



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 **2008**

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 2008 together with comparative figures for the corresponding period in 2007. These condensed consolidated interim results have not been audited, but have been reviewed by the Company's audit committee.

Condensed Consolidated Income Statement

		30.06.2008 (Unaudited)	30.06.2007 (Unaudited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	2,972,108	1,557,312
Cost of sales		(2,890,097)	(1,487,732)
Gross profit		82,011	69,580
Other income		133,492	24,391
Selling and distribution expenses		(42,090)	(22,921)
Administrative expenses		(85,176)	(27,611)
Changes in fair values of foreign currency forward contracts		(11,002)	—
Finance costs		(45,722)	(18,114)
Share of loss of a jointly controlled entity		(360)	(227)
Profit before taxation	4	31,153	25,098
Taxation (charge) credit	5	(1,415)	1,807
Profit for the period		29,738	26,905
Earnings per share	7		
Basic		6.17 cents	5.59 cents
Diluted		6.17 cents	5.57 cents

Condensed Consolidated Balance Sheet

		30.06.2008 (Unaudited)	31.12.2007 (Audited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	8	523,179	501,112
Prepaid lease payments for lands		55,688	53,391
Prepaid lease payments for coast		12,699	12,290
Goodwill		120,700	102,623
Other tangible assets		16,981	16,850
Interest in a jointly controlled entity		12,142	12,502
Other assets		18,709	35,759
Deferred tax assets		2,007	1,930
		762,105	736,457
Current assets			
Inventories		216,379	126,925
Trade debtors and bills receivable	9	497,435	430,863
Other debtors, deposits and prepayments		318,761	160,530
Prepaid lease payments for lands		2,355	2,211
Prepaid lease payments for coast		780	732
Amount due from a jointly controlled entity		341	471
Pledged bank deposits	10	1,283,718	755,375
Bank balances and cash		155,812	105,968
		2,475,581	1,583,075

Condensed Consolidated Balance Sheet

(Continued)

		30.06.2008 (Unaudited)	31.12.2007 (Audited)
	Notes	HK\$'000	HK\$'000
Current liabilities			
Trade creditors and bills payable	11	515,861	381,816
Other creditors and accrued charges		112,667	96,814
Derivative financial instruments		29,374	21,402
Tax liabilities		3,812	4,322
Borrowings, partly secured			
— repayable within one year	12	1,803,802	1,064,999
		2,465,516	1,569,353
Net current assets			
		10,065	13,722
Total assets less current liabilities			
		772,170	750,179
Capital and reserves			
Share capital	13	48,168	48,168
Share premium and other reserves		512,280	464,962
Equity attributable to equity holders			
of the Company		560,448	513,130
Minority interests		168	10,713
Total equity			
		560,616	523,843
Non-current liabilities			
Deferred tax liabilities		16,790	16,109
Borrowings, partly secured			
— repayable over one year	12	189,646	205,421
Obligation for put option to minority shareholder of a subsidiary		5,118	4,806
		211,554	226,336
		772,170	750,179

Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Statutory surplus reserve HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Contributed surplus accounts HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2007 (audited)	48,168	199,299	122,085	1,113	17,434	5,855	1,667	50,329	445,950	1,531	447,481
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	—	—	5,564	—	—	—	5,564	—	5,564
Reserves released upon the lapse of share options	—	—	—	—	—	(344)	—	344	—	—	—
Profit for the period	—	—	—	—	—	—	—	26,905	26,905	—	26,905
Total recognised income and expense for the period	—	—	—	—	5,564	(344)	—	27,249	32,469	—	32,469
Dividend paid	—	—	—	—	—	—	—	(4,817)	(4,817)	—	(4,817)
At 30 June 2007 (unaudited)	48,168	199,299	122,085	1,113	22,998	5,511	1,667	72,761	473,602	1,531	475,133
At 1 January 2008 (audited)	48,168	199,299	122,085	5,046	38,977	5,663	1,667	92,225	513,130	10,713	523,843
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	—	—	22,878	—	—	—	22,878	—	22,878
Profit for the period	—	—	—	—	—	—	—	29,738	29,738	—	29,738
Total recognised income for the period	—	—	—	—	22,878	—	—	29,738	52,616	—	52,616
Transfer	—	—	—	(877)	—	—	—	877	—	—	—
Dividend paid	—	—	—	—	—	—	—	(5,298)	(5,298)	—	(5,298)
Further acquisition of interests in a subsidiary	—	—	—	—	—	—	—	—	—	(10,545)	(10,545)
At 30 June 2008 (unaudited)	48,168	199,299	122,085	4,169	61,855	5,663	1,667	117,542	560,448	168	560,616

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.

The statutory surplus reserves represents enterprise development and general reserve funds appropriated from the profit after taxation of subsidiaries established in the People's Republic of China (the "PRC") in accordance with the PRC laws and regulations.

Condensed Consolidated Cash Flow Statement

	30.06.2008 (Unaudited)	30.06.2007 (Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(118,275)	(199,372)
Net cash (used in) generated from investing activities	(538,546)	24,260
Net cash generated from financing activities	697,706	69,075
Net increase (decrease) in cash and cash equivalents	40,885	(106,037)
Effect of foreign exchange rate changes	5,727	4,614
Cash and cash equivalents at beginning of the period	105,968	151,034
Cash and cash equivalents at end of the period	152,580	49,611
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	155,812	49,611
Bank overdrafts	(3,232)	—
	152,580	49,611

Notes to the Condensed Consolidated Interim Financial Statements

1. Basis of Preparation

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 2007.

2. Principal Accounting Policies

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations (“new Interpretations”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2008. The adoption of these new Interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

HK(IFRIC) — INT 11 HKFRS 2: Group and treasury share transactions
HK(IFRIC) — INT 12 Service concession arrangements
HK(IFRIC) — INT 14 HKAS 19 — The limit on a defined benefit asset,
minimum funding requirements and their interaction

Notes to the Condensed Consolidated Interim Financial Statements *(Continued)*

2. Principal Accounting Policies *(Continued)*

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

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ²
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ¹
HKFRS 2 (Amendment)	Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ²
HKFRS 8	Operating segments ¹
HK(IFRIC) — INT 13	Customer loyalty programmes ³
HK(IFRIC) — INT 15	Agreements for the construction of real estate ¹
HK(IFRIC) — INT 16	Hedges of a net investment in a foreign operation ⁴

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

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

³ Effective for annual periods beginning on or after 1 July 2008.

⁴ Effective for annual periods beginning on or after 1 October 2008.

Notes to the Condensed Consolidated Interim Financial Statements *(Continued)*

3. Segmental Information

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

Segment information about these businesses is presented below:

Business segments

30.06.2008 (Unaudited)

	Sale and distribution of LPG	Sale of electronic products	Consolidated
	HK\$'000	HK\$'000	HK\$'000
Segment revenue	2,791,825	180,283	2,972,108
Segment result	72,275	13,581	85,856
Interest income	—	—	16,890
Unallocated corporate expenses	—	—	(14,509)
Changes in fair values of foreign currency forward contracts	—	—	(11,002)
Finance costs	—	—	(45,722)
Share of loss of a jointly controlled entity	(360)	—	(360)
Profit before taxation	71,915	13,581	31,153
Taxation charge			(1,415)
Profit for the period			29,738

Notes to the Condensed Consolidated Interim Financial Statements *(Continued)*

3. Segmental Information *(Continued)*

30.06.2007 *(Unaudited)*

	Sale and distribution of LPG HK\$'000	Sale of electronic products HK\$'000	Consolidated HK\$'000
Segment revenue	1,449,055	108,257	1,557,312
Segment result	29,567	18,456	48,023
Interest income	—	—	2,458
Unallocated corporate expenses	—	—	(7,042)
Finance costs	—	—	(18,114)
Share of loss of a jointly controlled entity	(227)	—	(227)
Profit before taxation	29,340	18,456	25,098
Taxation credit			1,807
Profit for the period			26,905

Notes to the Condensed Consolidated Interim Financial Statements *(Continued)*

4. Profit Before Taxation

Profit before taxation is stated after charging the following items:

	30.06.2008 (Unaudited)	30.06.2007 (Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation for property, plant and equipment	18,221	7,846
Amortisation of prepaid lease payments for lands	1,140	1,044
Amortisation of prepaid lease payments for coast	378	346
Amortisation of other intangible assets	1,156	—
Total depreciation and amortisation	20,895	9,236

5. Taxation (Charge) Credit

	30.06.2008 (Unaudited)	30.06.2007 (Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong	—	—
Other regions in the PRC	(811)	(249)
Deferred tax	(604)	2,056
	(1,415)	1,807

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.

Notes to the Condensed Consolidated Interim Financial Statements *(Continued)*

5. Taxation (Charge) Credit *(Continued)*

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.

6. Dividend

On 27 June 2008, a dividend of HK1.1 cents per share (2007: HK1 cent per share) was paid to shareholders as the final dividend for 2007.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: nil).

7. 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:

	30.06.2008 (Unaudited)	30.06.2007 (Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period)	29,738	26,905
Number of shares		
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	—	1,206,977
Weighted average number of ordinary shares for the purposes of diluted earnings per share	481,676,687	482,883,664

Notes to the Condensed Consolidated Interim Financial Statements *(Continued)*

8. Movements in Property, Plant and Equipment

During the period ended 30 June 2008, additions to property, plant and equipment amounted to approximately HK\$18,577,000. The Group also disposed of property, plant and equipment with a carrying amount of approximately HK\$145,000. During the year ended 31 December 2007, the Group purchased and acquired on acquisition of subsidiaries certain property, plant and equipment with a total amount of approximately HK\$212,447,000. The Group also disposed of and adjusted property, plant and machinery with carrying amounts of approximately HK\$174,000 and HK\$146,183,000 respectively during the year ended 31 December 2007.

9. Trade Debtors and Bills Receivable

The Group allows an average credit period of 180 days. The aged analysis of trade debtors and bills receivable is as follows:

	30.06.2008 (Unaudited)	31.12.2007 (Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	335,465	344,826
31 to 60 days	146,860	11,949
61 to 90 days	8,639	22,949
91 to 180 days	5,039	9,363
More than 180 days	1,432	41,776
	497,435	430,863

Notes to the Condensed Consolidated Interim Financial Statements *(Continued)*

10. Pledged Bank Deposits

At 30 June 2008, bank deposits of approximately RMB1,075,302,000 (equivalent to approximately HK\$1,223,087,000) (31.12.2007: HK\$691,310,000) were pledged for US\$ borrowings of approximately US\$149,384,000 (equivalent to approximately HK\$1,162,205,000) (31.12.2007: HK\$668,971,000). The remaining balance of pledged bank deposits was pledged to banks to secure general banking facilities granted to the Group.

11. Trade Creditors and Bills Payable

The aged analysis of trade creditors is as follows:

	30.06.2008 (Unaudited)	31.12.2007 (Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	311,052	181,674
31 to 60 days	1,660	130,449
More than 90 days	701	247
	313,413	312,370
Bills payable	202,448	69,446
	515,861	381,816

Notes to the Condensed Consolidated Interim Financial Statements *(Continued)*

12. Borrowings, Partly Secured

	30.06.2008 (Unaudited)	31.12.2007 (Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank trust receipt loans	1,731,388	1,004,748
Other bank loans	202,097	212,407
Other long-term loans	56,731	53,265
Bank overdrafts	3,232	—
	1,993,448	1,270,420
Analyzed as:		
Secured	1,364,571	978,923
Unsecured	628,877	291,497
	1,993,448	1,270,420
Carrying amount repayable:		
On demand or within one year	1,803,802	1,064,999
More than one year, but not exceeding two years	104,066	95,170
More than two years, but not exceeding five years	85,580	110,251
	1,993,448	1,270,420
Less: Amount due within one year shown under current liabilities	(1,803,802)	(1,064,999)
	189,646	205,421

Notes to the Condensed Consolidated Interim Financial Statements *(Continued)*

12. Borrowings, Partly Secured *(Continued)*

Bank trust receipt loans include an amount of approximately US\$149,384,000 borrowings (equivalent to approximately HK\$1,162,205,000) (31.12.2007: HK\$668,971,000) which was fully secured by the pledged RMB bank deposits of approximately RMB1,075,302,000 (equivalent to approximately HK\$1,223,087,000) (31.12.2007: HK\$691,310,000).

Other bank loans include (a) an amount of approximately US\$20,680,000 (equivalent to approximately HK\$160,890,000) (31.12.2007: HK\$171,160,000) drawn under a term loan facility secured by a floating charge over the assets of the Company, and by the share mortgages of the issued capital and the floating charges over the assets of various subsidiaries of the Company; (b) an amount of approximately RMB30,000,000 (equivalent to approximately HK\$34,123,000) (31.12.2007: HK\$32,038,000) drawn under short term loan facilities guaranteed by the Company; (c) an amount of approximately HK\$7,084,000 (31.12.2007: HK\$9,209,000) drawn under a term loan guaranteed by the Company.

13. Share Capital

Ordinary shares of HK\$0.10 each (31.12.2007: HK\$0.10 each)

	Number of Shares	Amount <i>HK\$'000</i>
<i>Authorized share capital:</i>		
At 31 December 2007 and 30 June 2008	20,000,000,000	2,000,000
<i>Issued and fully paid share capital:</i>		
At 31 December 2007 and 30 June 2008	481,676,687	48,168

Notes to the Condensed Consolidated Interim Financial Statements *(Continued)*

14. Contingent Liabilities

The Group had no significant contingent liabilities at both 30 June 2008 and 31 December 2007.

15. 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:

	30.06.2008 (Unaudited)	31.12.2007 (Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	49,929	36,415
In the second to fifth years inclusive	101,024	130,712
Over five years	2,428	2,401
	153,381	169,528

16. Other Commitments

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

	30.06.2008 (Unaudited)	31.12.2007 (Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchase of gas plant and equipment	14,360	134,245

Notes to the Condensed Consolidated Interim Financial Statements *(Continued)*

17. Related Party Transactions

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

	30.06.2008 (Unaudited)	30.06.2007 (Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales to a jointly controlled entity	201	4,436
Rental expenses paid to Shum Ho, Neo	228	228

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

Shum Ho, Neo is the son of Shum Siu Hung, one of the directors of the Company.

On 16 May 2007, Sound Management Services Limited, a wholly-owned subsidiary of the company, renewed 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 2007. On 16 May 2008, the agreement was renewed for one year to 15 May 2009 with the same terms.

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

Notes to the Condensed Consolidated Interim Financial Statements *(Continued)*

17. Related Party Transactions *(Continued)*

Compensation of key management personnel

The remuneration of executive directors and other members of key management during the period was as follows:

	30.06.2008 (Unaudited)	30.06.2007 (Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term benefits	2,667	2,399
Post-employment benefits	30	30
	2,697	2,429

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

18. Post Balance Sheet Events

On 25 June 2008, Zhuhai NewOcean Energy Technology Company Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with third parties independent to the Group for the acquisition of 100% equity interest in Maoming City Sanyang LPG Company Limited ("Sanyang LPG") at the consideration of RMB28,000,000. A circular dated 18 July 2008 containing further details of the acquisition has been dispatched. The acquisition was not completed at 30 June 2008, thus the financial statements of Sanyang LPG were not consolidated into the Group's consolidated interim financial statements for the period ended 30 June 2008.

The Company proposed to raise approximately HK\$144,500,000 before expenses by the issue of 481,676,687 shares at a price of HK\$0.30 per share by way of an open offer on the basis of one share for every share held on a record date. A circular dated 29 August 2008 and a prospectus dated 16 September 2008 containing details of the open offer have been dispatched.

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: nil).

Management Discussion and Analysis

General

The Group continued to maintain healthy business growth for the half year ended 30 June 2008. During the period, it recorded a turnover of approximately HK\$2,972,108,000, a growth of 90.8% comparing with that of approximately HK\$1,557,312,000 for the half year ended 30 June 2007. The net profit of the Group for the period amounted to approximately HK\$29,738,000, a slight increase of 10.5% in comparison with that of approximately HK\$26,905,000 for the half year ended 30 June 2007. As at 30 June 2008, the Company had 481,676,687 issued and paid up ordinary shares. Basic earnings per share for the half year ended 30 June 2008 was HK6.17 cents, an increase of 10.3% comparing with that of HK5.59 cents for the same period ended 30 June 2007.

The sales volume of LPG in the first half of 2008 was approximately 396,000 tons, representing a 20% increase in comparison with that of approximately 330,000 tons for the first half of 2007. During such period, the international market price of LPG surged significantly. The average price of LPG arriving at the Asian region for the first half of 2008 reached US\$868/ton, representing a jump of more than 50% to that of US\$567/ton for the first half year of 2007. It signified that the Group's turnover growth in the first half year of 2008 was mainly attributable to increase in price instead of increase in sales volume.

Management Discussion and Analysis

(Continued)

General *(Continued)*

Since 2007, the Group has been developing a price hedged trading model for its LPG wholesaling, with the gross profit margin by large being fixed and the price fluctuation risk being effectively mitigated. This trading model is considered successful as evidenced by the continually expanding sales volume achieved in the past two years. Nevertheless, we have to admit that the high LPG price coupled with increased interest rate (especially RMB interest rate in the PRC) in the first half year of 2008 indeed had a negative impact on the Group's earning capability. The relatively fixed gross profit versus a scaled up turnover inevitably resulted in narrowed gross margin. In addition, more working capital was required to fund the scaled up turnover, and the interest rate was increasing. The Group had to incur higher interest expense, thus further corroded its profit contribution. This explained the contradictory situation of an about 90% increase in sales volume providing only about 10% increase in profit.

The Group envisages that the situation will be substantially improved in the second half of 2008. Firstly, in line with the decreasing crude oil price, the international market price of LPG has been reducing to about US\$800/ton in August and further down to about US\$770/ton in September, and we believe that the average price for the second half year of 2008 will be maintained below US\$800/ton. The pressure of decreasing gross profit margin is likely to be released. Secondly, at a Special General Meeting held on 16 September, the Company has passed to raise approximately HK\$144,500,000 of share capital, and the proceeds are designated for reducing the Group's short-term bank loan. Interest expense is likely to be appropriately controlled to reinstate the Group's profitability.

Business Review and Analysis

Summary of Overall Business Development

In the first half of 2008, the Group achieved approximately 396,000 tons of sales of LPG. The import volume of our Zhuhai Terminal was approximately 325,000 tons, an increase of 26.4% comparing with that of approximately 257,000 tons for the same period of 2007. Out of the approximately 325,000 tons in the first half year of 2008, approximately 303,400 tons were sold on the market, and the remaining approximately 21,600 tons were internally allocated to the Group's retail operations.

Management Discussion and Analysis

(Continued)

Business Review and Analysis *(Continued)*

Summary of Overall Business Development *(Continued)*

The bottling plants owned by the Group had achieved approximately 93,000 tons of sales in the first half of 2008, a decrease of 18.2% comparing with that of approximately 110,000 tons for the same period of 2007. Out of the approximately 93,000 tons, approximately 21,600 tons were internally supplied by the Zhuhai Terminal, and the remaining approximately 71,400 tons were purchased locally from refineries or other terminals in the PRC.

With regard to the electronic business, we continued the cooperation with Newtel Corporation Co. Ltd. (“Newtel”) of Thailand and focused more on developing the supply of cellular phones to the Mekong River region. The general trading of electronics parts and components correspondingly was reducing. The turnover of electronics business was approximately HK\$180,283,000 in the first half of 2008, a growth of 66.5% comparing with that of approximately HK\$108,257,000 for the same period last year.

At present, the Group has in place a complete business infrastructure for our LPG wholesaling business, LPG retailing business and the electronics business. In order to facilitate better management and to effectively exploit the development potential of each line of business, the Group decided to pursue an internal organizational restructuring pursuant to which the following three operation groups are established:

- (1) International Energy Group — its principal function is to channel energy products from the international market to the South China Sea region covering Southern China, Hong Kong, Macau, Taiwan, Philippines and Vietnam. The major asset of the International Energy Group is the class one LPG terminal located in Zhuhai. Although the Zhuhai Terminal currently only conducts the storage, re-export and distribution of LPG, in the long run, it has great spin-off potential to cover other energy products by virtue of its advantageous location and efficient logistic services;

Management Discussion and Analysis

(Continued)

Business Review and Analysis *(Continued)*

Summary of Overall Business Development *(Continued)*

- (2) China Energy Group — its principal function is to carry out LPG trading in the PRC (mainly, all the LPG retailing of the Group). A wholly-owned foreign owned company namely “Zhuhai NewOcean Energy Technology Company Limited” has been established in Zhuhai, PRC as the spearhead of the China Energy Group. NewOcean Technology is mainly responsible (A) to hold the equity of all subsidiaries of the Group that operates LPG retail business and any further business acquisitions; (B) to perform as the purchase centre of domestic LPG of the Group and to arrange internal allocation of the cargoes to the retail operations; and (C) to formulate the development strategies of LPG retail business and to monitor daily operation thereof;
- (3) Electronics Group — its principal function is to further develop the trading business of supplying cellular phones to Mekong River region by cooperating with Newtel of Thailand.

The above organizational restructuring will enable the Group to source more professional personnel of appropriate expertise, to better manage the assets and businesses of each Group in order to create more economic benefits and to achieve better development.

LPG Wholesale Business

Import volume through the Zhuhai Terminal (i.e. International Energy Section) was about 325,000 tons in the first half of 2008 (approximately 63% of the import volume in the full year of 2007). Out of the total import volume, about 205,200 tons were re-exported to Southeast Asian countries and sold in China under term contracts with prices linked with LPG index or on cost plus basis; about 21,600 tons were allocated to the Group’s own LPG retail operation and the remaining 98,200 tons were sold in China on spot basis. International Energy Section will continue to operate under a business model of hedged price and assured profit margin. We continue to expand the sales volume, and shall further adjust its customer portfolio from currently only about 63% towards a position that 90% of our wholesaling will be conducted under these business models, it will effectively contribute to the Group enduring benefits under manageable market risks.

Management Discussion and Analysis

(Continued)

Business Review and Analysis (Continued)

LPG Retail Business

The LPG retail business conducted through the Group's bottling plants in Guangdong and Guangxi Province (i.e. the China Energy Group) achieved a sales volume of about 93,000 tons (approximately 52% of the total retail volume of 178,000 tons in the full year of 2007). In the first half year of 2008, the Group continued to enhance its purchase of domestic LPG which is relatively lower in price than that of the imported LPG. The operating cost of the bottling plants was therefore well controlled and their earning capability was continually improving.

	Full year of 2007	Jan to Jun 2008
Allocation by the Terminal in Zhuhai	45,000 tons (25%)	21,600 tons (23%)
Purchase of domestic LPG	133,000 tons (75%)	71,400 tons (77%)
Total Purchase	178,000 tons (100%)	93,000 tons (100%)

In 2008, the Group continued its strategy of acquiring other bottling plant operators in Guangdong for expansion of its LPG retail network. As set out in the circular dated 18 July 2008, the Group's wholly owned subsidiary (Zhuhai NewOcean Energy Technology Company Limited) has entered into an agreement to acquire Maoming City Sanyang LPG Company Limited at a consideration of RMB28,000,000. Sanyang is anticipated to contribute an additional LPG sales volume of about 8,000 tons in this year after the acquisition is completed in the fourth quarter.

Management Discussion and Analysis

(Continued)

Business Review and Analysis *(Continued)*

Electronics Business

The total turnover of electronics trading in the first half of 2008 increased to about HK\$180,230,000 (about 83% of the total turnover in the full year of 2007). Out of the total turnover, about HK\$104,000,000 were trading of cellular phones and about HK\$76,000,000 were that of electronics components. The proportion between the trading of cellular phones and electronics components changed substantially from 27/73 in year 2007 to 58/42 in the first half of year 2008 in line with the Group's existing policy to expand further the trading of cellular phones and gradually reduce its engagement in electronics components. In respect of the trading of cellular phones, the Group is cooperating with Newtel Corporation Co. Ltd. of Thailand pursuant to which the Group shall make its purchase of the cellular phones after Newtel has committed to take all the products. The profit margin of this business is therefore ascertained.

Business Outlook

In line with the existing development trend, we anticipate that the sales volume and the turnover of both LPG and electronics business for the whole year of 2008 shall continue to have satisfactory growth. The management shall put more emphasis on streamlining the Group's operational structure and to enhance its earning capability.

Liquidity and Financial Review

At the period end, the Group maintained bank balances and cash amounting to approximately HK\$155,812,000 (31.12.2007: HK\$105,968,000). Current ratio and gearing ratio were 1:1 (31.12.2007: 1.01:1) and 0.83:1 (31.12.2007: 0.77:1) respectively. The latter was calculated on the basis of total liabilities of approximately HK\$2,677,070,000 (31.12.2007: HK\$1,795,689,000) divided by total assets of approximately HK\$3,237,686,000 (31.12.2007: HK\$2,319,532,000).

Human Resources

As at 30 June 2008, the Group employed approximately 390 employees in Hong Kong and mainland China. The Group remunerated the employees based on their performance, experience and prevailing market practices.

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

As at 30 June 2008, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers 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)	134,870,621	28.00
Wu Hong Cho	Other (note 2)	6,743,531	1.40
Cen Ziniu	Other (note 2)	1,348,706	0.28
Shum Chun, Lawrence	Other (note 2)	20,230,593	4.20

Notes:

- These represent the same block of 134,870,621 shares held as corporate interest by Tong Shiu Ming, spouse of Shum Siu Hung, as referred to in Note 1 to paragraph (a) in the section "Substantial Shareholders" below, and were deemed to be the family interest of Shum Siu Hung.
- These interests reflect the proportional interests in the 134,870,621 shares held by Uniocean Investments Limited ("Uniocean"). Uniocean is owned to 15% by Shum Chun, Lawrence, 15% by Shum Ho, Neo, 64% by Tong Shiu Ming, 5% by Wu Hong Cho and 1% by Cen Ziniu.

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

(b) Share options

Name of director	Date of grant	Subscription price per Share HK\$	Exercise period	Number of Underlying Shares	Outstanding as at 30.06.2008
Shum Siu Hung	16.06.2006	0.69	17.06.2006 – 31.12.2015	9,000,000	9,000,000
Chiu Sing Chung, Raymond	16.06.2006	0.69	17.06.2006 – 31.12.2015	6,000,000	6,000,000
Cheung Kwan Hung, Anthony	16.06.2006	0.69	17.06.2006 – 31.12.2015	1,000,000	1,000,000

Save as disclosed above, as at 30 June 2008, the Company had not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Substantial Shareholders

As at 30 June 2008, the following persons had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO:

(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
Tong Shiu Ming	Held by corporation <i>(note 1)</i>	134,870,621	28.00
	Family interest <i>(note 2)</i>	20,811,779	4.32
Yam Tak Cheung	Held by corporation <i>(note 3)</i>	30,000,000	6.23

Notes:

- 134,870,621 shares were held by Uniocean as referred to in Note 1 to paragraph (a) in the section "Directors' and Chief Executives' Interests in Shares and Underlying Shares".
- These represent the same block of 20,811,779 shares held as beneficial owner by Shum Siu Hung, spouse of Tong Shiu Ming, as referred to in paragraph (a) in the section "Directors' and Chief Executives' Interests in Shares and Underlying Shares" above and were deemed to be the family interest of Tong Shiu Ming.
- 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.

Substantial Shareholders *(Continued)*

(b) Share options

Name of shareholder	Capacity	Subscription price per share <i>HK\$</i>	Number of options held	Outstanding as at 30.06.2008
Tong Shiu Ming	Family interest <i>(Note)</i>	0.69	9,000,000	9,000,000

Note:

The option to subscribe 9,000,000 shares were held by Shum Siu Hung, the spouse of Tong Shiu Ming as referred to in Note 1 to paragraph (b) in the section "Directors' and Chief Executives' Interests in Share and Underlying Shares", and were deemed to be the family interest of Tong Shiu Ming.

Save as disclosed above as at 30 June 2008, no person had an interest or short position in the shares or underlying shares of the Company which would fall to be recorded in the register to be kept by the Company pursuant to section 336 of the SFO, or which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

Valuation of Share Options

During the period ended 30 June 2008, no option was granted by the Company.

On 15 May 2006 and 16 June 2006, share options with estimated fair value of approximately HK\$5,855,000 were granted.

Valuation of Share Options *(Continued)*

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

	16.6.2006	15.5.2006
Weighted average share price	HK\$0.77	HK\$0.68
Exercise price	HK\$0.69	HK\$0.69
Expected volatility	60.18%	58.33%
Expected life in years	1	1
Risk free rate	4.39%	4.08%
Expected dividend yield	1.50%	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 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.

During the year ended 31 December 2007, options with estimated fair value of approximately HK\$192,000 lapsed. No option lapsed, or was cancelled or exercised during the period ended 30 June 2008.

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 2008.

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 2008.

Corporate Governance

The Company complied with the provision of the Code on Corporate Governance Practices (the "Governance Code") as set out in Appendix 14 of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") 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 Governance 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 Governance 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 "Securities Code"). Having made specific enquiry of the directors, all directors of the Company had complied with the required standards as set out in the Securities Code during the six months ended 30 June 2008.

By order of the Board
Shum Siu Hung
Chairman

Hong Kong, 25 September 2008