,000,000,000	2,000,000
Issued and fully paid share capital:		
At 31 December 2005 and 30 June 2006	481,676,687	48,168

14. Share-Based Payment Transactions

Equity-settled share option scheme

(i) *Old Share Option Scheme*

Old Employee Share Option Scheme

The old employee share option scheme (the "Old Option Scheme") was adopted by the Company on 9 April 1999 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 8 April 2009. Under the Old Option Scheme, the Board of Directors of the Company may at their discretion grant options to directors or employees of the Company and its subsidiaries to subscribe for shares in the Company in accordance with the terms of the Old Option Scheme. The subscription price (subject to adjustments as provided therein) is the higher of the nominal value of the shares and an amount which is not less than 80% of the average of the closing price per share on the Stock Exchange for the five trading days immediately preceding the date the option is granted. The maximum number of option shares in respect of which options may be granted under the Old Option Scheme shall not exceed 10% of the share capital of the Company in issue from time to time. At 30 June 2006, the numbers of shares in respect of which options had been granted and remained outstanding under the Old Option Scheme was 14,000,000 (31.12.2005: 14,000,000), representing 2.9% (31.12.2005: 2.9%) of the shares of the Company in issue at that date. No option under the Old Employee Share Option Scheme lapsed, or was cancelled or exercised during the period.

(ii) *New Share Option Scheme*

Pursuant to an ordinary resolution passed at the Special General Meeting of the Company held on 18 June 2003, the Company adopted a new option scheme ("New Option Scheme") to replace the Old Option Scheme. All the options granted under the Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the Old Option Scheme.

14. Share-Based Payment Transactions *(Continued)*

Equity-settled share option scheme *(Continued)*

(ii) New Share Option Scheme *(Continued)*

The purpose of the New Option Scheme is to provide incentives or rewards to participants including directors, employees, suppliers and customers etc. Under the New Option Scheme, the Board of Directors of the Company may at their discretion grant options to participants to subscribe for shares in the Company in accordance with the terms of the New Option Scheme. The subscription price shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of shares as stated in the Stock Exchange's daily quotation sheet on the date of offer for grant of options, which must be a trading day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer for grant of options; and (iii) the nominal value of a share. The total number of shares which may be issued upon exercise of all options to be granted under the New Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue. Based on the 481,676,687 shares (31.12.2005: 481,676,687 shares) in issue as at 30 June 2006 and taking into account 14,000,000 options (31.12.2005: 14,000,000 options) outstanding under the Old Option Scheme and 30,500,000 options (31.12.2005: nil) outstanding under the New Option Scheme, the total number of shares which may be issued upon exercise of all options to be granted under the New Option Scheme and any other schemes must not in aggregate exceed 3,667,669 shares (31.12.2005: 34,167,669 shares).

14. Share-Based Payment Transactions *(Continued)*

Equity-settled share option scheme *(Continued)*

(ii) New Share Option Scheme (Continued)

The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the New Option Scheme within any 12 month period, must not exceed 1% of the shares in issue from time to time. There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors of the Company and provided in the offer of grant of option.

The exercise period should be any period fixed by the board of directors of the Company upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.

The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee to the Company.

On 15 May 2006, share options entitling the holders to subscribe for a total of 30,500,000 shares were granted by the Company to the directors and senior management/other participants of the Group under the New Option Scheme at a nominal consideration of HK\$1.00 payable by each grantee. These options may be exercised at any time commencing 17 June 2006 to 31 December 2015, at the exercise price of HK\$0.69 per share. The number of share options granted to Shum Siu Hung, Chiu Sing Chung, Raymond, Cheung Kwan Hung, Anthony and Ma Man Hoi, Joseph were approved at the special general meeting of the Company held on 16 June 2006. No option under the New Share Option Scheme lapsed, or was cancelled or exercised during the period.

14. Share-Based Payment Transactions *(Continued)*

Equity-settled share option scheme *(Continued)*

(ii) New Share Option Scheme (Continued)

The following table discloses movements of the Company's share options during the period:

	Outstanding at 1 January 2006	Granted during the period	Exercised during the period	Outstanding at 30 June 2006
Director and chief executive				
Shum Siu Hung	3,000,000	9,000,000	—	12,000,000
Chiu Sing Chung, Raymond	—	6,000,000	—	6,000,000
Wu Hong Cho	1,000,000	—	—	1,000,000
Cen Ziniu	3,000,000	—	—	3,000,000
Cheung Kwan Hung, Anthony	—	1,000,000	—	1,000,000
Ma Man Hoi, Joseph	—	1,000,000	—	1,000,000
Tong Shiu Ming	3,500,000	—	—	3,500,000
	10,500,000	17,000,000	—	27,500,000
Employee and other				
	3,500,000	13,500,000	—	17,000,000
Total	14,000,000	30,500,000	—	44,500,000

(iii) Valuation of options

According to the Black-Scholes pricing model (the "Model"), the estimated fair value of the share options granted during the period was HK\$5,855,000. The following table lists the weighted average inputs to the model used for the period ended 30 June 2006.

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%

14. Share-Based Payment Transactions *(Continued)*

Equity-settled share option scheme *(Continued)*

(iii) Valuation of options (Continued)

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 behavioral 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.

15. Acquisition of a Subsidiary

On 1 April 2006, the Group acquired 100% of equity interest of Baoron for cash consideration of approximately HK\$38,961,000. This transaction has been accounted for using the acquisition method of accounting.

The net assets acquired in the transaction, and the goodwill arising are as follows:

	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets acquired:			
Property, plant and equipment	12,608	1,309	13,917
Prepaid lease payments for lands	3,869	1,272	5,141
Other debtors, deposits and prepayments	309	—	309
Trade creditors	(388)	—	(388)
Other creditors and accrued charges	(5,525)	—	(5,525)
Deferred tax liabilities	—	(387)	(387)
			13,067
Goodwill			25,894
Total consideration, satisfied by cash			38,961
Net cash outflow arising on acquisition:			
Cash consideration paid			38,961

15. Acquisition of a Subsidiary *(Continued)*

The goodwill arising on the acquisition of Baorun is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Baorun contributed approximately HK\$37,342,000 revenue and HK\$2,262,000 to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2006, total group revenue for the period would have been approximately HK\$1,287,849,000 and profit for the period would have been approximately HK\$19,507,000. The proforma information is for illustrative purposes only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

16. Contingent Liabilities

The Group had no significant contingent liabilities at both 30 June 2006 and 31 December 2005.

17. Pledge of Assets

At 30 June 2006, apart from the bank deposits of approximately HK\$394,559,000 (31.12.2005: HK\$207,909,000) pledged to banks to secure general banking facilities granted to the Group, no other asset of the Group was pledged. At 31 December 2005, prepaid lease payments for lands having an aggregate carrying value of approximately HK2,045,000 was also pledged to secure general banking facilities granted to the Group.

18. Lease Commitments

The Group as lessee:

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30.06.2006 (Unaudited) HK\$'000	31.12.2005 (Audited) HK\$'000
Within one year	4,295	1,887
In the second to fifth years inclusive	2,843	2,886
Over five years	28,729	29,083
	35,867	33,856

The Group as lessor:

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	30.06.2006 (Unaudited) HK\$'000	31.12.2005 (Audited) HK\$'000
Within one year	2,134	3,089
In the second to fifth years inclusive	2,060	3,412
Over five years	—	2,814
	4,194	9,315

19. Other Commitments

Capital expenditure contracted for but not provided in the financial statements in respect of:

	30.06.2006 (Unaudited) <i>HK\$'000</i>	31.12.2005 (Audited) <i>HK\$'000</i>
Investment in subsidiaries	2,225	36,390
Investment in a jointly controlled entity	1,916	1,916
Purchase of plant and equipment	119,380	117,776
	123,521	156,082

20. Related Party Transactions

During the period, the Group entered into the following significant transactions with related parties:

	6 months ended 30.06.2006 (Unaudited) <i>HK\$'000</i>	6 months ended 30.06.2005 (Unaudited) <i>HK\$'000</i>
Rental expenses paid to Shum Ho, Neo	228	228
Sales to a jointly controlled entity	—	72

On 16 May 2005, Sound Management Services Limited, a wholly-owned subsidiary of the Company, entered into an office tenancy agreement with Shum Ho, Neo for the use of office premises provided by Shum Ho, Neo located on 20th Floor, Times Tower, 393 Jaffe Road, Wanchai, Hong Kong at HK\$38,000 per calendar month for a period of one year commencing 16 May 2005. On 16 May 2006, the agreement was renewed for one year to 15 May 2007 with the same terms.

20. Related Party Transactions *(Continued)*

In the opinion of the Company's directors, the rental amounts were based on market rates at the time when the tenancy agreements were signed.

The goods were sold to a jointly controlled entity at prices similar to those prices offered to third party customers.

21. Post Balance Sheet Events

1. On 3 September 2006, Sound Electronics (Shenzhen) Co., Ltd. (the "Vendor"), an indirect wholly-owned subsidiary of the Company entered into an agreement with an independent third party, Madam Li Yianling (the "Purchaser") whereby the Vendor agreed to sell a property located in Nan She Gang, Huang Tian Zhong Wu Cun, Xi Xiang Zhen, Bao An District, Shenzhen, the PRC to the Purchaser for a cash consideration of RMB52,000,000 (approximately HK\$49,904,030). An announcement containing details of the disposal was released on 6 September 2006 and a circular will be dispatched as soon as practicable.
2. On 14 August 2006, the Company entered into a facility agreement (the "Facility Agreement") with a number of banks (the "Banks") whereby the Banks agreed to make available the facility in the amounts of US\$22,000,000 (equivalent to an aggregate amount of approximately HK\$171,600,000) (the "Facility") to the Company upon the terms and conditions as stated therein. The Facility is a transferable term loan facility which shall be repaid by the Company by installments according to the repayment schedule with the last installment due on the date falling 60 months after the date of the Facility Agreement.
3. The Company and Caltex South China Investments Limited entered into a Share Transfer and Option Agreement on 22 June 2006 relating to the establishment of a joint venture to develop and operate an 80,000 metric ton depot for petroleum products at the Group's Gaolan Harbour Terminal in Zhuhai. Please refer to the circular dated 12 July 2006 for further details.

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2006 (six months ended 30 June 2005: nil).

Management Discussion and Analysis

General

The Group again achieved high business growth in the first half of 2006. It recorded a turnover of approximately HK\$1,250,507,000 for the period ended 30 June 2006, a substantial increase of 91% comparing with the turnover of approximately HK\$656,200,000 for the period ended 30 June 2005. The net profit for the period ended 30 June 2006 after the estimated fair value of share options granted during the period as required under Hong Kong Financial Reporting Standards amounted to approximately HK\$17,245,000 (Net profit before deducting the estimated fair value of share options amounted to approximately HK\$23,100,000), a drop of 15% in comparison with the net profit of approximately HK\$20,332,000 in the same period of 2005 in which no share options were granted (a 14% increase comparing with net profit before deduction of the estimated fair value of share options). As at the end of 30 June 2006, the Company has issued and paid up 481,676,687 of ordinary shares. Basic earning per share for the period ended 30 June 2006 was HK3.58 cents, a drop of 15% comparing with the basic earnings per share for the period ended 30 June 2005 (when calculated on the basis of net profit before deducting the estimated fair value of share options, the earnings per share for the period ended 30 June 2006 was HK4.80 cents, an increase of 14% in comparison with the same period of 2005).

Management Discussion and Analysis

(Continued)

Business Review and Analysis

Group Business Overview

For the purpose of representing more clearly its business development direction, the Company announced on 28 April 2006 to change its name from “NewOcean Green Energy Holdings Limited” to “NewOcean Energy Holdings Limited”. The Group has set the development of ENERGY as its long term business strategy, and has formulated a series of business plans accordingly. The execution of these plans produced preliminary accomplishments in the first half of 2006.

1. In six months, total LPG sales volume (including wholesaling and retailing) reached about 275,000 tons, a significant growth of 72% comparing with approximately 160,000 tons achieved in the first half of 2005. The import volume of Zhuhai Terminal reached approximately 220,000 tons making it one of the big 5 LPG importers (in terms of import volume) in China. It is anticipated that the import volume of Zhuhai Terminal will be around 450,000 tons to 500,000 tons for the whole year representing 7.5% to 8.3% of China’s estimated total import in 2006.
2. The storage capacity expansion project which started in November 2005 has been progressing smoothly without any hiccup and not affecting the day to day LPG wholesaling operation. The first phase of construction is expected to complete by the end of 2006. The storage capacity will then be expanded from currently 2,100 tons to 9,600 tons and will provide more favorable conditions for Zhuhai Terminal to strengthen its throughput capability.
3. The Group started its discussions with banks on financing the storage expansion project of the Zhuhai Terminal since April 2006. A loan agreement was signed in August pursuant to which the syndicate has committed to provide a US\$22,000,000 five years term loan facility to the Company.

Management Discussion and Analysis

(Continued)

Business Review and Analysis *(Continued)*

Group Business Overview *(Continued)*

4. The plan to cooperate with international partner on the oil products storage project had substantial progress in the first half of 2006. A cooperation agreement was finally signed with Caltex South China Investment Ltd. in June. The construction of the oil depot is planned to commence in the second half of the year.
5. The group continued to curtail all electronics related business. Investment properties (currently for leasing only) will be disposed at market price in the second half of the year.

LPG Business

Market Situation

In the first half of 2006, the international market price of LPG hovered at the high price range. One after another, domestic refineries in China increased their LPG production and activated more the shift of LPG from the North to the South. Due to the increased supply of domestic LPG, importers were unable to adjust their sales price in line with the increase in import cost; wholesale and retail margin therefore were further squeezed generally. On the demand side, given that LPG has become one of the important energy sources of households in the cities, and industrial and automobiles users of LPG have been increasing speedily, the market had very strong demand for LPG despite the high price. Following such development trend, a market segregation will soon evolve, where general households will be served by domestic LPG and industrial and automobile users can only be served by imported LPG. Domestic and imported LPG to have different prices is very likely to happen in Southern China. First class LPG terminals (for berthing of 10,000 tons class refrigerated vessels) will have to focus more on sales to industrial and automobile users while the traditional second class terminals (for berthing of 1,000 tons class pressurized ships) will focus on sales to general households.

Management Discussion and Analysis

(Continued)

Business Review and Analysis *(Continued)*

LPG Business *(Continued)*

LPG Wholesaling

The Group continued to achieve high growth of LPG wholesaling in the first half of 2006. Zhuhai Terminal recorded an import volume of about 220,000 tons in the first half of the year, an increase of 93% comparing with approximately 114,000 tons of import volume in the same period of 2005. In 2006, Zhuhai Terminal concentrated on the purchase of refrigerated cargo thus saving costs moderately in comparison with the same period of 2005, when the bulk of the purchases was pressurized cargo. With respect to sales, Zhuhai Terminal had entered into term supply contracts on cost plus basis with reliable local customers (including the operators of auto-gas refueling stations in Guangzhou) and successfully established the channels for export to Hong Kong (for taxi LPG refueling), Philippines and Vietnam. These measures effectively mitigated the impact of domestic LPG in the local market and maintained a profitable operation.

LPG Retailing

The Group achieved a retailing volume of about 100,000 tons in the first half of 2006, an increase of about 43% comparing with 70,000 tons in the same period of 2005. The 8 bottle filling plants already in operation contributed about 90,000 tons of sales (an increase of about 28%) and the Shenzhen Baorun Bottle Filling Plant ("Baorun") which the group acquired in April contributed about 10,000 tons of sales in just 3 months. Due to the size of Baorun's operation in Shenzhen, there was a notable increase in selling expenses and administration cost of the Group when compared with the same period last year, but the increase was more than compensated by the increased turnover and operating profit brought about by Baorun. It is anticipated that the Group's retailing volume will very likely exceed 200,000 tons in the whole year of 2006. In respect of sourcing, about 45% was supplied by Zhuhai Terminal and 55% was purchased by the bottle filling plants themselves from the local refineries. As the price of import LPG remained high, bottle filling plants had to rely more on local LPG to maintain profit making. In the long run, the bottle filling plants in the Group will be buying and selling local LPG mainly.

Management Discussion and Analysis

(Continued)

Business Review and Analysis *(Continued)*

Oil Products Storage Project

In respect of the Oil Products Storage Project in cooperation with Caltex South China Investment Ltd., a new joint venture will be established for the project development. Zhuhai Terminal will be one of the shareholders. It will inject a parcel of land of about 36,000 square meters as its equity contribution to become 35% equity holder of the joint venture. The joint venture will build 80,000 tons storage for diesel and gasoline. The project design and planning has been completed. Construction is anticipated to commence in the second half of 2006 and be completed for operation in one year.

Electronics

Starting from January 2003, the Group contracted out the manufacture and sales of the electronics business. In the first half of 2006, income from leasing of investment properties was about HK\$2,147,000. In September, the Group sold the investment properties that were formerly the operating assets of the manufacturing business. The Group can concentrate more resources and management effort on the LPG operation after the disposal of these investment properties. In the whole of the first half of 2006, the Group only maintained general trading of electronic components.

Business Outlook

In the second half of 2006, the Group will endeavor to sustain a continuous growth in its LPG wholesaling and retailing. Concurrent to the increase in its local market share, the Group will explore more export opportunities and continue to source appropriate acquisitions of bottle filling plants. The sales volume in the whole year of 2006 is expected to exceed 500,000 tons and the turnover will likely reach HK\$2,500,000,000.

Management Discussion and Analysis

(Continued)

Business Outlook *(Continued)*

Apart from the above, the Group will effectively apply the loan provided by the syndicate of banks to speed up its storage expansion ensuring the completion of first phase construction (adding 7,500 tons of storage capacity) by the end of the year and the second phase construction (adding another 6,000 tons) not later than mid of next year. By then, the total LPG storage capacity of Zhuhai Terminal will be increased from 2,100 tons to 15,600 tons. The increase of storage capacity will help to shorten the laytime for cargo discharge at the terminal from now 5 days to ultimately 2 days. Shortening of the time of use of the vessel will effectively lower the cost of import (comprising vessel charges) by about US\$4 to US\$6 per ton. In line with this approach, the sales volume may possibly reach 700,000 tons in 2007 and the wholesale margin of the Zhuhai Terminal will be improved significantly.

Furthermore, the Group will also put the commencement of construction of the oil products storage construction within 2006 as one of its top priorities. Management of the Group planned to complete the construction work and start operation by the end of 2007 in order that the Group will have a new line of business (oil products) and an additional source of revenue in 2008.

Liquidity and Financial Review

At the period end, the Group maintained bank deposits and cash amounting to approximately HK\$436,385,000 (including pledged bank deposits of approximately HK\$394,559,000) (31.12.2005: HK\$265,388,000 including pledged bank deposits of HK\$207,909,000). Current ratio and gearing ratio were 1.03:1 (31.12.2005: 1.07:1) and 0.63:1 (31.12.2005: 0.53:1) respectively. The latter was calculated on the basis of total liabilities of approximately HK\$693,428,000 (31.12.2005: 442,181,000) divided by total assets of approximately HK\$1,100,790,000 (31.12. 2005: HK\$832,644,000).

Human Resources

As at 30 June 2006, the Group employed approximately 360 employees in Hong Kong and mainland China. The Group remunerated the employees based on their performance, experience and prevailing market practices.

Changes in Directorship

On 20 March and 1 July 2006, Mr. Chan Yuk Wai, Benedict and Dr. Xu Mingshe were appointed as new directors of the Company respectively. Information on Mr. Chan and Dr. Xu were announced by the Company on the date of appointment. Mr. Chan and Dr. Xu, designated as independent non-executive director, has no service contract with the Company and annual director's fee of HK\$100,000 is payable to Mr. Chan and Dr. Xu as determined by the Board. Their emolument was determined on the basis of experience, degree of responsibility and the amount of time involved in the carrying out of the directors' duties.

On 1 July 2006, Mr. Wu Hong Cho ceased to be executive director of the Company and was re-designated non-executive director.

Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2006, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance, which have been notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions in which they are taken or deemed to have under such provisions of the Securities Futures Ordinance) or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, as recorded in the register kept by the Company pursuant to section 352 of the Securities Futures Ordinance, were as follows:

(a) Interests in ordinary shares of HK\$0.10 each of the Company (long position)

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Shum Siu Hung	Beneficial Owner	20,811,779	4.32%
	Family (note 1)	133,212,621	27.66%
Wu Hong Cho	Other (note 2)	6,660,631	1.38%
Cen Ziniu	Other (note 2)	1,332,126	0.28%
Shum Chun, Lawrence	Other (note 2)	19,981,893	4.15%

Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures *(Continued)*

(a) Interests in ordinary shares of HK\$0.10 each of the Company (long position) *(Continued)*

Notes:

- 133,212,621 shares were deemed to be interested by Shum Siu Hung, spouse of Tong Shiu Ming and father of Shum Chun, Lawrence ("SCL") and Shum Ho, Neo on account of the interests of Tong Shiu Ming, SCL and Shum Ho, Neo as described in Note 2 below.
- These interests reflect the interests in the 133,212,621 shares of the Company held by Uniocean Investments Limited ("Uniocean"). Uniocean is owned as to 15% by SCL, 15% by a brother of SCL, 64% by Tong Shiu Ming, mother of SCL, 5% by Wu Hong Cho and 1% by Cen Ziniu.

(b) Share options

Name of director	Capacity	Number of options held	Number of underlying shares
Shum Siu Hung	Beneficial Owner	12,000,000	12,000,000
	Family <i>(note)</i>	3,500,000	3,500,000
Chiu Sing Chung, Raymond	Beneficial Owner	6,000,000	6,000,000
Wu Hong Cho	Beneficial Owner	1,000,000	1,000,000
Cen Ziniu	Beneficial Owner	3,000,000	3,000,000
Cheung Kwan Hung, Anthony	Beneficial Owner	1,000,000	1,000,000
Ma Man Hoi, Joseph	Beneficial Owner	1,000,000	1,000,000

Note: 3,500,000 options were deemed to be interested by Shum Siu Hung, spouse of Tong Shiu Ming, as family interests.

Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures *(Continued)*

(b) Share options *(Continued)*

Save as disclosed above and other than nominee shares in certain subsidiaries held by certain directors in trust for the Group, none of the directors nor chief executives nor any of their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2006.

Substantial Shareholders

As at 30 June 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows in respect of certain directors and chief executives, the following shareholders had notified the Company of relevant interest and short positions in the issued capital of the Company.

(a) Interests in ordinary shares of HK\$0.10 each of the Company (long position)

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Shum Siu Hung	Beneficial Owner	20,811,779	4.32%
	Family interest <i>(note 1)</i>	133,212,621	27.66%
Tong Shiu Ming	Held by corporation <i>(note 1)</i>	133,212,621	27.66%
	Family interest <i>(note 2)</i>	20,811,779	4.32%
Cheah Cheng Hye	Held by corporation <i>(note 3)</i>	62,171,000	12.90%
Yam Tak Cheung	Held by corporation <i>(note 4)</i>	30,000,000	6.23%

Substantial Shareholders *(Continued)*

(a) Interests in ordinary shares of HK\$0.10 each of the Company (long position) *(Continued)*

Notes:

- 133,212,621 shares of the Company were held by Uniocean.
- 20,811,779 shares of the Company were deemed to be interested by Tong Shiu Ming, spouse of Shum Siu Hung, as family interests.
- 35,124,000 shares of the Company were held by Value Partners Classic Fund (formerly known as "Value Partners A Fund"), a fund managed by Value Partners Limited ("Value Partners"), and 27,047,000 shares of the Company were held by Value Partners. Cheah Cheng Hye owned 31.82% of Value Partners and was deemed to be the controlling shareholder of Value Partners.
- 30,000,000 shares of the Company were held by Integrated Asset Management (Asia) Limited ("Integrated Asset"). Yam Tak Cheung owned 100% of Integrated Asset and was deemed to be the controlling shareholder of Integrated Asset.

(b) Share options

Name of shareholder	Capacity	Number of options held	Number of underlying shares
Tong Shiu Ming	Beneficial owner	3,500,000	3,500,000
Shum Siu Hung	Beneficial owner	12,000,000	12,000,000

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 six months ended 30 June 2006.

Audit Committee

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the directors, including a review of the unaudited condensed consolidated accounts for the six months ended 30 June 2006.

Corporate Governance

The Company complied with the provision of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules on the Stock Exchange throughout the six months ended 30 June 2006 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.

Compliance with the Model Code for Securities Transactions by Directors

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conducting regarding securities transactions (the "ST Code"). Having made specific enquiry of the directors, all directors of the Company had complied with the required standards as set out in the ST Code during the six months ended 30 June 2006.

By order of the Board
Shum Siu Hung
Chairman

Hong Kong, 7 September 2006