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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHT

- Revenue increased by 9.3% to HK$5,978 million
- Gross profit increased by 157% to HK$545 million
- Profit for the period attributable to the owners of the Company increased by 38.7% to HK$229 million
- Basic earnings per share increased by 38.8% to HK$17.54 cents

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 2012 together with comparative figures for the corresponding period in 2011. These condensed consolidated interim results have not been audited, but have been reviewed by the Company's external auditor and the audit committee.

** for identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Note	Six months ended 30 June 2012 (Unaudited) HK$'000	2011 (Unaudited) HK$'000
Revenue	3	**5,978,044**	5,467,227
Cost of sales		**(5,433,150)**	(5,255,509)
Gross profit		**544,894**	211,718
Net exchange (loss) gain	4	**(94,390)**	74,524
Other income	5	**71,996**	119,367
Selling and distribution expenses		**(85,676)**	(38,343)
Administrative expenses		**(92,254)**	(72,677)
Changes in fair values of derivative financial instruments		**37,868**	(15,685)
Finance costs		**(145,128)**	(86,567)
Share of profit of a jointly controlled entity		**1,285**	864
Profit before taxation	6	**238,595**	193,201
Taxation charge	7	**(10,587)**	(27,154)
Profit for the period		**228,008**	166,047
Other comprehensive income			
Exchange differences arising on translation		**(9,795)**	27,105
Total comprehensive income for the period		**218,213**	193,152
Profit for the period attributable to:			
Owners of the Company		**229,054**	165,120
Non-controlling interests		**(1,046)**	927
		228,008	166,047
Total comprehensive income for the period attributable to:			
Owners of the Company		**219,270**	192,181
Non-controlling interests		**(1,057)**	971
		218,213	193,152
Earnings per share	8		
Basic		**HK17.54 cents**	HK12.64 cents
Diluted		**HK17.28 cents**	HK12.46 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	Note	**As at 30 June 2012 (Unaudited)** ***HK$'000***	As at 31 December 2011 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment	10	**1,352,974**	941,784
Land use rights		**234,879**	250,842
Prepaid lease payments for coast		**10,330**	10,811
Goodwill		**294,388**	96,429
Other intangible assets		**360,783**	8,929
Interest in a jointly controlled entity		**10,430**	9,201
Available for sale investment		**-**	3,701
Other assets		**105,334**	175,883
Entrusted loan		**-**	644,423
Derivative financial instruments		**-**	45,715
Deferred tax assets		**1,613**	1,781
		2,370,731	2,189,499
Current assets			
Inventories		**742,635**	433,595
Properties under development for sales		**184,836**	185,867
Trade debtors and bills receivable	11	**1,877,950**	2,127,923
Other debtors, deposits and prepayments	11	**1,036,033**	565,394
Derivative financial instruments		**27,865**	28,815
Land use rights		**9,617**	3,024
Prepaid lease payments for coast		**841**	846
Pledged bank deposits	12	**4,397,041**	4,209,577
Bank balances and cash		**793,103**	877,595
		9,069,921	8,432,636
Current liabilities			
Trade creditors and bills payable	13	**1,564,437**	1,074,288
Other creditors and accrued charges	13	**1,089,855**	294,057
Amount due to a jointly controlled entity		**491**	-
Derivative financial instruments		**64,195**	106,727
Tax liabilities		**44,288**	44,790
Borrowings – repayable within one year	14	**6,140,074**	6,782,885
Obligation for put option to non-controlling shareholder of a subsidiary		**5,520**	5,550
		8,908,860	8,308,297
Net current assets		**161,061**	124,339
Total assets less current liabilities		**2,531,792**	2,313,838

	Note	As at 30 June 2012 (Unaudited) HK$'000	As at 31 December 2011 (Audited) HK$'000
Capital and reserves			
Share capital	15	**130,586**	130,586
Share premium and other reserves		**1,882,402**	1,693,168
Equity attributable to equity holders of the Company		**2,012,988**	1,823,754
Non-controlling interests		**22,724**	23,781
Total equity		**2,035,712**	1,847,535
Non-current liabilities			
Deferred tax liabilities		**148,578**	21,461
Borrowings – repayable over one year	14	**347,502**	444,842
		496,080	466,303
		2,531,792	2,313,838

1. General Information and Basis of Preparation

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its ultimate and immediate holding company is Uniocean Investments Limited, a company incorporated in the British Virgin Islands ("BVI"). The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business is 20th Floor, Times Tower, 393 Jaffe Road, Wanchai, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Group are the sale and distribution of liquefied petroleum gas ("LPG"), sale of oil products and sales of electronic products.

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The functional currency of the Company is Renminbi ("RMB"), the currency of the primary economic environment in which the Group operates. For the purpose of the condensed consolidated financial statements and convenience of the financial statements users, the results and financial position of the Group are expressed in Hong Kong dollars ("HK$"), the presentation currency for the consolidated financial statements.

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Amendments to HKFRS 7	Financial instruments: Disclosures – transfers of financial assets
Amendments to HKAS 12	Deferred tax: Recovery of underlying assets

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or on the disclosures set out in these condensed consolidated financial statements.

3. Segment Information

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“CODM”) in order to allocate resources to the segment and to assess its performance. The Group’s Chairman is the CODM.

In previous years, the Group reported its segment information based on three reportable and operating segments as follows:

1. Sales and distribution of LPG through Zhuhai terminal and in the international market
2. Sales and distribution of LPG through retail networks in the PRC and Macau
3. Sales of electronic products

Those reportable and operating segments were based on the product type as well as the location of the market and the type of customers. During the six months period ended 30 June 2012, CODM’s focus has been changed after the expansion of the LPG business through the acquisition of the LPG retail network in Guangzhou and the setup of a new subsidiary to engage in sales of oil products to marine transportation customers such as vessels and cargo ships in Hong Kong. From May 2012 onward, information provided to CODM for performance assessment and resources allocation is based on product type only, regardless of the location of market and the type of customers. The basis is consistent with the Group’s long term business strategy. The Group is now organized into the following three major operating segments, each of which represents an operating and reportable segment of the Group:

1. Sales and distribution of LPG – This segment derives its revenue from selling of LPG to various customers including wholesalers, industrial customers, auto-gas operators, overseas customers, bottled LPG end-users, auto-gas end-users etc. The operation is carried out in Hong Kong, PRC and Macau for both onshore and offshore customers.

2. Sales and distribution of oil products – This segment derives its revenue from selling of oil products to marine transportation customers in Hong Kong

3. Sales of electronic products – This segment derives its revenue from trading of electronic products such as integrated circuit and mobile phones etc.

Information regarding the above segments is reported below. Amount reported for the prior six months period ended 30 June 2011 have been restated to conform to the current year’s basis of segmentation.

Six months ended 30 June 2012 (Unaudited)

	Sales and distribution of LPG *HK$'000*	**Sales of electronic products** *HK$'000*	**Sales and distribution of oil products** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue	**5,441,850**	**436,719**	**99,475**	**5,978,044**
Segment profit	**248,694**	**46,558**	**465**	**295,717**
Other income				**66,955**
Central administration costs and directors' salaries				**(16,817)**
Changes in fair values of derivative financial instruments				**37,868**
Finance costs				**(145,128)**
Profit before taxation				**238,595**

Six months ended 30 June 2011 (Unaudited and restated)

	Sales and distribution of LPG *HK$'000*	Sales of electronic products *HK$'000*	Consolidated *HK$'000*
Segment revenue	5,023,767	443,460	5,467,227
Segment profit	155,300	38,922	194,222
Other income			115,887
Central administration costs and directors' salaries			(14,656)
Changes in fair values of derivative financial instruments			(15,685)
Finance costs			(86,567)
Profit before taxation			193,201

All of the segment revenue reported above is from external customers. Segment profit represents the profit earned by each segment without allocation of other income, central administration costs and directors' salaries, changes in fair values of derivative financial instruments and finance costs.

The following is an analysis of the Group's assets and liabilities by operating segment:

Segment assets

	As at 30 June 2012 *(Unaudited)* *HK$'000*	As at 31 December 2011 *(Audited)* *HK$'000*
Sales and distribution of LPG	**5,150,308**	3,870,966
Sales of electronic products	**517,725**	457,296
Sales and distribution of oil products	**124,955**	-
Total segment assets	**5,792,988**	4,328,262
Available for sale investment	**-**	3,701
Deferred tax assets	**1,613**	1,781
Bank balances and cash	**793,103**	877,595
Pledged bank deposits	**4,397,041**	4,209,577
Derivative financial instruments	**27,865**	74,530
Entrusted loan	**-**	644,423
Properties under development for sales	**184,836**	185,867
Other unallocated assets	**243,206**	296,399
Total segment assets	**11,440,652**	10,622,135

Segment liabilities

	As at 30 June 2012 *(Unaudited)* *HK$'000*	As at 31 December 2011 *(Audited)* *HK$'000*
Sales and distribution of LPG	**2,594,893**	1,315,332
Sales of electronic products	**6,624**	129
Sales and distribution of oil products	**975**	-
Total segment liabilities	**2,602,492**	1,315,461
Derivative financial instruments	**64,195**	106,727
Tax liabilities	**44,288**	44,790
Deferred tax liabilities	**148,578**	21,461
Borrowings	**6,487,576**	7,227,727
Other unallocated liabilities	**57,811**	58,434
Total segment liabilities	**9,404,940**	8,774,600

4. Net Exchange (Loss) Gain

During the period, the amount included net exchange loss arising from pledged RMB bank deposits and the corresponding USD borrowings amounted to approximately HK$70,847,000 (six months ended 30 June 2011: net exchange gain of HK$60,428,000).

5. Other Income

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income on pledged RMB bank deposits	**50,906**	32,749
Entrusted loan interest income	**-**	81,609
Other interest income	**16,049**	1,529
Others	**5,041**	3,480
	71,996	119,367

6. Profit Before Taxation

	Six month ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Amortization of land use rights (included in administrative expenses)	**7,993**	1,377
Amortization of prepaid lease payments for coast (included in administrative expenses)	**422**	407
Amortization of other intangible assets (included in cost of sales)	**7,843**	1,967
Depreciation of property, plant and equipment	**37,908**	26,221
Total depreciation and amortization	**54,166**	29,972

7. Taxation charge

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Other regions in the PRC		
Current tax	**13,604**	28,980
Deferred tax		
Current period	**(3,017)**	(1,826)
	10,587	27,154

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company's subsidiaries operating in Hong Kong incurred tax losses for the six months periods ended 30 June 2012 and 30 June 2011.

PRC enterprise income tax is calculated at the rates prevailing in the PRC.

No deferred tax liability has been recognised in respect of temporary differences associated with undistributed earnings of subsidiaries operating in the PRC because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

8. Earnings Per Share

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to the owners of the Company)	229,054	165,120
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,305,853,374**	1,305,853,374
Effect of dilutive share options	**19,734,380**	19,854,829
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,325,587,754**	1,325,708,203

9. Dividends

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Final dividend of HK2.3 cents per share for the year ended 31 December 2011 paid during the interim period (2011: Final dividend of HK1.0 cent per share for year ended 31 December 2010)	**30,036**	13,058

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

10. Movements in Property, Plant and Equipment

During the period, the Group paid approximately HK$185,152,000 (six months ended 30 June 2011: HK$20,139,000) to acquire property, plant and equipment. During the period, the property, plant and equipment acquired on acquisition of a subsidiary amount to approximately HK$269,164,000 (six months ended 30 June 2011: nil).

11. Trade Debtors, Bills Receivable, Other Debtors, Deposits and Prepayments

The Group allows an average credit period of 90 days to its trade debtors. The bills receivable are matured within the range of 30 days to 90 days. The following is an aged analysis of trade debtors and bills receivable at the end of each of the reporting period:

	As at 30 June 2012 (Unaudited) *HK$'000*	As at 31 December 2011 (Audited) *HK$'000*
0 to 30 days	**1,259,216**	864,702
31 to 60 days	**279,102**	183,772
61 to 90 days	**117,390**	317,612
91 to 180 days	**218,208**	690,510
Over 180 days	**4,034**	71,327
	1,877,950	2,127,923

Included in deposits are trade deposits paid to suppliers of approximately HK$720,996,000 (31 December 2011: HK$411,381,000) in relation to the purchase of LPG which will be delivered within one year in the PRC.

12. Pledged Bank Deposits

At 30 June 2012, RMB pledged bank deposits of approximately HK$3,671,736,000 (31 December 2011: HK$4,192,272,000) were pledged to banks to secure the bank trust receipts loans.

13. Trade Creditors and Bills Payable and Other Creditors and Accrued Charges

The aged analysis of trade creditors and bills payable is as follows:

	As at 30 June 2012 (Unaudited) *HK$'000*	As at 31 December 2011 (Audited) *HK$'000*
0 to 30 days	**310,497**	513,177
31 to 60 days	**30,918**	194,288
61 to 90 days	**121,958**	48,422
Over 90 days	**1,101,064**	318,401
	1,564,437	1,074,288

The trade creditors and bills payable are mainly mature within 90 and 120 days respectively.

Included in other creditors and accrued charges are receipt in advance from customers of approximately HK$910,290,000 (31 December 2011: HK$23,154,000) in relation to sales of LPG which will be delivered within one year in the PRC.

14. Borrowings

	As at 30 June 2012 (Unaudited) *HK$'000*	As at 31 December 2011 (Audited) *HK$'000*
Bank trust receipts loans	**1,176,649**	2,352,726
Bank trust receipts loans (pledged with RMB bank deposits)	**3,639,270**	4,011,321
Other bank loans	**1,671,657**	863,680
	6,487,576	7,227,727
Analysis as:		
Secured	**3,671,015**	4,150,878
Unsecured	**2,816,561**	3,076,849
	6,487,576	7,227,727
Carrying amount repayable:		
Within one year	**6,140,074**	6,782,885
More than one year, but not exceeding two years	**347,502**	273,515
More than two years, but not exceeding five years	**-**	171,327
	6,487,576	7,227,727
Less: Amounts due within one year shown under current liabilities	**(6,140,074)**	(6,782,885)
	347,502	444,842

As at 30 June 2012, other bank loans of the Group comprised of an amount of approximately HK$453,827,000 drawn under term loan facilities which carry variable interest ranging from 2.11% to 6.98% per annum. Included in the balance is approximately HK$62,068,000 that is secured by the bank deposits of the Group and guaranteed by the Company and a subsidiary. The remaining other bank loans of approximately HK$317,920,000 are guaranteed by the Company and its subsidiaries and carry fixed interest ranging from 4.86% to 7.87% per annum.

As at 31 December 2011, other bank loans of the Group comprised of an amount of approximately HK$545,220,000 drawn under term loan facilities which carried variable interest ranging from 1.30% to 3.76% per annum. Included in the balance, approximately HK$93,266,000 was secured by the bank deposits of the Group and guaranteed by the Company and a subsidiary. The remaining other bank loans of approximately HK$318,460,000 were guaranteed by the Company and its subsidiaries which carried fixed interest ranging from 2.40% to 7.87% per annum.

15. Share Capital

	Number of shares	Amount *HK$'000*
Ordinary shares of HK$0.10 each (2011: HK$0.10 each)		
Authorised share capital:		
At 31 December 2011 and 30 June 2012	20,000,000,000	2,000,000
Issued and fully paid share capital:		
At 31 December 2011 and 30 June 2012	1,305,853,374	130,586

16. Contingent Liabilities

The Group had no significant contingent liabilities at both 30 June 2012 and 31 December 2011.

17. Lease Commitments

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 30 June 2012 (Unaudited) ***HK$'000***	As at 31 December 2011 (Audited) *HK$'000*
Within one year	**27,154**	7,242
In the second to fifth year inclusive	**47,965**	7,132
After five years	**25,620**	2,175
	100,739	16,549

18. Other Commitments

	As at 30 June 2012 (Unaudited) ***HK$'000***	As at 31 December 2011 (Audited) *HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Purchase of gas plant and machinery	**100,684**	85,956

19. Related Party Transactions

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Sales to a jointly controlled entity	**517**	2,347
Rental expenses paid to Shum Ho, Neo *(Note)*	**480**	368

Note: Shum Ho, Neo is an employee of the Group and also the son of Shum Siu Hung and Tong Shiu Ming. Shum Siu Hung is the Chairman of the Company.

On 16 May 2011, 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$80,000 per calendar month for a period of one year commencing on 16 May 2011. On 16 May 2012, the agreement was renewed for one year to 15 May 2013 at HK$80,000 per calendar month with the same terms.

Compensation of key management personnel

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Salaries and allowances	**4,128**	3,203
Contribution to retirement benefit schemes	**46**	42
	4,174	3,245

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

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

1. Group Overall Performance

Notwithstanding stagnant global economy still reigning, the energy market of the Southern China region continued its stable growth throughout the first half of 2012. Before the beginning of this year, the Group had already put forth a renewed business plan targeting to boost its annual sales of all energy products beyond the 5 million ton mark within the next 5 years. The Group has been intensively carrying out the expansion program since the beginning of the year. This included taking-over and operating 17 auto-gas refueling stations held under Lianxin in Guangzhou, actively promoting the participation of factories in Guangdong Province in the "Oil to Gas Conversion Campaign", speeding up the construction of the oil depot and additional berths at the Zhuhai terminal, and bringing ahead the commencement of marine bunkering business in Hong Kong. The successful implementation of the program brought marked earnings growth for the Group in the first half of 2012.

Turnover of the Group in the first 6 months of 2012 grew to approximately HK$5,978,044,000, 9.3% more than that of approximately HK$5,467,227,000 for the same period in 2011. Profit attributable to the owners of the Company increased by 38.7% to approximately HK$229,054,000 in comparison with that of approximately HK$165,120,000 for the same period in 2011. As at 30 June 2012, the Company had 1,305,853,374 weighted average number of ordinary shares (as at 30 June 2011: 1,305,853,374 shares), and basic earnings per share for the half year ended 30 June 2012 reached HK 17.54 cents, 38.8% above that of HK 12.64 cents for the same period ended 30 June 2011.

1.1 Gross Profit

The Group's main business of Liquefied Petroleum Gas ("LPG") together with its other businesses, namely electronics business and the newly started oil products business, achieved an aggregate gross profit of approximately HK$544,894,000 and a gross profit margin of about 9.1%, both more than doubling those of approximately HK$211,718,000 and 3.9% for the same period in 2011.

1.2 Other Income/Loss

Foreign Exchange Gain related to Matching Transactions and Other Income

In the first half of 2012, the market generally anticipated a halt in RMB appreciation; forward rates offered by banks for USD/RMB exchange were generally less favourable than spot rates, thus limiting the chance for the Group to utilise structured matching transactions to match its LPG purchases against related payment and financing arrangements. In former years, the management adopted such arrangements as a measure to reduce the cost for foreign exchange conversion (equivalent to reduction in the direct cost of sales) and boost up the LPG gross margin. In anticipation of the change this year, precautionary measure has been taken at the very early stage, and appropriate adjustment of the margin applicable to most sales contracts had been made. Coupled with the increase in sales to the more profitable end-users market as anticipated, the LPG gross margin improved significantly even through the subsidy through foreign exchange gain has been insignificant. Gross profit and gross profit margin for the first half of 2012 went up to about HK$497,628,000 and about 9.1% respectively. Comparing with the gross profit of about HK$245,074,000 and the gross profit margin of about 4.9% for the same period in 2011, which benefited from substantial foreign exchange gain subsidies, the Group's LPG earning capability has proven its resistance against any adverse change of the currency market.

Net Exchange (Loss) Gain and Changes in Fair Value of Derivative Financial Instruments

Net exchange (loss) gain and changes in fair values of derivative financial instruments of about HK$(23,543,000) and HK$37,868,000 respectively for the first six months of 2012 (for the same period of 2011: HK$14,096,000 and HK$(15,685,000)) were shown in the consolidated statement of comprehensive income in accordance with the requirements of the auditors of the Company. In actual substance the Group has not taken any position in derivative financial instruments by way of investment. As the Group takes out 1 or 2 year forward RMB/US$ exchange derivative instruments to reduce its purchase costs, it would at the same time make fixed term RMB bank deposits of corresponding amounts calculated at the exchange rate determined by the forward exchange derivate instruments that the Group has taken out. This guarantees full settlement of the forward exchange derivate instruments on their maturity. As a result, the foreign exchange gain and changes in fair value of derivatives financial instruments as shown in the consolidated statement of comprehensive income do not in reality have any effect on the Group's position.

Entrusted Loan Interest

In relation to the acquisition of Lianxin Energy Development Company Limited (which owns and operates 17 auto-gas refueling stations in Guangzhou), transfer of its entire registered capital was completed in January 2012. Interest on the entrusted loan granted in the first stage of the acquisition was therefore only paid to the Group up to the end of last year. In accordance with the completion arrangement announced by the Company on 20 December 2011, the entrusted loan was settled in full and no further interest payment was received in year 2012.

1.3 Cost Control

Financial Expenditures

The Group's funding expenses in the first half of 2012 amounted to about HK$145,128,000, a significant increase of about 67.6% as compared with that of about HK$86,566,000 for the same period in 2011. The significant increase was brought about by: (1) high RMB interest rate prevailing over the period, with effective interest paid for US$ loan increased as a result of uplifted interest margin, and (2) increase in working capital financing to support the increased credit sales to bus companies and industrial customers.

Operating Cost

The aggregate sum of sales and distribution costs and administrative expenses increased substantially for the period to approximately HK$177,930,000, an increase of about 60% as compared with that of about HK$111,020,000 for the same period in 2011. The increase was expected as the Group began to bear all administrative and sales expenditures of Lianxin after the acquisition was completed early this year. Besides, substantial costs were incurred in employing professional personnel and workman for the bunkering business, and in leasing the Group's bunker ships and a suitable marine bunker station so as to ensure the provision of quality service from the start of the bunkering business in Hong Kong.

1.4 Conclusion

The outstanding improvement of gross profit in the first half of 2012 provides a convincing signal that the Group is entering the harvest cycle after the implementation of the downstream expansion program laid down in 2009. It also proves that expanding sales to the downstream market of the Group's product is the right path for a sustainable growth in the Group's earning capability.

2. LPG Business

The Group achieved about 819,100 tons of sales of LPG for the first half of 2012, a growth of about 15.5% compared with that of about 709,000 tons in the same period of 2011. Due to the falling market price of LPG during the second quarter of this year despite increased in quantities of sales, turnover grew by just about 8.3% to approximately HK$5,441,850,000 as compared with that of about HK$5,023,767,000 for the same period in 2011. LPG contribution accounted for about 91.0% of the Group's turnover (for the same period in 2011: 91.9%). LPG gross profit increased significantly by about 182% to about HK$496,478,000 as compared with that of about HK$175,767,000 for the same period in 2011.

In the first half of 2012, LPG wholesaling and end-user sales amount were respectively 567,800 tons and 251,300 tons. The wholesaling and end-user sales proportion was about 69:31, and comparing with that of 85:15 as for the same period of 2011, the end-user sales proportion has significantly increased. Of more importance, gross profit was prominently improved through such change of business direction.

Industrial Customers

The Group's industrial customers in the region include petrochemical plants, aluminium mills, air-conditioner manufacturers, lighter manufacturers, ceramic factories, glass factories, aerosol factories and automobile manufacturers. Sales to industrial customers amounted to about 278,000 tons in the first half of 2012, a substantial growth of about 51% as compared with that of about 184,000 tons for the same period in 2011. The growth is expected to continue given that industrial customers have been targeted for further expansion.

Auto-gas Operators

The Group is wholesaling to auto-gas operators in Guangzhou and Wuhan. In this period, the Group successfully entered into term supply contract with another auto-gas operator in Guangzhou with the supply having commenced in May. Wholesaling in this respect amounted to about 8,300 tons in the first half of 2012, only a slight increase when compared with that of about 8,000 tons (taking no account of sales to Lianxin) for the same period in 2011. The new supply contract is anticipated to drive up the sales volume in the second half of this year.

Overseas Customers

Sales to overseas customers has reduced by about 12% from that of about 249,000 tons in the first half of 2011 to about 219,000 tons for the same period this year. This type of sales is mainly for the purpose of enhancing the logistic efficiency of the Zhuhai Terminal. As it can only generate very modest margin by itself, the volume is anticipated to further reduce in the second half of this year.

Other sea terminals and bottling plants

Sales in this respect amounted to about 62,500 tons in the first half of 2012, a reduction of about 8% as compared with that of about 68,000 tons for the same period in 2011. Again, this type of business is unable to generate attractive profit margin, the volume is also anticipated to reduce in the second half of this year.

End-users - Bottled LPG

The bottled LPG business continued to operate through the Group's 16 bottling plants in Guangdong and Guangxi. The target customers include traditional households and the fast growing industrial and commercial users (such as restaurants, food outlets and small factories) in the region. The computerized customer service centre in Zhuhai established by the Group at the end of 2010 effectively contributed a sales growth of about 22.5% to about 134,800 tons from that of about 110,000 tons for the same period in 2011. As at the end of June 2012, the Group has about 755,000 captive household customers, a slight increase of 0.7% compared with that of about 750,000 customers for the same period in 2011. At the same date, the Group has about 5,900 industrial customers, an increase of about 55% as compared with that of about 3,800 customers at the same date in 2011.

Ender-users - Auto-gas

Early this year, the Group completed the second stage of the acquisition of Lianxin, and started to provide auto-gas refueling service through the 17 auto-gas refueling stations in Guangzhou. Total sales volume in the first half of 2012 amounted to about 116,500 tons. Due to geographical reason, the average temperature of Guangzhou is higher in the months of July to December than that of January to June; buses and taxies have to provide air-conditioning service for much longer time in that period and correspondingly consume more fuel. Auto-gas refueling volume in the latter half of the year is therefore anticipated to outpace that in the first 6 months, and the total sales volume is likely to exceed 240,000 tons for the whole year.

3. Oil Products Business

The Group started to provide marine bunkering service in Hong Kong since May 2012. Total sales volume was only about 20,000 tons for the last two months. Turnover was about HK$99,475,000 contributing about 1.7% of the Group's total turnover and achieving an insignificant gross profit of about HK$1,342,000.

By bringing ahead the commencement of this business, the Group aims at establishing a customer base sufficient enough to pursue optimum utilization of the oil storage capacity of the oil products depot at the Zhuhai terminal after its completion. To start this business, the Group has leased 3 bunker ships and a marine bunker station located near to the Yaumatai Harbour. Although only 20,000 tons of sales was achieved in the first half of 2012, the total sales in 2012 is anticipated to be not less than 150,000 tons given that the sales volume in July has already gone up to 20,000 tons.

4. Electronics Business

The trading volume of mobile phones and electronics components ("Electronics") remained stable in the first half of 2012. Electronics business continued to adopt the same model of cooperation with business partner of Thailand. Turnover amounted to about HK$436,719,000 which was more or less the same as that of about HK$443,460,000 for the same period in 2011. Its contribution further reduced to about 7.3% of the Group's turnover (for the same period in 2011: 8.1%). Gross profit however rose to about HK$47,074,000 from that of about HK$35,951,000 for the same period in 2011, and gross profit margin increased to 10.8% from 8.1%.

5. Business Outlook

The Group has all along been convinced about the development potential of the energy market in Southern China region. Among positive factors of the region which include dense population, prosperous economy and a sustainable demand on energy products, the immunity of Southern China region from external changes stands out as the most important attribute that gives us the confidence to explore further opportunities in this area. Based on the high market predictability and huge development potential, the Group has decided to strive ahead for the position of "leading energy provider in Southern China region" from currently "the largest LPG supplier in Southern China region", and is determined to reach its target of annual sales of 5,000,000 tons energy products within the next 5 years.

In order to achieve this grand mission, the Group has adopted a two-pronged strategy – (1) continue its leading position in the South China LPG market, and (2) accelerate the oil business development.

In respect of the LPG business, the Group will continue its strong promotion of sales to industrial customers in Guangdong, and launch its sale of bottled LPG in Hong Kong from early 2013. The Group has signed a letter of intent with Sinopec Guangdong in June 2012 pursuant to which the two parties intend to enter into various areas of cooperation. Among these areas, the joint promotion of the auto-gas market in Guangzhou and the expansion of bottled LPG distribution network in Guangdong would further strengthen the Group's leading position in the Southern China region. The letter of intent also provides the Group with the opportunity to be provided with resources relating to the oil products business. We strongly believe that the smooth commencement of marine bunkering business in Hong Kong coupled with the strategic cooperation with Guangdong Sinopec will accelerate the oil products business development and effectively fuel the Group in its pursuit of the position of "the leading energy supplier in Southern China region".

CHANGE IN DIRECTORSHIP

On 21 May 2012, Mr. Cai Xikun ("Mr. Cai") retired from the office of executive director of the Company by rotation in accordance with the Company's bye-laws. As Mr. Cai considered this a suitable opportunity for his retirement, he did not offer himself for re-election. The Board wishes to take this opportunity to express its gratitude to Mr. Cai for his valuable service and contributions to the Company.

LIQUIDITY AND FINANCIAL REVIEW

At 30 June 2012, the net current assets of the Group amounted to approximately HK$161,061,000 (31 December 2011: HK$124,339,000) and the Group's bank balances and cash was approximately HK$793,103,000 (31 December 2011: HK$877,595,000). At the end of reporting date, gearing ratio was 0.17:1 (31 December 2011: 0.24:1) which was calculated based on total long term borrowings of approximately HK$347,502,000 (31 December 2011: HK$444,842,000) and total equity of approximately HK$2,035,712,000 (31 December 2011: HK$1,847,535,000).

HUMAN RESOURCES

As at 30 June 2012, the Group employed approximately 1,100 employees in Hong Kong, Macau and mainland China. The Group remunerated the employees based on their performance, experience and prevailing market practices.

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 2012.

AUDIT COMMITTEE

The audit committee, comprising all independent non-executive directors of the Company, has reviewed with the Company's external auditor and 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 2012.

CORPORATE GOVERNANCE

The Company complied with the provision of the Code on Corporate Governance Practices (the "Corporate Governance Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2012 with the exception that the independent non-executive directors are not appointed for a specific term as provided in the Corporate 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 (the "Securities Transactions Code") as its own code of conduct regarding securities transactions. Having made specific enquiry of the directors, all directors of the Company had complied with the required standards as set out in the Securities Transactions Code during the six months ended 30 June 2012.

PUBLICATION OF RESULTS AND INTERIM REPORT

This result announcement is published on the Company's website at http://www.newoceanhk.com and the website of the Stock Exchange at http://www.hkexnews.hk. The 2012 Interim Report will be dispatched to shareholders in due course and will be published at the websites of the Company and the Stock Exchange at the same time.

By order of the Board
Shum Siu Hung
Chairman

Hong Kong, 17 August 2012

As at the date of this announcement, the Board of the Company comprises Mr. Shum Siu Hung, Mr. Shum Chun, Lawrence, Mr. Cen Ziniu, Mr. Chiu Sing Chung, Raymond, Mr. Siu Ka Fai, Brian and Mr. Wang Jian, being the executive Directors, Mr. Cheung Kwan Hung, Anthony, Mr. Chan Yuk Wai, Benedict and Dr. Xu Mingshe, being the independent non-executive Directors.