THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in NewOcean Energy Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities, bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

NewOcean Energy Holdings Limited

（新海能源集團有限公司）*

(Incorporated in Bermuda with limited liability)

(Stock Code: 342)

PROPOSED OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR EVERY SHARE HELD ON THE RECORD DATE AND APPLICATION FOR WHITEWASH WAIVER

Financial adviser to the Company

Access Capital

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

CIMB

CIMB-GK Securities (HK) Ltd

Underwriter to the Open Offer

Uniocean Investments Limited

A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 40 of this circular. The recommendations of the Independent Board Committee to the Independent Shareholders are set out on page 26 of this circular.

A notice convening the SGM to be held at 20/F., Times Tower, 393 Jaffe Road, Wanchai, Hong Kong at 10:00 a.m. on 16 September 2008 is set out on pages 125 to 127 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so desire.

The Open Offer is conditional, inter alia, upon the fulfillment of the conditions set out under the section headed "Conditions of the Open Offer" on pages 16 to 17 of this circular. In particular, the Open Offer is conditional upon the Whitewash Waiver having been granted by the Executive and the approval of the Open Offer and the Whitewash Waiver by the Independent Shareholders at the SGM by way of poll. The Underwriter is entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events, including but not limited to force majeure, as more particularly described in the section headed "Termination of the Underwriting Agreement" on pages 17 to 18 of this circular. The Open Offer is therefore also subject to the Underwriter not terminating the Underwriting Agreement. Accordingly, the Open Offer may or may not proceed.

29 August 2008

* *For identification purpose only*

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acceptance Time"	4:00 p.m. on 2 October 2008 (or such other date or time as may be agreed by the Company and the Underwriter in writing and specified in the Prospectus Documents), being the latest time for acceptance of the Offer Shares
"acting in concert"	has the meanings ascribed to it in the Takeovers Code
"Announcement"	the announcement of the Company dated 8 August 2008 in relation to the proposed Open Offer and the application for Whitewash Waiver
"associate(s)"	has the same meanings ascribed to it in the Listing Rules
"Board"	the board of Directors
"Business Day"	a day which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
"CCASS"	The Central Clearing and Settlement System established and operated by HKSCC
"CIMB or Independent Financial Adviser"	CIMB-GK Securities (HK) Ltd, a licensed corporation authorized to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer and the Whitewash Waiver
"Companies Ordinance"	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	NewOcean Energy Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Director(s)"	director(s) of the Company

"EAF(s)"	the excess application form(s) to be issued in connection with the Open Offer in the agreed form
"Excluded Shareholder(s)"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is/are in (a) place(s) outside Hong Kong, where the Directors consider it necessary or expedient not to offer the Open Offer to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board comprising the independent non-executive Directors namely Mr. Cheung Kwan Hung, Anthony, Mr. Chan Yuk Wai, Benedict and Dr. Xu Mingshe established to give recommendation to the Independent Shareholders regarding the Open Offer and the Whitewash Waiver
"Independent Shareholders"	Shareholders other than (i) Uniocean, Mr. Shum, their respective associates and concert parties with any of them and those persons (if any) who are required to be abstained from voting at the SGM by the Stock Exchange; and (ii) other Shareholders (if any) who are involved or interested in the Underwriting Agreement and the Whitewash Waiver
"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with any director, chief executive or substantial shareholders of the Company and its subsidiaries or any of their respective associates

"Irrevocable Undertaking"	the Irrevocable Undertaking dated 7 August 2008 under which Uniocean and Mr. Shum have irrevocably undertaken to the Company to subscribe for the full entitlements pursuant to the Open Offer for 155,682,400 Offer Shares under the Open Offer
"Last Trading Date"	7 August 2008, being the last trading day which was immediately prior to the suspension of trading in the Shares on 8 August 2008 on the Stock Exchange
"Latest Practicable Date"	26 August 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules
"Mr. Shum"	Mr. Shum Siu Hung, the Chairman of the Company and an executive Director
"New Share Option Scheme"	the new share option scheme adopted by the Company at a special general meeting held on 18 June 2003 to replace the Old Share Option Scheme
"Offer Share(s)"	481,676,687 new Shares proposed to be offered to the Qualifying Shareholders for subscription on the terms and subject to the conditions set out in the Underwriting Agreement and in the Prospectus
"Old Share Option Scheme"	the old share option scheme adopted by the Company on 9 April 1999

"Open Offer"	the proposed offer for subscription at the Subscription Price to be made by the Company to the Qualifying Shareholders in the proportion of one Offer Share for every Share held on the Record Date by way of an open offer upon the terms and conditions mentioned herein and more particularly described in the Prospectus Documents
"Option Holders"	collectively Mr. Shum, being the holder of 9,000,000 Share Options, Mr. Chiu Sing Chung, Raymond, being the holder of 6,000,000 Share Options, Mr. Cheung Kwan Hung, Anthony being an independent non-executive Director and the holder of 1,000,000 Share Options and other employees of the Group, being the holders of 13,500,000 Share Options
"Option Holders Undertakings"	Irrevocable Undertakings of the Option Holders dated 7 August 2008 under which each of the Option Holder has irrevocably undertaken to the Company that they will not exercise their subscription rights attaching to the Share Options from the date of such undertaking up to and including the Record Date
"Overseas Shareholders"	Shareholder(s) with registered addresses on the register of members of the Company which are outside Hong Kong on the Record Date
"PAL(s)"	the provisional allotment letter(s) to be issued in connection with the Open Offer in the agreed form
"PRC"	The People's Republic of China which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Prospectus"	the Open Offer prospectus expected to be dated 16 September 2008
"Prospectus Documents"	the Prospectus, PAL and EAF
"Prospectus Posting Date"	16 September 2008, the date of despatch of the Prospectus Documents, or such other date as the Underwriter may agree in writing with the Company for the despatch of the Prospectus Documents

"Qualifying Shareholders"	the Shareholder(s) other than the Excluded Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
"Record Date"	16 September 2008, or such other date as may be agreed between the Company and the Underwriter for the determination of the entitlements under the Open Offer
"Registrar"	Tricor Secretaries Limited, the Hong Kong branch share registrar of the Company
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held on 16 September 2008 at which resolution(s) will be proposed to consider, and if thought fit, to approve, among others, the Open Offer and the Whitewash Waiver
"Share(s)"	the existing share(s) of HK$0.10 each in the share capital of the Company
"Share Options"	options to subscribe for Shares at an exercise price of HK$0.69 granted under the New Share Option Scheme
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	subscription price of HK$0.30 per Offer Share pursuant to the Open Offer
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Repurchases

"Underwriter" or "Uniocean"	Uniocean Investments Limited, the underwriter to the Open Offer and the controlling Shareholder, is a company incorporated in the British Virgin Islands, of which 94.0% issued share capital are owned by the associates of Mr. Shum (64.0% being held by Madam Tong Shiu Ming, the spouse of Mr. Shum, 15.0% being held by Mr. Shum Chun, Lawrence and 15.0% being held by Mr. Shum Ho, Neo, who are the sons of Mr. Shum), 5.0% by Mr. Wu Hong Cho, a non-executive Director and 1.0% by Mr. Cen Ziniu, an executive Director
"Underwriting Agreement"	the conditional underwriting agreement, dated 7 August 2008 and entered into between the Company and the Underwriter in relation to the underwriting of the Open Offer
"Underwritten Shares"	325,994,287 Offer Shares being all Offer Shares (including the Offer Shares to which the Excluded Shareholder(s) would otherwise have been entitled) to be issued pursuant to the Open Offer less those Offer Shares which Uniocean and Mr. Shum undertaken to take up
"Whitewash Waiver"	a waiver required to be granted by the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code to waive the obligation of the Underwriter to make a general offer for all the issued Shares not already owned or agreed to be acquired by the Underwriter or parties acting in concert with it which may otherwise arise as a result of the subscription of the Underwritten Shares by it under the Open Offer pursuant to the Underwriting Agreement
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

For the purpose of illustration in this circular, apart from Appendix I, conversion of RMB into HK$ in this circular is based on the exchange rate of RMB1.00 to HK$1.1374. Such conversion should not be construed as a representation that any amounts have been, could have been, or may be exchanged at this or any other date.

The expected timetable for the Open Offer set out below is for indicative purposes only and has been prepared on the assumption that all the conditions of the Open Offer will be fulfilled. The expected timetable is subject to change, and any changes will be announced in a separate announcement by the Company as and when appropriate.

	2008
Last day of dealings in the Shares on a cum-entitlement basis	Thursday, 4 September
Commencement of dealings in the Shares on an ex-entitlement basis	Friday, 5 September
Latest time for lodging transfers of the Shares with the Registrar in order to be qualified for the Open Offer	4:30 p.m. on Monday, 8 September
Register of members closes to determine entitlements under the Open Offer (both dates inclusive)	Tuesday, 9 September to Tuesday, 16 September
Latest time for return of form of proxy for the SGM	10:00 a.m. on Sunday, 14 September
SGM to be held	10:00 a.m. on Tuesday, 16 September
Record Date	Tuesday, 16 September
Announcement of the results of the SGM	by 11:00 p.m. on Tuesday, 16 September
Prospectus Posting Date	Tuesday, 16 September
Register of members re-opens	Wednesday, 17 September
Latest time for acceptance of and payment for, the Offer Shares	4:00 p.m. on Thursday, 2 October
Underwriting Agreement becomes unconditional	4:00 p.m. on Wednesday, 8 October
Announcement of results of the Open Offer to be published	by 11:00 p.m. on Wednesday, 8 October

	2008
Refund cheques for wholly and partially unsuccessful excess applications to be posted	Monday, 13 October
Certificates for the Offer Shares expected to be despatched on or before	Monday, 13 October
Dealings in Offer Shares commence on	Wednesday, 15 October

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR OFFER SHARES

The Acceptance Time and payment for the Offer Shares will not take place if there is:

(1) a tropical cyclone warning signal number 8 or above, or

(2) a "black" rainstorm warning

   (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Thursday, 2 October 2008. Instead the Acceptance Time and payment for the Open Offer will be extended to 5:00 p.m. on the same business day; and

   (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Thursday, 2 October 2008. Instead the Acceptance Time and payment for the Open Offer will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Acceptance Time and payment of the Open Offer does not take place on Thursday, 2 October 2008, the dates mentioned in the section headed "Expected timetable" in this circular may be affected. An announcement will be made by the Company in such event.

NewOcean Energy Holdings Limited

(新海能源集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 342)

Executive Directors:
SHUM Siu Hung *(Chairman)*
CHIU Sing Chung, Raymond *(Managing Director)*
SHUM Chun, Lawrence
CEN Ziniu

Non-executive Director:
WU Hong Cho

Independent non-executive Directors:
CHEUNG Kwan Hung, Anthony
CHAN Yuk Wai, Benedict
XU Mingshe

Head office in Hong Kong:
20th Floor, Times Tower
393 Jaffe Road
Wanchai
Hong Kong

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

29 August 2008

To the Shareholders

Dear Sir or Madam,

PROPOSED OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR EVERY SHARE HELD ON THE RECORD DATE AND APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

The Company announced on 8 August 2008 that the Company had entered into the Underwriting Agreement with the Underwriter on 7 August 2008 in relation to the Open Offer and the application for Whitewash Waiver.

The purpose of this circular is to provide you with further details regarding, among other things, (i) the Open Offer; (ii) the Whitewash Waiver; (iii) the recommendation of the Independent Board Committee in relation to the Open Offer and the Whitewash Waiver; (iv) a

* *For identification purpose only*

letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Open Offer and the Whitewash Waiver together with (v) a notice of the SGM.

PROPOSED OPEN OFFER

Issue statistics

Basis of the Open Offer	:	One Offer Share for every Share held on the Record Date
Number of Shares in issue	:	481,676,687 Shares as at the Latest Practicable Date
Number of Offer Shares	:	481,676,687 Offer Shares
Subscription price	:	HK$0.30 per Offer Share payable in full upon acceptance
Enlarged issued share capital upon completion of the Open Offer	:	963,353,374 Shares

As at the Latest Practicable Date, there were an aggregate of 29,500,000 outstanding Share Options eligible under the New Share Option Scheme (with the lapse of 1,000,000 Share Options held by the late Ma Man Hoi, Joseph, an ex-independent non-executive Director who had deceased on 16 June 2007) eligible for exercise on or before the Record Date to subscribe for an aggregate of 29,500,000 Shares at the exercise price of HK$0.69 per Share (subject to adjustment). Subject to the Option Holders Undertakings, each of the Option Holders (including Mr. Shum) has irrevocably undertaken not to exercise the subscription rights attaching to 29,500,000 Share Options being held by each of them prior to the Record Date.

Of the 29,500,000 Share Options, 9,000,000 Share Options are being held by Mr. Shum and 6,000,000 and 1,000,000 Share Options are being held by Chiu Sing Chung, Raymond, the managing Director and an independent non-executive Director respectively. The remaining 13,500,000 Share Options are being held by the employees of the Group and are Independent Third Parties.

Save for the 29,500,000 Share Options, the Company has no other outstanding options, warrants or convertible securities in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Excluded Shareholders, the Company will send copies of the Prospectus to them for their information only, but the Company will not send any PAL and EAF to the Excluded Shareholders.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and must be a Qualifying Shareholder. In order to be registered as members of the Company at the close of business on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 8 September 2008.

Closure of register of members

The register of members of the Company is expected to be closed from 9 September 2008 to 16 September 2008, both dates inclusive. No transfers of Shares will be registered during the book closure period.

Subscription Price

The subscription price for the Offer Shares is HK$0.30 per Offer Share, payable in full upon acceptance of the relevant provisional allotment of Offer Shares and, where applicable, application for excess Offer Shares under the Open Offer. The Subscription Price represents:

(i) a discount of approximately 31.82% to the closing price per Share of HK$0.440 as quoted on the Stock Exchange on the Last Trading Date;

(ii) a discount of approximately 36.58% to the average of the closing prices per Share of HK$0.473 for the last 5 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(iii) a discount of approximately 37.50% to the average of the closing prices per Share of HK$0.480 for the last 10 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(iv) a discount of approximately 18.92% to the theoretical ex-rights price of HK$0.370 per Share calculated based on the closing price per Share on the Last Trading Day, and

(v) a discount of approximately 28.57% to the closing price per Share of HK$0.420 as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the current market price of the Shares. As the Offer Shares are offered to all Qualifying Shareholders, the Directors would like to set the Subscription Price at a level that would attract the Qualifying Shareholders to participate in the Open Offer. The Directors (including the independent non-executive Directors) consider the terms of the Open Offer, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of provisional allotment

The basis of the provisional allotment shall be one Offer Share for every Share held by the Qualifying Shareholders on the Record Date at the Subscription Price. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Offer Shares being applied for.

Status of the Offer Shares

The Offer Shares, when allotted and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment of the Offer Shares.

Fractions of the Offer Shares

Fractional entitlements to the Offer Shares will not be issued but will be aggregated and taken up by the Underwriter.

Certificates of the Offer Shares

Subject to the fulfillment of the conditions of the Open Offer, share certificates for the Offer Shares are expected to be posted by 13 October 2008 to those Shareholders entitled thereto by ordinary post at their own risks.

Rights of Excluded Shareholders

As at the Latest Practicable Date, the Company had two Overseas Shareholders with registered addresses in the PRC. Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Company has made enquiry regarding the legality and feasibility of extending the Open Offer to such Overseas Shareholders. Based on the legal opinions from legal advisers in the PRC, there is no restriction to extend the Open Offer to such Overseas Shareholders and the Directors have determined that it is expedient for the Open Offer to be offered to the Overseas Shareholders. Accordingly, there are no Excluded Shareholders for the Open Offer and the Open Offer will be extended to such Overseas Shareholders and the Prospectus Documents will be sent to such Overseas Shareholders whose names are on the Registrar on the Record Date.

Application for excess Offer Shares

Qualifying Shareholders may apply, by way of excess application, for any Offer Shares provisionally allotted but not accepted.

Applications for excess Offer Shares may be made by completing the EAF and lodging the same with a separate remittance for the excess Offer Shares being applied for. The Directors will allocate the excess Offer Shares at their sole discretion on a fair and equitable basis, in proportion to the number of excess Offer Shares being applied for under each application, except that preference will be given to applications for less than a board lot of Offer Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings.

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders whose Shares are registered in the name of a nominee company should note that the aforesaid arrangement in relation to the allocation of excess Offer Shares will not be extended to them individually. Shareholders with their Shares held by nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

For Shareholders whose Shares are held by their nominee(s) and would like to have their names registered on the register of members of the Company, they must complete the relevant registration with the Registrar, by 4:30 p.m. on 8 September 2008.

Application for listing

The Shares have a primary listing on the Main Board of the Stock Exchange. The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Offer Shares to be allotted and issued pursuant to the Open Offer.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No part of the share capital of the Company is listed or dealt in or of which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Dealings in the Offer Shares in board lots of 2,000, which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The principal activities of the Company are the sale and distribution of liquefied petroleum gas (“LPG”) and sale of cellular phones.

The Company will raise approximately HK$144.5 million before expenses in the Open Offer. Based on 481,676,687 Offer Shares, the estimated net proceeds from the Open Offer will be approximately HK$142.2 million (net of expenses of approximately HK$2.3 million comprising professional fees directly attributable to the Open Offer to be borne by the Company). The Company intends to use the net proceeds as to approximately HK$114.0 million for reducing the Group’s short term borrowings from PRC banks and as to approximately HK$28.2 million for general working capital purposes.

According to the Company’s annual report for the year ended 31 December 2007, the Company had consolidated short term bank borrowings of approximately HK$1,065 million (2006: approximately HK$401.4 million) which were partly secured by pledge of cash deposits of approximately HK$755.4 million (2006: approximately HK$313.7 million). The consolidated net short term bank borrowings of the Company was approximately HK$309.6 million (2006: approximately HK$87.7 million), being the difference between the consolidated short term bank borrowings and the pledged cash deposits of the Company. As at 31 December 2007, the Company had consolidated trade creditors and bills payable of approximately HK$381.8 million (2006: approximately HK$284.7 million). The increase in the Group's short term bank borrowings, bills payable and trade creditors as at 31 December 2007 was due to the increase in the Group's working capital requirement resulting from the steep rise in the LPG price and the increased trading volume of the LPG business in 2007.

As the major subsidiaries of the Company are operating in the PRC, a major portion of the aforesaid short term borrowings of the Group are made by banks in the PRC. In light of the upward trend in bank lending interest rates and the tightening of credits in the PRC due to the austerity measures imposed by the PRC government, the Board considers that the Open Offer is an appropriate means for the Company to raise additional funds to reduce the interest burden on the Group, to guard against any further tightening of credits in the PRC and to improve the Group's liquidity to meet its continuing growth in trading volume. The Open Offer will strengthen the Company's capital base and enhance its financial position as well as give the Qualifying Shareholders an opportunity to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Company. In this regard, the Directors (including the independent non-executive Directors) believe that the Open Offer is in the interests of the Group and the Shareholders as a whole.

UNDERWRITING ARRANGMENTS

Undertakings from Mr. Shum and Uniocean

As at the Latest Practicable Date, Uniocean and Mr. Shum and parties acting in concert with them are together interested in 155,682,400 Shares, representing approximately 32.32% of the existing issued share capital of the Company. On 7 August 2008, Uniocean and Mr. Shum have irrevocably undertaken to the Company that the Shares beneficially owned by them will not be disposed of from the date of the undertaking up to and including the Record Date and that they will take up their provisional allotments under the Open Offer in full, representing 155,682,400 Offer Shares. Uniocean is an investment company holding approximately 28.0% of the issued share capital of the Company as at the Latest Practicable Date and does not carry on any business.

Undertakings from the Options Holders

Options Holders of 29,500,000 Share Options have irrevocably undertaken to the Company and the Underwriter that they will not exercise their Share Options and that such Share Options will remain registered in the name of and beneficially owned by such holders from the date of such undertaking up to and including the Record Date.

The Underwriting Agreement

Taking into account the undertakings from the Options Holders, the Underwriter has agreed to fully underwrite the Underwritten Shares of 325,994,287 Offer Shares at the Subscription Price. The Underwriting Agreement provides that the Underwriter will be obliged to subscribe for any Offer Shares not taken up by the Qualifying Shareholders. No underwriting commission will be paid by the Company to the Underwriter. The Directors (including the independent non-executive Directors) consider that the terms of the Underwriting Agreement are fair and reasonable.

Conditions of the Open Offer

The Open Offer is conditional, among other things, on each of the following conditions being fulfilled:

(i) the passing of the relevant resolution(s) by the Independent Shareholders approving the Open Offer and the Whitewash Waiver at the SGM by way of poll;

(ii) the filing of the Prospectus Documents with the Registrar of Companies in Bermuda in compliance with the Companies Act 1981 of Bermuda (as amended) before or as soon as reasonably practicable after the Prospectus Posting Date;

(iii) the Whitewash Waiver having been granted by the Executive;

(iv) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy each of the Prospectus Documents in the manner described in the Underwriting Agreement not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and the Companies Ordinance;

(v) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date;

(vi) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Offer Shares by no later than the Prospectus Posting Date;

(vii) compliance with and performance of all the undertakings and obligations of the Company as provided in the Underwriting Agreement; and

(viii) compliance with and performance of all the undertakings and obligations of Mr. Shum and Uniocean as provided in the Underwriting Agreement.

Conditions set out above are not capable of being waived. If the conditions of the Open Offer under the Underwriting Agreement are not fulfilled by the relevant dates and times specified in the Underwriting Agreement (or, in each case, such later date or time as the Underwriter may agree in writing with the Company pursuant to the Underwriting Agreement), the Underwriting Agreement will terminate and no party thereto will have any claim against any other party for costs, damages compensation or otherwise save for any antecedent breaches. If the Underwriting Agreement terminates in accordance with its terms, the Open Offer will not proceed. The irrevocable undertakings by the Options Holders as described above will lapse.

Termination of the Underwriting Agreement

The Underwriter shall have the absolute right, after reasonable consultation with the Company as the Underwriter in its sole and absolute discretion, sees fit terminate the Underwriting Agreement by notice in writing given to the Company at any time prior to 4:00 p.m. on the third Business Day after the Acceptance Time if there occurs any of the following events:

(a) in the sole and absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:

   (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or

   (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

   (iii) any material adverse change in the business or in the financial or trading position of the Group as a whole; or

(b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the sole and absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

(c) there is any change in the circumstances of the Company or any member of the Group which in the sole and absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

(d) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than 10 consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer, or

(e) the circular, Prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company and which may in the sole and absolute opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Open Offer or might cause a prudent investor not to accept the Offer Shares provisionally allotted to it.

If, prior to 4:00 p.m. on the third Business Day after the Acceptance Time:

(a) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or

(b) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to 4:00 p.m. on the third Business Day after the Acceptance Time which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect and such event comes to the knowledge of the Underwriter,

the Underwriter shall be entitled by notice in writing to the Company to rescind the Underwriting Agreement.

If the Underwriter gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter any reasonable legal fees and other reasonable out of pocket expenses incurred by the Underwriter. If the Underwriter exercises its right to terminate the Underwriting Agreement, the Open Offer will not proceed.

WARNING OF THE RISKS OF DEALING IN THE SHARES

The Open Offer is conditional, inter alia, upon the fulfillment of the conditions set out in the section headed "Conditions of the Open Offer". In particular, the Open Offer is conditional upon the Whitewash Waiver having been granted by the Executive, the approval of the Open Offer, the Whitewash Waiver by the Independent Shareholders at the SGM by way of poll, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof as set out in the paragraph headed "Termination of the Underwriting Agreement". Accordingly, the Open Offer may or may not proceed.

Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company immediately before and after completion of the Open Offer is set out below:

Shareholders	As at the Latest Practicable Date		Upon completion of the Open Offer: Nil subscription by public Shareholders		Upon completion of the Open Offer: 100% subscription by public Shareholders	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Uniocean	134,870,621	28.00	595,735,529	61.84	269,741,242	28.00
Mr. Shum	20,811,779	4.32	41,623,558	4.32	41,623,558	4.32
Total holdings of Uniocean, Mr. Shum and parties acting in concert with them	**155,682,400**	**32.32**	**637,359,087**	**66.16**	**311,364,800**	**32.32**
Integrated Asset Management (Asia) Limited *(Note)*	30,000,000	6.23	30,000,000	3.11	60,000,000	6.23
Other public Shareholders	295,994,287	61.45	295,994,287	30.73	591,988,574	61.45
Total	**481,676,687**	**100.00**	**963,353,374**	**100.00**	**963,353,374**	**100.00**

Note:

The Shares are held by Integrated Asset Management (Asia) Limited of which the beneficial shareholder is an Independent Third Party.

PREVIOUS FUND RAISING EXERCISES OF THE COMPANY

The Company did not have any fund raising exercises in the past twelve months immediately preceding the Latest Practicable Date.

ADJUSTMENTS TO EXERCISE PRICES AND NUMBERS OF SHARE OPTIONS

Adjustments to the exercise prices and numbers of the outstanding Share Options may be required under the relevant terms of the New Share Option Scheme. The auditors of the Company will be appointed to certify the necessary adjustments, if any, to the exercise prices and numbers of the outstanding Share Options. Further announcement will be made by the Company in this regard.

WHITEWASH WAIVER

Uniocean, which is the Underwriter and holds approximately 28.0% of the entire issued share capital of the Company as at the Latest Practicable Date, is beneficially owned as to 94.0% by the associates of Mr. Shum, being his spouse and certain of his family members. Uniocean has irrevocable undertaken to the Company to subscribe in full for all the Offer Shares to be provisionally allotted to it under the Open Offer and those Offer Shares not having been subscribed by the Qualifying Shareholders. In the event that upon completion of the Open offer, no Qualifying Shareholders (other than Mr. Shum and Uniocean) will take up any Offer Shares, the Underwriter will be required to subscribe for and take up all the Offer Shares that are not subscribed for under the Open Offer. This may result in the total shareholdings of the Underwriter, Mr. Shum and parties acting in concert with any of them increase from 155,682,400 Shares, representing approximately 32.32% of the entire issued share capital of the Company as at the Latest Practicable Date, to 637,359,087 Shares representing approximately 66.16% of the entire issued share capital of the Company as enlarged by the Open Offer. Accordingly, the underwriting by the Underwriter may trigger an obligation on the part of the Underwriter to make a mandatory general offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by it and parties acting in concert with it. An application has been made by the Underwriter to the Executive for the Whitewash Waiver. The Executive has agreed that subject to approval of the Independent Shareholders at the SGM by way of poll, to waive any obligations of the Underwriter to make a general offer which might result from the subscription of the Underwritten Shares.

It is one of the conditions of the Underwriting Agreement that the Whitewash Waiver be granted by the Executive and approved by the Independent Shareholders at the SGM by way of poll. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Underwriting Agreement will not become unconditional and the Open Offer will not proceed.

As at the Latest Practicable Date, (i) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of the Underwriter and which might be material to the Whitewash Waiver; and (ii) save for the Underwriting Agreement, there is no other agreement or arrangement to which the Underwriter is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Open Offer other than those mentioned in the section headed "Conditions of the Open Offer" or the Whitewash Waiver. Save for Mr. Shum and Uniocean who has irrevocably undertaken to take up their respective entitlement pursuant to the Open Offer as set out in the sub-paragraph under "Undertakings from Mr. Shum and Uniocean", the Underwriter or any person acting in concert with it has not received an irrevocable commitment to accept the Open Offer.

Should the Underwriter, Mr. Shum and parties acting in concert with any of them hold more than 50% of the voting rights of the Company upon completion of the Open Offer, they may further increase their shareholding in the Company without triggering any further obligation under the Takeovers Code to make a general offer.

REGULATORY IMPLICATIONS

As the Open Offer will increase the issued share capital of the Company by more than 50%, pursuant to Rule 7.24(5) of the Listing Rules, the Open Offer must be made conditional on approval by the Independent Shareholders at the SGM. As at the Latest Practicable Date, Uniocean, Mr. Shum and concert parties with them are interested in an aggregate of 155,682,400 Shares, representing approximately 32.32% of the existing issued share capital of the Company and Uniocean, Mr. Shum and concert parties with them and those who are involved in or interested in the Underwriting Agreement and the Whitewash Waiver shall abstain from voting in favour of the relevant resolutions relating to the Open Offer and the Whitewash Waiver.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been established to make recommendations to the Independent Shareholders in respect of the Open Offer and the Whitewash Waiver. Mr. Wu Hong Cho, the non-executive Director, holds 5.0% shareholding interest in the Underwriter and is therefore not considered to be independent regarding the Whitewash Waiver and is therefore not eligible to be a member of the Independent Board Committee. CIMB has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Such appointment has been approved by the Independent Board Committee.

Subject to the Open Offer and the Whitewash Waiver having been approved at the SGM, the Prospectus or Prospectus Documents, where appropriate, containing further information on the Open Offer will be despatched to the Shareholders as soon as practicable.

DEALINGS IN THE SHARES DURING THE PAST SIX MONTHS PRIOR TO THE DATE OF THE ANNOUNCEMENT

During the period commencing on the date falling six months preceding the date of the Announcement up to and including the Latest Practicable Date, the Underwriter acquired a total of 974,000 Shares on the Stock Exchange at a total purchase price of HK$588,000, between 11 February 2008 and 27 February 2008 with average prices ranging from HK$0.54 to HK$0.62, the latest of which happened on 27 February 2008, where 198,000 Shares were acquired by the Underwriter at an aggregate consideration of HK$122,760. These acquisitions had been made by the Underwriter in compliance with the Model Code. As disclosed in the clarification announcement made by the Company on 14 August 2008, due to the malfunction of the Company's computer servers, an inadvertent error in the Announcement relating to dealings in securities of the Company by the Underwriter, Mr. Shum and parties acting in concert with any of them in the six months prior to the date of the Announcement was made. These acquisitions have been reported to the Stock Exchange and notices in respect of changes in shareholdings of the substantial Shareholders as a result of such acquisitions had been properly filed and the Company has fully complied with the disclosure requirements under Part XV of the SFO. The filings were made during the period from 13 February 2008 to 28 February 2008.

A ruling dated 25 August 2008 has been granted by the Executive that the above acquisitions of the Shares were not disqualifying transactions for the purpose of section 3(a) of Schedule VI of the Takeovers Code as these acquisitions were made prior to the contemplation of the Open Offer.

Save as disclosed above, none of Uniocean, Mr. Shum and parties acting in concert with any of them had dealt for value in the securities (as defined under Note 4 to Rule 22 of the Takeover Code) of the Company during the period commencing on the date falling six months preceding the date of the Announcement up to and including the Latest Practicable Date.

INTENTION OF THE UNDERWRITER

It is the intention of the Underwriter that the Group will continue its current business. The Underwriter has no intention to make any major changes to the business or continued employment or the employees of the Group or to redeploy the fixed assets of the Group.

Uniocean decides to support the Open Offer by way of acting as the Underwriter to the Open Offer as it believes that the Open Offer would strengthen the Group's financial position and enlarge its capital base. This would in turn enhance the value of the investments of the Underwriter in the Group in the long run.

SGM

A notice convening the SGM to be held at 20/F., Times Tower, 393 Jaffe Road, Wan Chai, Hong Kong on 16 September 2008 at 10:00 a.m. is set out on pages 125 to 127 of this circular. Whether or not you are able to attend the SGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for the holding of the SGM or the adjourned meeting thereof (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof (as the case may be) should you so desire.

Resolutions will be proposed as ordinary resolutions to consider and, if thought fit, to approve (i) the Open Offer; and (ii) the Whitewash Waiver.

Voting at the SGM in respect of resolutions relating to the Open Offer and the Whitewash Waiver will be taken on a poll and the results of the SGM will be announced by publication a results announcement of the Company by 11:00 p.m. on the day of the SGM.

PROCEDURE FOR DEMANDING A POLL AT A GENERAL MEETING OF THE COMPANY

As mentioned above, the Open Offer and the Whitewash Waiver is subject to the approval by the Independent Shareholders at the SGM by way of poll. For the information of the Shareholders, the procedures by which the Shareholders may demand a poll at the SGM are set out below.

Under bye-law 66 of the bye-laws of the Company, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

(a) by the Chairman of the meeting; or

(b) by at least three Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

(c) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or

(d) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

RECOMMENDATION

The Directors believe that the terms of the Open Offer and the Whitewash Waiver are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Open Offer and the Whitewash Waiver.

You are advised to read carefully the letter from the Independent Board Committee regarding the Open Offer and the Whitewash Waiver on page 26 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 27 to 40 of this circular, considers that the terms of the Open Offer and the Whitewash Waiver respectively are fair and reasonable insofar as the Independent Shareholders are concerned and are in the interests of the Company and the

Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the Open Offer and the Whitewash Waiver respectively at the SGM.

FURTHER INFORMATION

Your attention is drawn to the financial and general information set out in the appendices to this circular.

By order of the Board
Shum Siu Hung
Chairman

29 August 2008

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Open Offer and the Whitewash Waiver.

NewOcean Energy Holdings Limited

(新海能源集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 342)

29 August 2008

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR EVERY SHARE HELD ON THE RECORD DATE AND APPLICATION FOR WHITEWASH WAIVER

We refer to the circular of the Company dated 29 August 2008 (the "Circular") of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise you as to whether the terms of the Open Offer and the Whitewash Waiver are fair and reasonable insofar as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. CIMB has been appointed as the Independent Financial Adviser to advise you and us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice to you and us on pages 27 to 40 of the Circular, we are of the opinion that the terms of the Open Offer and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Open Offer and the Whitewash Waiver.

Yours faithfully,
Independent Board Committee

CHEUNG Kwan Hung, Anthony	**CHAN Yuk Wai, Benedict**	**XU Mingshe**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

* *For identification purpose only*

Set out below is the text of the letter of advice from CIMB to the Independent Board Committee and the Independent Shareholders prepared for inclusion in this Circular.

CIMB-GK Securities (HK) Limited

25/F Central Tower
28 Queen's Road Central
Hong Kong

29 August 2008

To the Independent Board Committee and the Independent Shareholders of NewOcean Energy Holdings Limited

Dear Sirs,

PROPOSED OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR EVERY SHARE HELD ON THE RECORD DATE AND APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee in respect of the proposed Open Offer and the Whitewash Waiver, details of which are set out in the letter from the Board (the "Letter from the Board") contained in the circular of the Company dated 29 August 2008 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 8 August 2008, the Company announced that the Company proposed to raise approximately HK$144.5 million, before expenses, by issuing 481,676,687 Offer Shares by way of the Open Offer to the Qualifying Shareholders at a price of HK$0.30 per Offer Share.

The Open Offer is conditional upon the fulfillment of the conditions set out in the Letter from the Board. As the Open Offer will increase the issued share capital of the Company by more than 50%, pursuant to Rule 7.24(5) of the Listing Rules, the Open Offer must be made conditional on approval by the Independent Shareholders at the SGM.

In the event that upon completion of the Open Offer, no Qualifying Shareholders (other than the Underwriter and Mr. Shum) will take up any Offer Shares, the Underwriter will be required to subscribe for and take up all the Offer Shares that are not subscribed for under the Open Offer. This may result in the total shareholdings of the Underwriter, Mr. Shum and parties acting in concert with them increasing from 155,682,400 Shares, representing approximately 32.32% of the entire issued share capital of the Company as at the Latest Practicable Date, to 637,359,087 Shares, representing approximately 66.16% of the entire issued share capital of the Company as enlarged by the Open Offer. Accordingly, the underwriting by the Underwriter may trigger an obligation on the part of the Underwriter and parties acting in concert with it to make a mandatory general offer under Rule 26 of the Takeovers Code for all the Shares not already held by them.

An application has been made by the Underwriter to the Executive for the Whitewash Waiver. The Executive has agreed, subject to the approval of the Independent Shareholders taken by way of poll at the SGM, to grant the Whitewash Waiver.

As at the Latest Practicable Date, Uniocean, Mr. Shum and their respective concert parties are interested in an aggregate of 155,682,400 Shares, representing approximately 32.32% of the existing issued share capital of the Company and shall abstain from voting of the relevant resolutions relating to the Open Offer and the Whitewash Waiver.

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee should comprise all non-executive Directors. However, as Mr. Wu Hong Cho, the sole non-executive Director, holds 5% shareholding interest in Uniocean, he is not considered to be independent regarding the Whitewash Waiver and is therefore not eligible to be a member of the Independent Board Committee. Accordingly, the Independent Board Committee, comprising the independent non-executive Directors, namely Mr. Cheung Kwan Hung, Anthony, Mr. Chan Yuk Wai, Benedict and Dr. Xu Mingshe, has been established to give recommendation to the Independent Shareholders regarding the Open Offer and the Whitewash Waiver. Each of the members of the Independent Board Committee has confirmed that he has no conflict of interest in the relevant transactions and is eligible to be a member of the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the information and facts provided by the Directors and contained or referred to in the Circular. The Directors have declared in a responsibility statement set out in Appendix III to the Circular that they jointly and severally accept full responsibility for the accuracy of the information contained in the Circular. We have assumed that the information and representations provided to us by the Directors or contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendations. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Group or any of its associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Open Offer and the Whitewash Waiver, we have considered the following principal factors and reasons:

1. Background

(a) Background information of the Company

The Group is currently principally engaged in the sale and distribution of liquefied petroleum gas ("LPG") and sale of cellular phones. The following is a summary of the audited financial results of the Group for each of the three years ended 31 December 2007.

	For the year ended 31 December		
	2007	**2006**	**2005**
	(Audited)	**(Audited)**	**(Audited)**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*
Turnover			
Continuing operations			
Sale and distribution of LPG	3,673.6	2,287.5	1,372.8
Sale of electronic products	216.6	97.3	237.9
	3,890.2	2,384.8	1,610.8
Discontinued operations			
Leasing of investment properties	—	2.7	4.7
Total turnover	3,890.2	2,387.5	1,615.5
Cost of sales	(3,719.2)	(2,261.6)	(1,530.6)
Gross profit	171.0	126.0	84.9
Gross margin	4.4%	5.3%	5.3%
Profit attributable to Shareholders	50.5	44.1	35.7
Current liabilities	1,569.4	782.9	432.7
Non-current liabilities	226.3	231.5	9.5
Total liabilities	1,795.7	1,014.4	442.2
Gearing ratio	77.4%	69.4%	53.1%

i. For the year ended 31 December 2006

The Group's total turnover increased to approximately HK$2,388 million, representing a growth of approximately 47.8% when compared to 2005. Turnover of the year mainly comprised sale and distribution of LPG of approximately HK$2,288 million, representing approximately 95.8% of the total turnover. The Group sold approximately 520,000 tons of LPG, representing a year-on-year growth of approximately 48.6%. Gross margin was maintained at the 2005 level of approximately 5.3%. Profit attributable to Shareholders was approximately HK$44 million, an increase of approximately 23.5% when compared to 2005.

ii. For the year ended 31 December 2007

The Group recorded a turnover of approximately HK$3,890 million, representing a year-on-year increase of approximately 62.9%. Turnover of the year mainly comprised sale and distribution of LPG of approximately HK$3,674 million, representing about 94.4% of the total turnover. Gross margin declined by approximately 0.9% mainly because of the substantial surge in LPG price during the year which simultaneously increased both the turnover and cost of sales from its LPG sale and distribution business. Total LPG sale volume for the year reached approximately 650,000 tons, representing an increase of approximately 25% in comparison with that of approximately 520,000 tons in the year 2006. Profit attributable to Shareholders was approximately HK$51 million, an increase of approximately 14.5% when compared to 2006.

(b) Reasons for the Open Offer

We have reviewed the annual reports of the Company and discussed with the Directors on the Group's borrowings level. According to the Company's annual report for the year ended 31 December 2007, the Company had consolidated short term bank borrowings of approximately HK$1,065.0 million, which were partly secured by pledge of cash deposits of approximately HK$755.4 million, giving a consolidated net short term bank borrowings of approximately HK$309.6 million. As at 31 December 2007, the Company had consolidated trade creditors and bills payable of approximately HK$381.8 million. As set out in the table above, the gearing ratio of the Group for the three years ended 31 December 2007 were 53.1%, 69.4% and 77.4% respectively. As noted from the Letter from the Board, such increase in the Group's short term bank borrowings, bills payable and trade creditors as at 31 December 2007 was due to the increase in the Group's working capital requirement resulting from the steep rise in the LPG price and the increased trading volume of the LPG business in 2007.

As set out in the Letter from the Board, the net proceeds from the Open Offer are estimated to be approximately HK$142.2 million and the Directors intend to use the net proceeds as to approximately HK$114.0 million for reducing the Group's short term borrowings from banks in the PRC and as to approximately HK$28.2 million for general working capital purposes.

Based on our discussion with the management of the Company and our review of the Group's outstanding bank borrowings as at 30 June 2008, we understand that as the major subsidiaries of the Company are operating in the PRC, a major portion of the short term borrowings of the Group are from banks in the PRC.

As reported by China Daily, Premier Wen Jiabao said on 5 March 2008 that the government needed a "tight" monetary policy and to do more in the year 2008 to curb lending growth. As part of the tightening campaign, the People's Bank of China ("PBC") has raised the reserve requirement ratio, being the amount of money lenders must hold in reserve, for six times in 2008 to reach the record high of 17.5%. Moreover, in light of the upward trend in PRC bank lending interest rates and the tightening of credits in the PRC due to the austerity measures imposed by the PRC government, the Board considers that the Open Offer is an appropriate means for the Company to raise additional funds to reduce the interest burden on the Group, to guard against any further tightening of credits in the PRC and to improve the Group's liquidity to meet its growth in trading volume. The Directors also consider that the Open Offer will strengthen the Company's capital base, enhance its financial position, and give the Qualifying Shareholders an opportunity to maintain their respective pro rata shareholdings in the Company to participate in the future growth and development of the Company. In this regard, the Directors believe that the Open Offer is in the interests of the Group and the Shareholders as a whole.

Other fund raising alternatives

As stated in the Letter from the Board, the Directors consider that it is in the interests of the Company and the Shareholders as a whole to raise the capital through the Open Offer since it would allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Company. In this regard, we have discussed with the Directors and understand that the Company has considered other financing alternatives including borrowing from banks in Hong Kong. However, the Directors are of the view that having the Group to take on additional bank borrowings would affect its gearing ratio. Having considered the Group's existing indebtedness and gearing ratio, the Directors consider that it is prudent to finance the repayment of bank borrowings and its operations by way of equity rather than debt.

The Directors have also considered the possibility of fund raising by way of share placement and rights issue. However, due to the small market capitalization of the Company and thin trading volume of the Shares, the Directors believe that the pricing of a share placement may not be in the interests of the Company and will result in a substantial dilution of the net asset value of the Shares and hence the shareholding of the existing Shareholders. Taking into account the dilution to the shareholding interest of the existing Shareholders should the fund raising exercise be conducted by way of a share placement, we concur with the Directors' view that a share placement may not be in the interests of the Company. While both open offer and rights issue can raise funds and allow the Qualifying Shareholders to maintain their shareholding interest in the Company, the Company opts for the former as it does not require the arrangement for the trading of nil-paid entitlements on the Stock Exchange, thus it is easier to manage and more cost effective.

Views

Having considered the above, in particular (i) the consolidated net short term bank borrowings of the Company; (ii) the implementation of credit tightening policies in the PRC; (iii) the fact that the Open Offer would strengthen the Company's capital base, improve its liquidity and enhance its financial position; (iv) all the Qualifying Shareholders will be offered an equal opportunity to participate in the Open Offer; and (v) the implications of other financing alternatives to the Open Offer as mentioned above, we concur with the views of the Directors that the Open Offer is in the interest of the Company and the Shareholders as a whole, and is a reasonable and equitable means to raise capital for the Group.

2. Principal terms of the Open Offer

(a) Basis for the Open Offer

The Board proposed to raise approximately HK$144.5 million, before expenses, by way of the Open Offer on the basis of one Offer Share for every Share held on the Record Date and payable in full upon acceptance. The Open Offer involves the issue of 481,676,687 Offer Shares at a price of HK$0.30 per Offer Share. The Open Offer is fully underwritten by the Underwriter subject to the terms and conditions of the Underwriting Agreement.

(b) Subscription Price

As stated in the Letter from the Board, the Subscription Price of HK$0.30 per Offer Share was determined after arm's length negotiation between the Company and the Underwriter with reference to the market price of the Shares. As the Offer Shares are offered to all Qualifying Shareholders, the Directors would like to set the Subscription Price at a level that would attract the Qualifying Shareholders to participate in the Open Offer. The Directors consider the terms of the Open Offer, including the Subscription Price, are fair and reasonable and in the interests of the Company and Shareholders as a whole.

The Subscription Price of HK$0.30 per Offer Shares represents:

- a discount of approximately 31.82% to the closing price per Share of HK$0.440 as quoted on the Stock Exchange on the Last Trading Date;

- a discount of approximately 36.58% to the average of the closing prices per Share of HK$0.473 for the last 5 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

- a discount of approximately 37.50% to the average of the closing prices per Share of HK$0.480 for the last 10 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

- a discount of approximately 18.92% to the theoretical ex-rights price of HK$0.370 per Share calculated based on the closing price per Share on the Last Trading Day; and

- a discount of approximately 28.57% to the closing price per Share of HK$0.420 as quoted on the Stock Exchange on the Latest Practicable Date.

Trading volume analysis

In assessing the fairness of the Subscription Price, we have also reviewed the trading volume of the Shares. The following table set out the trading volume of the Shares during the period commencing from 8 February 2008, i.e. six months prior to the date of the Underwriting Agreement, and up to the Latest Practicable Date (the "Review Period").

Month	**Highest daily trading volume** *(Shares)*	**Lowest daily trading volume** *(Shares)*	**Average daily trading volume of the month/ period** *(Shares)*	**Percentage of average daily trading volume of the month to the Shares in issue**[1] *(%)*
2008				
February (from 8 February onwards)	785,000	102,000	363,275	0.08
March	1,478,000	10,000	373,368	0.08
April	832,000	0	295,048	0.06
May	602,000	10,000	203,768	0.04
June	2,846,000	4,044	456,152	0.09
July	5,542,000	0	664,191	0.14
August (from 1 August and up to and including the Last Trading Date)	5,265,200	44,000	1,780,300	0.37
August (since the day that the Shares resumed trading and up to and including the Latest Practicable Date))	3,308,000	288,000	1,285,382	0.27
August (from 1 August and up to the Latest Practicable Date)	5,265,200	44,000	1,471,360	0.29
Review Period			**513,713**	**0.11**

Source: www.hkex.com.hk

1. The Company has 481,676,687 Shares in issue as at the Latest Practicable Date.

As illustrated in the table above, the trading volume of the Shares during the Review Period had been thin. The average trading volume of the Shares during the Review Period was approximately 513,713 Shares, representing approximately 0.11% of the total issued Shares (the "Total Issued Shares") as at the Latest Practicable Date, with the highest trading volume amounted to 5,542,000 Shares recorded on 4 July 2008, representing approximately 1.15% of the Total Issued Shares. The highest average daily trading volume of the month during the Review Period was August 2008 (from 1 August 2008 and up to the Latest Practicable Date), with an average daily trading volume of 1,417,360 Shares, representing approximately 0.29% of the Total Issued Shares. Based on the above, we consider that the liquidity of the Shares was low during the Review Period.

Views

Taking into account that (i) all the Qualifying Shareholders will be offered an equal opportunity to participate in the Open Offer; (ii) the consolidated net short term bank borrowings of the Company; and (iii) the thin trading volume of the Shares, we concur with the Directors that the terms of the Open Offer, including the Subscription Price, are fair and reasonable and in the interests of the Company and Shareholders as a whole.

(c) Application for excess Offer Shares

Pursuant to the Open Offer, the Qualifying Shareholders may, by way of excess application, apply for any Offer Shares provisionally allotted but not accepted. The Directors will allocate the excess Offer Shares at their sole discretion on a fair and equitable basis, in proportion to the number of excess Offer Shares being applied for under each application, except that preference will be given to applications for less than a board lot of Offer Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings.

We have reviewed all open offers and rights issues announced during the Review Period that have disclosed the mechanisms of allocation of excess application and noted that the mechanisms are similar to that of the Open Offer. In view of the above analysis, we are of the view that the allocation method of excess application of the Open Offer is in line with the market practice and is fair and equitable.

3. Terms of the Underwriting Agreement

Undertakings from Mr. Shum and Uniocean

As at the Latest Practicable Date, Uniocean, Mr. Shum and their respective concert parties are together interested in 155,682,400 Shares, representing approximately 32.32% of the existing issued share capital of the Company. On 7 August 2008, Uniocean, Mr. Shum and their respective concert parties have irrevocably undertaken to the Company that the Shares beneficially owned by them will not be disposed of from the date of the undertaking up to and including the Record Date and that they will take up their provisional allotments under the Open Offer in full, being 155,682,400 Offer Shares.

Undertakings from the Options Holders

Option Holders of 29,500,000 Share Options have irrevocably undertaken to the Company and the Underwriter that they will not exercise their Share Options and that such Share Options will remain registered in the name of and beneficially owned by such holders from the date of such undertaking up to and including the Record Date.

The Underwriting and the Underwriting Commission

Taking into account the undertakings from the Option Holders, the Underwriter has agreed to fully underwrite the Underwritten Shares at the Subscription Price. The Underwriting Agreement provides that the Underwriter will be obliged to subscribe for any Offer Shares not taken up by the Qualifying Shareholders. No underwriting commission will be paid by the Company to the Underwriter. The Directors consider that the terms of the Underwriting Agreement are fair and reasonable.

Based on our review of all open offers and rights issues announced during the Review Period, we have identified seven cases where the underwriters were substantial/ controlling shareholder of the respective companies. We therefore consider that the arrangement for Uniocean acting as the Underwriter of the Open Offer is not an exceptional arrangement.

We understand from the Directors that the Company has considered the possibility of having an independent third party as the underwriter of the Open Offer. However, given the current market sentiment and the thin trading volume of the Shares, the Directors believe that the price offered by those independent third parties will not be attractive to the Company and an underwriting commission will be payable by the Company, increasing the cost of the fund raising exercise.

Views

In view of the above, we consider the terms of the Underwriting Agreement are fair and reasonable as far as the Independent Shareholders are concerned.

4. Potential dilution effect on the shareholding interest of the Independent Shareholders

As the Open Offer is offered to all Qualifying Shareholders on the same basis, the Qualifying Shareholders will be able to maintain their proportional interests in the Company if they take up their allotments under the Open Offer in full and on the assumption that there is no Excluded Shareholder. Qualifying Shareholders who choose not to take up in full their assured allotments under the Open Offer will have their shareholdings in the Company diluted by up to a maximum of 50%.

Views

Taking into account the fact that the Open Offer enables the Qualifying Shareholders to maintain their proportionate interests in the Company should they wish to do so and provides an equal opportunity among the Qualifying Shareholders to participate in the future growth and development of the Company, although the shareholding interests of those Qualifying Shareholders who do not take up their entitlements under the Open Offer will be diluted, we consider that the potential dilution effect of the Open Offer is acceptable.

5. Financial effects of the Open Offer

(a) Net tangible assets

As set out in the "Unaudited pro forma statement of adjusted consolidated net tangible assets" in Appendix II to the Circular, the unaudited consolidated net tangible assets of the Group attributable to the Shareholders as at 31 December 2007 were approximately HK$397.6 million. Based on the 481,676,687 Shares in issue as at 31 December 2007, the unaudited consolidated net tangible asset value per Share as at 31 December 2007 was approximately HK$0.83. Immediately upon the completion of the Open Offer, the unaudited pro forma consolidated net tangible assets attributable to Shareholders would increase to approximately HK$539.8 million and the unaudited pro forma consolidated net tangible asset value per Share would decrease to approximately HK$0.56 (based on the 963,353,374 Shares, being the sum of 481,676,687 Shares in issue as at 31 December 2007 and 481,676,687 Offer Shares).

(b) Working capital

Based on the annual report of the Company for the year ended 31 December 2007, excluding the pledged bank deposits, the bank balances and cash of the Group was approximately HK$106.0 million. As noted in the Letter from the Board, among the net proceeds from the Open Offer of approximately HK$142.0 million, the Directors intend to utilize as to approximately HK$114.0 million for reducing the Group's short term borrowings from PRC banks, and approximately HK$28.2 million for general working capital purposes. The working capital position of the Group and the current ratio of the Group (defined as current assets divided by current liabilities) are expected to be substantially enhanced immediately upon completion of the Open Offer.

(c) Gearing ratio

Based on the indebtedness statement as set out in Appendix I to the Circular, the Group has external borrowings of approximately HK$1,997.0 million as at 30 June 2008. As at 31 December 2007, the Group had a gearing ratio (calculated as net borrowings, after bank balances and cash, over shareholders' fund) of approximately 0.77. Assuming that the Group had not incurred any other indebtedness in the period from 1 July 2008 up to the completion of the Open Offer, the gearing ratio of the Group will be improved immediately upon completion of the Open Offer.

Views

In light of the enhancement on the Group's working capital position of the Group and the lowering of the gearing level of the Group as a result of the Open Offer, we are of the opinion that the Open Offer is in the interests of the Company and the Independent Shareholders as a whole.

6. The Whitewash Waiver

Uniocean, which holds approximately 28.0% of the entire issued share capital of the Company as at the Latest Practicable Date, is beneficially owned as to 94.0% by the associates of Mr. Shum, being his spouse and certain of his family members. Uniocean has irrevocably undertaken to the Company to subscribe in full for all the Offer Shares to be provisionally allotted to it under the Open Offer and those Offer Shares not having been subscribed by the Qualifying Shareholders. In the event that upon completion of the Open Offer, no Qualifying Shareholders (other than the Underwriter and Mr. Shum) will take up any Offer Shares, the Underwriter will be required to subscribe for and take up all the Offer Shares that are not subscribed for under the Open Offer. This may result in the total shareholdings of the Underwriter, Mr. Shum and parties acting in concert with them increasing from 155,682,400 Shares, representing approximately 32.32% of the entire issued share capital of the Company as at the Latest Practicable Date, to 637,359,087 Shares, representing approximately 66.16% of the entire issued share capital of the Company as enlarged by the Open Offer. Accordingly, the underwriting by the Underwriter may trigger an obligation on the part of the Underwriter and parties acting in concert with it to make a mandatory general offer under Rule 26 of the Takeovers Code for all the Shares not already held by them.

An application has been made by the Underwriter to the Executive for the Whitewash Waiver. The Executive has agreed, subject to the approval of the Independent Shareholders taken by way of poll at the SGM, to grant the Whitewash Waiver. As stated in the Letter from the Board, the Open Offer and the Underwriting Agreement are inter-conditional and that it is one of the conditions of the Underwriting Agreement that the Whitewash Waiver be obtained. If the Whitewash Waiver is not obtained or not approved by the Independent Shareholders, the Underwriting Agreement will not become unconditional and the Open Offer will not proceed.

If the Whitewash Waiver is not approved by the Independent Shareholders at the SGM, the Open Offer will not proceed and the Company will lose all the benefits that are expected to be brought by the Open Offer, including but not limited to, the availability of funds out of the net proceeds to be raised from the Open Offer for strengthening the financial position of the Group.

Based on our analysis of the terms of the Open Offer, we consider that the Open Offer is in the interests of the Company and the Shareholders as a whole. We are of the view that for the purpose of implementing the Open Offer, the approval of the Whitewash Waiver by the Independent Shareholders at the SGM is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that the terms of the Open Offer and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and the Open Offer is in the interests of the Group and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Open Offer and the Whitewash Waiver.

For information purpose only, we note that it is a common market practice that the subscription price of an open offer or rights issue normally represents a discount to the prevailing market price of the relevant shares. We also note that the subscription prices of 28 out of the 29 open offers or rights issues announced by other listed companies on the Stock Exchange during the Review Period were at a discount to the respective prevailing market prices, with the discount ranging from 0.09% to 93.75%.

Yours faithfully,
For and on behalf of
CIMB-GK Securities (HK) Limited

Heidi Cheng	**Anthony Ng**
Director	*Senior Vice President*

1. SUMMARY OF AUDITED FINANCIAL INFORMATION OF THE GROUP

A summary of the published consolidated results, assets and liabilities of the Group for the three years ended 31 December 2005, 2006 and 2007 as extracted from the respective annual reports of the Company is set out below. No qualified opinion have been expressed by the auditors of the Company on the financial statements containing the financial information set out below:

	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*
Continuing operations			
Revenue	3,890,225	2,384,835	1,610,785
Cost of sales	(3,719,247)	(2,261,555)	(1,530,602)
Gross profit	170,978	123,280	80,183
Other income	90,331	35,310	8,140
Selling and distribution expenses	(58,107)	(28,431)	(19,846)
Administrative expenses	(74,195)	(44,188)	(30,989)
Changes in fair values of foreign currency forward contracts	(22,883)	—	—
Impairment losses on receivables	—	(2,658)	(4,056)
Adjustment to goodwill	(442)	(1,123)	—
Loss on disposals and write-offs of property, plant and equipment	—	(404)	(10)
Recognition of impairment loss on property, plant and equipment	—	—	(2,776)
Gain on disposal of a subsidiary	—	—	2,710
Finance costs	(53,693)	(37,280)	(9,488)
Share of profit (loss) of a jointly controlled entity	570	(418)	(402)
Recognition of share-based payments	—	(5,855)	—
Profit before taxation	52,559	38,233	23,466
Taxation (charge) credit	(2,105)	179	3,667
Profit for the year from continuing operations	50,454	38,412	27,133
Discontinued operations			
Profit for the year from discontinued operations	—	5,718	6,777
Profit for the year attributable to equity holders of the Company	50,454	44,130	33,910
Earnings per share			
From continuing and discontinued operations			
Basic	HK10.47 cents	HK9.16 cents	HK7.41 cents
Diluted	HK10.44 cents	HK9.16 cents	N/A
From continuing operations			
Basic	HK10.47 cents	HK7.97 cents	HK6.01 cents
Diluted	HK10.44 cents	HK7.97 cents	N/A
Dividend proposed	5,298	4,817	5,780
Dividend per share	HK1.1 cents	HK1.0 cent	HK1.2 cents

	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	501,112	438,592	170,094
Prepaid lease payments for lands	53,391	51,823	46,899
Prepaid lease payments for coast	12,290	12,137	12,366
Goodwill	102,623	84,428	61,893
Investment properties	—	—	46,000
Other intangible assets	16,850	—	—
Interest in a jointly controlled entity	12,502	11,932	12,350
Other assets	35,759	65,694	18,754
Deferred tax assets	1,930	2,636	2,326
	736,457	667,242	370,682
Current assets			
Inventories	126,925	57,970	40,197
Trade debtors and bills receivable	430,863	139,338	50,340
Other debtors, deposits and prepayments	160,530	129,558	100,928
Prepaid lease payments for lands	2,211	2,061	1,868
Prepaid lease payments for coast	732	683	653
Amount due from a jointly controlled entity	471	270	153
Amount due from a former shareholder of a subsidiary	—	—	2,435
Pledged bank deposits	755,375	313,657	207,909
Bank balances and cash	105,968	151,034	57,479
	1,583,075	794,571	461,962
Current liabilities			
Trade creditors and bills payable	381,816	284,714	63,246
Other creditors and accrued charges	96,814	87,409	26,046
Derivative financial instruments	21,402	—	—
Tax liabilities	4,322	9,286	8,971
Borrowings, partly secured — repayable within one year	1,064,999	401,444	334,407
	1,569,353	782,853	432,670
Net current assets	13,722	11,718	29,292
Total assets less current liabilities	750,179	678,960	399,974

	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*
Capital and reserves			
Share capital	48,168	48,168	48,168
Share premium and other reserves	464,962	397,782	340,764
Equity attributable to equity holders of the Company	513,130	445,950	388,932
Minority interests	10,713	1,531	1,531
Total equity	523,843	447,481	390,463
Non-current liabilities			
Deferred tax liabilities	16,109	9,246	9,511
Borrowings, partly secured — repayable over one year	205,421	222,233	—
Obligation for put option to minority shareholder of a subsidiary	4,806	—	—
	226,336	231,479	9,511
	750,179	678,960	399,974

2. AUDITED FINANCIAL STATEMENTS

Set out below are the audited financial statements together with the relevant notes thereto as extracted from the annual report of the Company for the year ended 31 December 2007.

Consolidated Income Statement
For the year ended December 31, 2007

	Notes	**2007** *HK$'000*	**2006** *HK$'000*
Continuing operations			
Revenue	*6*	3,890,225	2,384,835
Cost of sales		(3,719,247)	(2,261,555)
Gross profit		170,978	123,280
Other income	*8*	90,331	35,310
Selling and distribution expenses		(58,107)	(28,431)
Administrative expenses		(74,195)	(44,188)
Changes in fair values of foreign currency forward contracts		(22,883)	—
Impairment losses on receivables		—	(2,658)
Adjustment to goodwill	*20*	(442)	(1,123)
Loss on disposals and write-offs of property, plant and equipment		—	(404)
Finance costs	*9*	(53,693)	(37,280)
Share of profit (loss) of a jointly controlled entity		570	(418)
Recognition of share-based payments		—	(5,855)
Profit before taxation		52,559	38,233
Taxation (charge) credit	*10*	(2,105)	179
Profit for the year from continuing operations		50,454	38,412
Discontinued operations			
Profit for the year from discontinued operations	*11*	—	5,718
Profit for the year attributable to equity holders of the Company	*12*	50,454	44,130
Earnings per share	*16*		
From continuing and discontinued operations			
Basic		HK10.47 cents	HK9.16 cents
Diluted		HK10.44 cents	HK9.16 cents
From continuing operations			
Basic		HK10.47 cents	HK7.97 cents
Diluted		HK10.44 cents	HK7.97 cents

Consolidated Balance Sheet
At December 31, 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	17	501,112	438,592
Prepaid lease payments for lands	18	53,391	51,823
Prepaid lease payments for coast	19	12,290	12,137
Goodwill	20	102,623	84,428
Other intangible assets	21	16,850	—
Interest in a jointly controlled entity	22	12,502	11,932
Other assets	23	35,759	65,694
Deferred tax assets	32	1,930	2,636
		736,457	667,242
Current assets			
Inventories	24	126,925	57,970
Trade debtors and bills receivable	25	430,863	139,338
Other debtors, deposits and prepayments	25	160,530	129,558
Prepaid lease payments for lands	18	2,211	2,061
Prepaid lease payments for coast	19	732	683
Amount due from a jointly controlled entity	26	471	270
Pledged bank deposits	27	755,375	313,657
Bank balances and cash	27	105,968	151,034
		1,583,075	794,571
Current liabilities			
Trade creditors and bills payable	28	381,816	284,714
Other creditors and accrued charges	28	96,814	87,409
Derivative financial instruments	41	21,402	—
Tax liabilities		4,322	9,286
Borrowings, partly secured — repayable within one year	29	1,064,999	401,444
		1,569,353	782,853
Net current assets		13,722	11,718
Total assets less current liabilities		750,179	678,960

	Notes	2007 HK$'000	2006 HK$'000
Capital and reserves			
Share capital	30	48,168	48,168
Share premium and other reserves		464,962	397,782
Equity attributable to equity holders of the Company		513,130	445,950
Minority interests		10,713	1,531
Total equity		523,843	447,481
Non-current liabilities			
Deferred tax liabilities	32	16,109	9,246
Borrowings, partly secured — repayable over one year	29	205,421	222,233
Obligation for put option to minority shareholder of a subsidiary		4,806	—
		226,336	231,479
		750,179	678,960

Consolidated Statement of Changes in Equity

For the year ended December 31, 2007

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Statutory surplus reserves HK$'000	Exchange reserve HK$'000	Share options reserve HK$'000	Contributed surplus accounts HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
THE GROUP											
At January 1, 2006	48,168	199,299	122,085	—	4,948	—	1,667	12,765	388,932	1,531	390,463
Exchange differences arising from translation to presentation currency recognised directly in equity	—	—	—	—	12,813	—	—	—	12,813	—	12,813
Reserves release upon liquidation of subsidiaries	—	—	—	—	(327)	—	—	327	—	—	—
Profit for the year	—	—	—	—	—	—	—	44,130	44,130	—	44,130
Total recognised income and expense for the year	—	—	—	—	12,486	—	—	44,457	56,943	—	56,943
Appropriations	—	—	—	1,113	—	—	—	(1,113)	—	—	—
Dividend paid	—	—	—	—	—	—	—	(5,780)	(5,780)	—	(5,780)
Recognition of share-based payments	—	—	—	—	—	5,855	—	—	5,855	—	5,855
At December 31, 2006	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 from translation to presentation currency recognised directly in equity	—	—	—	—	21,543	—	—	—	21,543	—	21,543
Profit for the year	—	—	—	—	—	—	—	50,454	50,454	—	50,454
Reverse released upon the lapse of share options	—	—	—	—	—	(192)	—	192	—	—	—
Total recognised income and expense for the year	—	—	—	—	21,543	(192)	—	50,646	71,997	—	71,997
Appropriations	—	—	—	3,933	—	—	—	(3,933)	—	—	—
Dividend paid	—	—	—	—	—	—	—	(4,817)	(4,817)	—	(4,817)
Put option granted to acquire equity interest from minority shareholder in a subsidiary	—	—	—	—	—	—	—	—	—	(4,806)	(4,806)
Acquisition of a subsidiary *(note 33)*	—	—	—	—	—	—	—	—	—	13,988	13,988
At December 31, 2007	48,168	199,299	122,085	5,046	38,977	5,663	1,667	92,225	513,130	10,713	523,843

Consolidated Cash Flow Statement
For the year ended December 31, 2007

	Note	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		52,559	43,951
Adjustments for:			
Share of (profit) loss of a jointly controlled entity		(570)	418
Finance costs		53,693	37,280
Interest income		(10,287)	(13,396)
Gain on disposal of subsidiaries		(7,371)	—
Loss (gain) on change in fair value of derivative financial instruments		22,883	(1,481)
Impairment losses on receivables		—	2,658
Adjustment to goodwill		442	1,123
Depreciation of property, plant and equipment		22,611	14,620
Amortisation of prepaid lease payments for land		2,133	1,991
Amortisation of prepaid lease payments for coast		707	670
Amortisation on other intangible assets		2,163	—
Gain on change in fair value of investment properties		—	(3,229)
Loss on disposals and write-offs of property, plant and equipment		—	318
Recognition of share-based payments		—	5,855
Operating cash flows before movements in working capital		138,963	90,778
Increase in inventories		(65,076)	(17,773)
Increase in trade debtors and bills receivable		(291,141)	(89,324)
Increase in other debtors, deposits and prepayments		(30,864)	(26,816)
Increase in amount due from a jointly controlled entity		(201)	(117)
Decrease in amount due from a former shareholder of a subsidiary		—	103
Increase in trade creditors and bills payable		95,693	221,468
Increase in other creditors and accrued charges		9,472	61,363
Cash (used in) generated from operations		(143,154)	239,682
Hong Kong Profits Tax paid		—	(237)
PRC income tax paid		(394)	(231)
Interest paid		(53,693)	(37,280)

	Note	2007 HK$'000	2006 HK$'000
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES		(197,241)	201,934
INVESTING ACTIVITIES			
Interest received		10,287	13,396
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	*33*	(15,685)	(34,602)
Deposits paid for acquisition of a subsidiary		—	(15,926)
Deposit paid for acquisition of additional interests in a subsidiary		(22,452)	—
Proceeds from disposals of investment properties		—	49,229
Purchase of property, plant and equipment		(132,557)	(247,243)
Deposit paid to a contractor		—	(49,768)
Payments of prepaid lease rental for a vessel		(14,517)	—
Increase in pledged bank deposits		(441,718)	(105,748)
Proceeds from disposals of property, plant and equipment		174	1,042
Compensation from the gas plant contractor		146,183	—
NET CASH USED IN INVESTING ACTIVITIES		(470,285)	(389,620)
FINANCING ACTIVITIES			
Interest paid		(9,035)	(2,905)
Borrowings raised		2,781,866	1,231,222
Repayment of borrowings		(2,155,408)	(941,952)
Dividend paid		(4,817)	(5,780)
NET CASH GENERATED FROM FINANCING ACTIVITIES		612,606	280,585
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(54,920)	92,899
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		9,854	656
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		151,034	57,479
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		105,968	151,034
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		105,968	151,034

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate and immediate holding company is Uniocean Investments Limited, a company incorporated in the British Virgin Islands. The address of the registered office of the Company is disclosed in the "Corporate Information" section to the annual report.

The Company acts as an investment holding company. The principal activities of the Group are the sale and distribution of liquefied petroleum gas and sale of electronic products.

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 consolidated financial statements and convenience of the financial statements users, the results and financial position of the Group are expressed in Hong Kong dollars ("HKD"), the presentation currency for the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning January 1, 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) — INT 8	Scope of HKFRS 2
HK(IFRIC) — INT 9	Reassessment of embedded derivatives
HK(IFRIC) — INT 10	Interim financial reporting and impairment

The adoption of these new HKFRSs had no material effect on how the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior year adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirement of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combintations[2]
HKFRS 8	Operating segments[1]
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions[3]
HK(IFRIC) – INT 12	Service concession arrangements[4]
HK(IFRIC) – INT 13	Customer loyalty programmes[5]
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a defined benefit asset, minimum funding requirements and their interaction[4]

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

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

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

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

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

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for derivative financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Acquisition of additional interests in a subsidiary

The cost of the acquisition is measured at the consideration paid for the additional interest. The goodwill is calculated as the difference between the consideration paid and the carrying amount of the net assets of the subsidiary attributable to the additional interest acquired.

Goodwill

Goodwill arising on acquisitions prior to January 1, 2005

Goodwill arising on acquisition of net assets and operations of another entity or a jointly controlled entity for which the agreement date is before January 1, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

Goodwill arising on acquisitions on or after January 1, 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after January 1, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition of a subsidiary is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. This goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods sold in the normal course of business, less discounts, sales related taxes, returns and allowances.

Revenue from sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a timely basis, by reference to the principal outstanding and at the interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

Subcontracting fee income under subcontracting arrangement is recognised on a straight line basis over the respective subcontracting lease terms.

Property, plant and equipment

Property, plant and, equipment including buildings held for use in the production or supply of goods or services, or for administrative purpose other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation and amortisation are provided to write off the cost, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the year in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations recorded at the functional currency are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after January 1, 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the exchange reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items of income or expenses that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit cost

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including bank balances, pledged bank deposits, trade debtors, bills receivable, other debtors and deposits are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables and bills receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade creditors, bills payable, other creditors and borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees on or before November 7, 2002 or granted after November 7, 2002 and vested before January 1, 2002

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted to employees after November 7, 2002 and vested after January 1, 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss with a corresponding adjustments to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management has made various estimates factors about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Estimated impairment of goodwill and intangible assets

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2007, the carrying amount of goodwill is approximately HK$102,623,000 (2006: HK$84,428,000) (net of accumulated impairment loss of nil (2006: HK$45,576,000)). Details of the recoverable amount calculation are disclosed in note 20.

Determining whether intangible assets relating to sale and distribution of LPG arising from the acquisition of subsidiaries are impaired requires an estimation of the future cash flows expected to arise from the sale and distribution of LPG from the subsidiaries acquired and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. As at December 31, 2007, the carrying amount of intangible assets is approximately HK$16,850,000 (2006: nil). Details of the intangible assets are disclosed in note 21.

Income taxes

As at December 31, 2007, a deferred tax asset of approximately HK$1,930,000 (2006: HK$2,636,000) in relation to unused tax losses has been recognised in the Group's consolidated balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the consolidated income statement for the year in which such a reversal takes place. Details of unused tax losses not recognised amounted to approximately HK$57,259,000 (2006: HK$30,584,000) are disclosed in note 32. The unused tax losses not recognised may be capitalised if the actual future profits generated are more than expected.

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings as disclosed in note 29, and equity attributable to equity holders of the Company, comprising issued capital and retained profits.

The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through new share issues, payment of dividends and the raise of bank borrowings or the repayment of the existing bank borrowings.

The Group's overall strategy remains unchanged during the year.

Categories of financial instruments

	2007	**2006**
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	1,454,815	731,930
Derivative financial instruments	—	1,481
Financial liabilities		
Amortised cost	1,698,508	956,668
Derivative financial instruments	21,402	—

Financial risk management objectives and policies

The Group's major financial instruments include bank balances, pledged bank deposits, borrowings, trade debtors, bills receivable, other debtors, deposits, trade creditors and bills payable and other creditors. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Certain trade debtors, bank balances and cash, pledged bank deposits, trade creditors and bills payable and borrowings of the Group are denominated in foreign currencies as disclosed in notes 25, 27, 28 and 29 respectively. Approximately 26% of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 67% of costs are denominated in currencies other than the functional currency of the group entity's functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States Dollars ("USD")	140,335	77,343	1,395,263	840,047

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. During the financial years, the management has entered into several foreign currency forward contracts to reduce the exposure of currency risk. As at December 31, 2007, the Group has outstanding foreign currency forward contracts with an aggregate notional amount of USD88,957,000 (2006: HK$46,856,000) in relation to RMB. The details of the foreign currency forward contracts are disclosed in notes 25 and 41 respectively.

Sensitivity analysis

Since the exchange rate of HKD is pegged with USD, the currency risk is mainly arising from exchange USD against RMB. The following table details the Group's sensitivity to a 5% increase and decrease in USD against RMB and 5% increase and decrease RMB/USD forward exchange rate. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates and RMB/USD forward exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and foreign currency forward contracts and adjusts their translation at the year end for a 5% change in foreign currency rates or their fair value at the year end for a 5% change in forward exchange rate. A positive number below indicates an increase in profit where RMB strengthen 5% against USD. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and the balances below would be negative.

	USD impact	
	2007	**2006**
	HK$'000	*HK$'000*
Increase (decrease) in profit for the year *(Note)*		
— monetary assets and liabilities	62,746	38,135
— foreign currency forward contracts	(33,139)	(18,142)

Note: This is mainly attributable to the exposure outstanding on receivables and payables denominated in USD and foreign currency forward exchange as at year end.

(ii) *Interest rate risk*

The Group's bank balances and bank loans have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and bank loans which carried at prevailing market interest rates.

In addition, the Group has exposure to fair value interest rate risk through the impact of the rate changes on pledged bank deposits which are carried at fixed interest rate. The directors consider the Group's exposure to interest rate risk is not significant as interest bearing bank balances are within short maturity periods.

The Group's fair value interest rate risk relates primarily to fixed-rate borrowings (see note 29 for details of these borrowings). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For variable-rate bank borrowings and bank balances the analysis is prepared assuming the amount of outstanding balance at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended December 31, 2007 would decrease/increase by HK$1,535,000 (2006: HK$2,077,000). This is mainly attributable to the Group's approximately exposure to interest rates on its variable-rate bank borrowings and bank balances.

Credit risk

As at December 31, 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the trade debtors and bills receivable of approximately HK$430,863,000 (2006: HK$139,338,000). The Group has significant concentration risk on certain customers. As at December 31, 2007, five (2006: five) customers amounted HK$324,866,000 (2006: HK$32,993,000) comprised over 75% (2006: 24%) of the Group's trade debtors. As at December 31, 2006, the Group had concentration of credit risk with exposure to a counterparty of approximately HK$79,628,000 as disclosed in note 25. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debtors, other debtors and deposits at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ranking assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

As at December 31, 2007, the Group has undrawn short term borrowing facilities with floating rate amounting to approximately HK$899,087,000 (2006: HK$604,428,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The total undiscounted cash flows adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liabilities on each balance sheet date.

Liquidity and interest risk table

	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	Over 1 year	2 years to 5 years	Total	Carrying amount at balance sheet date
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at December 31, 2007							
Trade creditors and bills payable	N/A	381,570	246	—	—	381,816	381,816
Other creditors	N/A	18,923	27,349	—	—	46,272	46,272
Fixed interest rates borrowings	5.76%	116,923	766,723	—	—	883,646	846,525
Variable interest rate borrowings	6.72%	207,286	26,042	111,413	130,277	475,018	423,895
		724,702	820,360	111,413	130,277	1,786,752	1,698,508
As at December 31, 2006							
Trade creditors and bills payable	N/A	284,714	—	—	—	284,714	284,714
Other creditors	N/A	32,052	16,225	—	—	48,277	48,277
Fixed interest rates borrowings	5.69%	55,851	—	—	—	55,851	55,068
Variable interest rate borrowings	7.13%	269,716	93,879	97,133	175,405	636,133	568,609
		642,333	110,104	97,133	175,405	1,024,975	956,668
Derivatives — gross settlement							
Foreign currency forward contracts							
— inflow		(121,494)	(897,347)	—	—	(1,018,841)	(1,018,841)
— outflow		124,046	916,197	—	—	1,040,243	1,040,243
		2,552	18,850	—	—	21,402	21,402

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The fair value of derivative instruments are calculated using quoted prices from financial institutions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. REVENUE

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

	2007	**2006**
	HK$'000	*HK$'000*
Continuing operations		
Sale and distribution of LPG	3,673,610	2,287,545
Sale of electronic products	216,615	97,290
	3,890,225	2,384,835
Discontinued operations		
Leasing of investment properties	—	2,696
	3,890,225	2,387,531

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

The Group was also involved in the leasing of investment properties. The operation was discontinued during the year ended December 31, 2006.

Segment information about these businesses is presented below:

Business segments

Income statement

For the year ended December 31, 2007:

	Sale and distribution of LPG	**Sale of electronic products**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue	3,673,610	216,615	3,890,225
Segment result	112,884	20,432	133,316
Interest income	—	—	10,287
Unallocated corporate expenses	—	—	(22,409)
Change in fair values of foreign currency forward contracts	—	—	(22,883)
Gain on disposal of subsidiaries	7,371	—	7,371
Finance costs	—	—	(53,693)
Share of profit of a jointly controlled entity	570	—	570
Profit before taxation	120,825	20,432	52,559
Taxation charge			(2,105)
Profit for the year			50,454

Balance sheet

At December 31, 2007:

	Sale and distribution of LPG	Sale of electronic products	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Segment assets	1,339,168	101,804	1,440,972
Interest in a jointly controlled entity	12,502	—	12,502
Unallocated corporate assets			866,058
Consolidated total assets			2,319,532
Liabilities			
Segment liabilities	467,718	5,125	472,843
Unallocated corporate liabilities			1,322,846
Consolidated total liabilities			1,795,689

Other information

For the year ended December 31, 2007:

	Sale and distribution of LPG	Sale of electronic products	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure and goodwill arising from acquisitions of subsidiaries	241,809	91	24	241,924
Adjustment to goodwill	442	—	—	442
Depreciation of property, plant and equipment	22,113	—	498	22,611
Amortisation of other intangible assets	2,163	—	—	2,163
Amortisation of prepaid lease payments for land	2,133	—	—	2,133
Amortisation of prepaid lease payments for coast	707	—	—	707

For the year ended 31 December, 2006:

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

At December 31, 2006:

	Sale and distribution of LPG	**Sale of electronic products**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Segment assets	880,452	98,049	978,501
Interest in a jointly controlled entity	11,932	—	11,932
Unallocated corporate assets			471,380
Consolidated total assets			1,461,813
Liabilities			
Segment liabilities	356,046	939	356,985
Unallocated corporate liabilities			657,347
Consolidated total liabilities			1,014,332

Other information

For the year ended December 31, 2006:

	Continuing operations				Discontinued operations	
	Sale and distribution of LPG	Sale of electronic products	Unallocated	Total	Leasing of investment properties	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure and goodwill arising from acquisition of subsidiaries	298,274	—	167	298,441	—	298,441
Adjustment to goodwill	1,123	—	—	1,123	—	1,123
Depreciation of property, plant and equipment	14,101	—	519	14,620	—	14,620
Amortisation of prepaid lease payments for land	1,991	—	—	1,991	—	1,991
Amortisation of prepaid lease payments for coast	670	—	—	670	—	670
Impairment losses on receivables	2,658	—	—	2,658	—	2,658
Share-based payments	—	—	5,855	5,855	—	5,855

Geographical segments

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

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

	Sales revenue from continuing operations by geographical markets	
	2007	**2006**
	HK$'000	*HK$'000*
The PRC	2,265,145	2,207,287
South East Asia	1,155,396	62,528
Hong Kong	132,437	42,667
Korea	337,247	37,108
Europe	—	35,245
	3,890,225	2,384,835

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, goodwill and other intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment, goodwill and other intangible assets	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The PRC	932,690	974,053	241,780	298,274
Hong Kong	141,076	4,448	115	167
South East Asia	367,206	—	29	—
	1,440,972	978,501	241,924	298,441

8. OTHER INCOME

	Continuing operations		Discontinued operations		Consolidated	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest earned on bank deposits	10,287	13,394	—	2	10,287	13,396
Net exchange gain	63,283	16,638	—	80	63,283	16,718
Gain on change in fair value of derivative financial instruments	—	1,481	—	—	—	1,481
Gain on disposal of subsidiaries	7,371	—	—	—	7,371	—
Subcontracting fee income	6,471	—	—	—	6,471	—
Others	2,919	3,797	—	1,309	2,919	5,106
	90,331	35,310	—	1,391	90,331	36,701

9. FINANCE COSTS

	2007	**2006**
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	62,728	40,185
Less: Amounts capitalised	(9,035)	(2,905)
	53,693	37,280

The whole amount is derived from the Group's continuing operations.

Borrowing costs capitalised during the year arose from a bank loan borrowed for the construction of gas plant and facilities in Zhuhai.

10. TAXATION (CHARGE) CREDIT

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

	2007	2006
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	—	(470)
Other regions in the PRC	(2,631)	(313)
	(2,631)	(783)
Deferred tax *(Note 32)*		
Current year	374	962
Attributable to a change in tax rate	152	—
	526	962
	(2,105)	179

For the year ended December 31, 2007, the Group has no Hong Kong taxable profit. For the year ended December 31, 2006, Hong Kong Profits Tax was calculated at 17.5% of the estimated assessable profit for the year.

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

Pursuant to the relevant laws and regulations in the PRC, 新海能源(珠海)有限公司 ("新海(珠海)") is entitled to exemption from the PRC enterprise income tax for the two years starting from its first profit-making year, followed by a 50% tax relief for the next three years. The tax charge provided has been made after taking these tax incentive into account. The first profit making year of 新海(珠海) is 2006.

On March 16, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On December 6, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for certain subsidiaries from January 1, 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled. 新海(珠海) is entitled to the 50% tax relief on the PRC enterprise tax at a tax rate increasing progressively for the next three years from 18% to 22% from 2008 to 2010. From 2011 onwards it will be subject to 25% PRC enterprise tax.

The taxation charge (credit) for the year can be reconciled to the profit per the consolidated income statement as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Profit before taxation:		
Continuing operations	52,559	38,233
Discontinued operations	—	5,718
	52,559	43,951
Tax at the domestic tax rate 15% (2006: 15%)	7,884	6,593
Tax effect of expenses not deductible for tax purposes	4,080	1,096
Tax effect of income not taxable for tax purpose	(1,459)	(6,260)
Tax effect of tax concession	(13,045)	(4,158)
Tax effect of tax losses not recognised	4,842	3,717
Utilisation of tax losses previously not recognised	(841)	(1,201)
Effect of different tax rates of subsidiaries operating in other jurisdictions	492	34
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	152	—
Taxation charge (credit) for the year	2,105	(179)

The domestic tax rate (which is the PRC enterprise income tax rate) in the jurisdiction where the operation of the Group is substantially based is used.

Details of the deferred tax asset and liabilities are set out in note 32.

11. DISCONTINUED OPERATIONS

During the year ended December 31, 2006, the Group decided to discontinue the operation on leasing of investment properties. On September 2, 2006, the Group entered into a sale agreement to dispose of the investment properties. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The disposal was completed on September 8, 2006, on which the title of the investment properties passed to the acquirer.

The profit for the year ended December 31, 2006 from the discontinued operation is analysed as follows:

	2006
	HK$'000
Profit of operation of leasing of investment properties, property, plant and equipment for the year	2,489
Gain on change in fair value of investment properties	3,229
	5,718

The results of the leasing of investment properties, for the period from January 1, 2006 to September 8, 2006, which have been included in the consolidated income statement, were as follows:

	Period from 1.1.2006 to 9.8.2006
	HK$'000
Revenue	2,696
Cost of sales	(551)
Other income	1,391
Gain on change in fair value of investment properties	3,229
Net gain on disposals and write-offs of property, plant and equipment	86
Administrative expenses	(1,133)
Profit before tax	5,718
Taxation	—
Profit for the period	5,718

No tax charge or credit arose on gain on discontinuance of the operations.

During the year ended December 31, 2006, the leasing of investment properties contributed HK$2,527,000 to the Group's net operating cash outflows, generated HK$51,758,000 in respect of investing activities.

12. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit for the year has been arrived at after charging (crediting):						
Amortisation of prepaid lease payments for land (included in administrative expenses)	2,133	1,991	—	—	2,133	1,991
Amortisation of prepaid lease payments for coast (included in administrative expenses)	707	670	—	—	707	670
Amortisation of other intangible assets (included in cost of sales)	2,163	—	—	—	2,163	—
Auditor's remuneration	1,812	1,347	—	—	1,812	1,347
Depreciation for property, plant and equipment	22,611	14,620	—	—	22,611	14,620
Minimum lease payments under operating leases:						
— LPG vessel	13,852	3,808	—	—	13,852	3,808
— Premises	1,393	1,322	—	14	1,393	1,336
Staff costs						
Directors' fees *(Note 13)*	380	378	—	—	380	378
Directors' other emoluments *(Note 13)*	5,698	8,293	—	—	5,698	8,293
Contributions to retirement benefits schemes excluding HK$60,000 (2006: HK$60,000) included in directors' emoluments	658	174	—	14	658	188
Others	13,922	12,250	—	409	13,922	12,659
	20,658	21,095	—	423	20,658	21,518
Gross rental income from investment properties	—	—	—	(2,696)	—	(2,696)
Less: Outgoings	—	—	—	551	—	551
	—	—	—	(2,145)	—	(2,145)

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 9 (2006: 10) directors were as follows:

	Shum Siu Hung	Chiu Sing Chung, Raymond	Cen Ziniu	Shum Chun, Lawrence	Wu Hong Cho	Cheung Kwan Hung, Anthony	Chan Yuk Wai, Benedict	Ma Man Hoi, Joseph	Xu Mingshe	Total 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	—	—	—	—	—	130	100	50	100	380
Other emoluments										
Salaries and other benefits	3,000	1,254	684	400	300	—	—	—	—	5,638
Contributions to retirement benefits schemes	12	12	12	12	12	—	—	—	—	60
Total emoluments	3,012	1,266	696	412	312	130	100	50	100	6,078

	Shum Siu Hung	Chiu Sing Chung, Raymond	Cen Ziniu	Shum Chun, Lawrence	Wu Hong Cho	Cheung Kwan Hung, Anthony	Chan Yuk Wai, Benedict	Ma Man Hoi, Joseph	Xu Mingshe	Young Wing Chun, Michael Frederick	Total 2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	—	—	—	—	—	100	78	100	50	50	378
Other emoluments											
Salaries and other benefits	3,000	958	410	300	301	—	—	—	—	—	4,969
Contributions to retirement benefits schemes	12	12	12	12	12	—	—	—	—	—	60
Share-based payments	1,728	1,152	—	—	—	192	—	192	—	—	3,264
Total emoluments	4,740	2,122	422	312	313	292	78	292	50	50	8,671

No director waived any emoluments during both years.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2006: two) were directors of the Company whose emoluments are included in the disclosures in note 13 above. The emoluments of the remaining two individuals (2006: three) were as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Salaries and other benefits	1,910	1,860
Contributions to retirement benefits schemes	24	36
Share-based payments	—	1,728
	1,934	3,624

Their emoluments of the two (2006: three) individuals were within the following bands:

	2007 No. of employees	**2006 No. of employees**
Nil to HK$1,000,000	2	1
HK$1,000,001 to HK$1,500,000	—	1
HK$1,500,001 to HK$2,000,000	—	1
	2	3

15. DIVIDEND

	2007 *HK$'000*	**2006** *HK$'000*
Final dividends recognised as distribution during the year — HK1 cent (2006: HK1.2 cents) per share	4,817	5,780

Subsequent to December 31, 2007, the directors proposed a final dividend of HK1.1 cents (2006: HK1 cent) per share be paid to the shareholders of the Company whose names appear on the register of members on June 10, 2008. This final dividend is subject to approval by the shareholders at the forthcoming annual general meeting. At April 23, 2008 the number of shares issued and fully paid is 481,676,687.

16. EARNINGS PER SHARE

For continuing and discontinued operations

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

	2007 *HK$'000*	**2006** *HK$'000*
Profit attributable to the equity holders of the parent for the purposes of basic and diluted earnings per share	50,454	44,130
Number of ordinary shares for the purposes of basic earnings per share	481,676,687	481,676,687
Effect of dilutive potential ordinary shares:		
Options	1,781,495	170
Number of ordinary shares for the purpose of diluted earnings per share	483,458,182	481,676,857

From continuing operations

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

Earnings figures are calculated as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	50,454	44,130
Less: Profit for the year from discontinued operations	—	(5,718)
	50,454	38,412

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

From discontinued operations

Basic earnings per share for the discontinued operations is HK1.19 cents per share, based on the profit for the year ended December 31, 2006 from the discontinued operations of approximately HK$5,718,000 and the denominators detailed above for basic earnings per share.

Diluted earnings per share for the discontinued operation is HK1.19 cents for the year ended December 31, 2006.

17. PROPERTY, PLANT AND EQUIPMENT

	Con-struction in progress	Buildings	Leasehold improve-ments	Plant and machinery	Gas plant and facilities	Gas pumps and equipment	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST									
At January 1, 2006	5,867	5,783	8,031	1,047	120,213	50,817	8,460	3,431	203,649
Acquired on acquisition of subsidiaries	—	—	—	—	3,044	10,373	365	135	13,917
Additions	261,703	—	113	—	5	503	1,102	1,117	264,543
Transfer	(77,701)	—	—	—	77,701	—	—	—	—
Disposals and write-offs	—	—	(6,133)	(2)	—	(27)	(858)	(475)	(7,495)
Exchange realignment	1,050	214	—	39	3,181	2,193	276	130	7,083
At December 31, 2006	190,919	5,997	2,011	1,084	204,144	63,859	9,345	4,338	481,697
Acquired on acquisition of subsidiaries	—	1,831	—	—	12,523	3,296	226	3,211	21,087
Additions	171,915	8,172	106	—	7,206	727	336	2,898	191,360
Transfer	(213,646)	—	—	—	162,681	50,965	—	—	—
Disposals and write-offs	(1,700)	—	—	—	(1,034)	(498)	(339)	(350)	(3,921)
Adjustment *(note)*	(146,183)	—	—	—	—	—	—	—	(146,183)
Exchange realignment	1,871	869	—	79	11,385	6,552	621	630	22,007
At December 31, 2007	3,176	16,869	2,117	1,163	396,905	124,901	10,189	10,727	566,047
DEPRECIATION AND IMPAIRMENT									
At January 1, 2006	1,639	753	6,205	1	8,892	10,896	3,644	1,525	33,555
Provided for the year	—	517	397	63	4,992	7,060	1,114	477	14,620
Eliminated on disposals and write-offs	—	—	(5,557)	(1)	—	(36)	(236)	(305)	(6,135)
Exchange realignment	61	37	—	—	312	486	115	54	1,065
At December 31, 2006	1,700	1,307	1,045	63	14,196	18,406	4,637	1,751	43,105
Provided for the year	—	927	406	67	10,492	8,100	1,211	1,408	22,611
Eliminated on disposals and write-offs	(1,700)	—	—	—	(1,034)	(489)	(184)	(340)	(3,747)
Exchange realignment	—	129	—	7	848	1,438	355	189	2,966
At December 31, 2007	—	2,363	1,451	137	24,502	27,455	6,019	3,008	64,935
CARRYING VALUES									
At December 31, 2007	3,176	14,506	666	1,026	372,403	97,446	4,170	7,719	501,112
At December 31, 2006	189,219	4,690	966	1,021	189,948	45,453	4,708	2,587	438,592

Note: During the year ended December 31, 2007, a refund of approximately HK$146,183,000 was paid by the construction contractor (the "Contractor") in relation to the construction in progress in Zhuhai LPG terminal. Due to the construction error committed by the Contractor, the construction in progress became impaired and need to be adjusted. Since the Contractor is fully responsible for the construction error, a full refund on the construction cost was compensated by the Contractor and thus no impact on the consolidated income statement of the Group.

Buildings	Over the term of the lease
Leasehold improvements	20% to $33^1/_3$%
Plant and machinery	5% to $33^1/_3$%
Gas plant and facilities	Over the lease term of coast use right
Gas pumps and equipment	10% to $33^1/_3$%
Furniture, fixtures and equipment	15% to $16^2/_3$%
Motor vehicles	$16^2/_3$% to $33^1/_3$%

The buildings are situated outside Hong Kong, in the PRC, and are held on land under medium term leases.

The gas plant under construction are situated outside Hong Kong, in the PRC, and are held under medium term leases.

18. PREPAID LEASE PAYMENTS FOR LAND

	2007	2006
	HK$'000	*HK$'000*
The Group's prepaid lease payments for land comprise:		
Land use rights outside Hong Kong, in the PRC under medium term leases	55,602	53,884
Analysed for reporting purposes as:		
Non-current asset	53,391	51,823
Current asset	2,211	2,061
	55,602	53,884

19. PREPAID LEASE PAYMENTS FOR COAST

	2007	2006
	HK$'000	*HK$'000*
The Group's prepaid lease payments for coast comprise:		
Coast outside Hong Kong, in the PRC under medium term leases	13,022	12,820
Analysed for reporting purposes as:		
Non-current asset	12,290	12,137
Current asset	732	683
	13,022	12,820

The prepaid lease payments for coast represent the rights to use a coast in Zhuhai ranging from 20 years to 28 years, starting from January 1, 1999.

20. GOODWILL

	HK$'000
COST	
At January 1, 2006	107,469
Acquisition of subsidiaries *(note 33)*	19,981
Adjustment to goodwill due to utilisation of pre-acquisition tax losses	(1,123)
Exchange realignment	3,677
At December 31, 2006	130,004
Acquisition of subsidiaries *(note 33)*	11,482
Eliminated on liquidation of a subsidiary	(45,576)
Adjustment to goodwill due to utilisation of pre-acquisition tax losses	(442)
Exchange realignment	7,155
At December 31, 2007	102,623
IMPAIRMENT	
At January 1, 2006 and December 31, 2006	45,576
Eliminated on liquidation of a subsidiary	(45,576)
At December 31, 2007	—
CARRYING VALUES	
At December 31, 2007	102,623
At December 31, 2006	84,428

As explained in note 7, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill set out above have been allocated to seven (2006: five) individual cash generating units (CGUs) in the LPG segment.

During the year ended December 31, 2007, the management of the Group determines that there is no impairment of any of its CGUs containing goodwill with indefinite useful lives.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 20-year period, and discount rates of 14.4%. The cash flows beyond 5-year period are extrapolated using a steady 10% growth rate up to 10-year, the cash flows beyond 10-year period are extrapolated using a nil growth rate. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

21. OTHER INTANGIBLE ASSETS

	Distribution network	Business license	Sub-contracting agreements	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At January 1, 2006 and 2007	—	—	—	—
Acquired on acquisition of subsidiaries *(note 33)*	2,240	3,655	12,100	17,995
Exchange realignment	46	280	771	1,097
At December 31, 2007	2,286	3,935	12,871	19,092
AMORTISATION AND IMPAIRMENT				
At January 1, 2006 and 2007	—	—	—	—
Charge for the year	65	398	1,700	2,163
Exchange realignment	2	15	62	79
At December 31, 2007	67	413	1,762	2,242
CARRYING VALUES				
At December 31, 2007	2,219	3,522	11,109	16,850
At December 31, 2006	—	—	—	—

Distribution network, the business license and the subcontracting agreements were acquired from third party in business combination.

The above intangible assets have definite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Distribution network	10 years
Business license	10 years
Subcontracting agreements	5-9 years

22. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP 2007	2006
	HK$'000	*HK$'000*
Cost of unlisted investment in a jointly controlled entity	13,073	13,073
Share of post-acquisition losses	(571)	(1,141)
	12,502	11,932

As at December 31, 2007, the Group had interest in the following jointly controlled entity:

Name of entity	Form of business structure	Country of incorporation	Principal place of operation	Fully paid up registered capital	Proportion of nominal value of registered capital held by the Group	Nature of business
廣州市橋新燃氣有限公司 (“橋新”) (Guangzhou City Qiaoxin LPG Company Limited) (“Qiaoxin”) *(Note)*	Incorporated	PRC	PRC	RMB2,250,000	49%	Sale and distribution of LPG

Note:

The Group’s entitlement to share in the profits of its jointly controlled entity is in proportion to its ownership interest after the sub-contracting period mentioned in the following paragraph.

Pursuant to an agreement entered into between Qingxin Bai Fu Yang Petrol Chemical Company Limited (“BFY”) and the joint venture partner of 橋新 (Qiaoxin) (the “Venturer”) on November 3, 2006, the operation of 橋新 (Qiaoxin) has been sub-contracted to BFY with a sub-contracting period of 8 years. The Group was responsible for the daily operation of 橋新 (Qiaoxin) and accountable for all liabilities and obligations arising from any agreements or contracts entered into in the name of 橋新 (Qiaoxin) and the operating losses, if any, during the sub-contracting period. The Venturer was entitled to a fixed sum of sub-contracting fee payable by BFY. BFY entitled to 100% of the results of 橋新 (Qiaoxin) during the sub-contracting period.

Included in the cost of unlisted investment in a jointly controlled entity is goodwill of HK$6,139,000 (2006: HK$6,139,000) arising on acquisition of a jointly controlled entity in prior years.

The summarised financial information in respect of the Group’s jointly controlled entity which is accounted for using the equity method is set out below:

	2007	**2006**
	HK$’000	*HK$’000*
Current assets	1,271	261
Non-current assets	5,716	6,281
Current liabilities	(624)	(330)
Income	23,633	3,841
Expenses	(23,063)	(4,260)

23. OTHER ASSETS

At December 31, 2007, the balance included approximately HK$22,452,000 paid for acquisition of the additional equity interest of 39% in 廣州市夢華燃氣有限公司 ("夢華燃氣") (Guangzhou Shi Menghua LPG Company Limited) ("Menghua LPG"), a company established with limited liability under the laws of the PRC. The Group acquired 51% of the equity interest in 夢華燃氣 (Menghua LPG) on January 1, 2007 and the details are disclosed in note 33. The balance also included the non-current portion prepaid lease rental for a LPG vessel of approximately HK$13,307,000. The total prepaid lease rental for a LPG vessel is approximately HK$14,517,000 and the lease term is for 5 years commencing from August 1, 2008.

The Group's prepaid lease payments for LPG vessel:

	2007	**2006**
	HK$'000	*HK$'000*
LPG vessel in the PRC	14,517	—
Analysed for reporting purpose as:		
Non-current asset	13,307	—
Current asset *(note)*	1,210	—
	14,517	—

Note: The amount is included in the other debtors, deposits and prepayments.

At December 31, 2006, the balance included a deposit of approximately HK$15,926,000 paid for the acquisition of the entire equity interest in 德慶縣南雄燃氣有限公司 ("南雄") (Deqing Nanxiong LPG Company Limited) ("Nanxiong"), a company established with limited liability under the laws of the PRC. On August 8, 2006, the Company's indirect wholly-owned subsidiary Shenzhen Baorun entered into an agreement with third parties independent to the Group to acquire the entire equity interest in 南雄 (Nanxiong)* for a cash consideration of approximately HK$16,045,000. The proposed acquisition was completed on January 10, 2007.

Pursuant to an agreement entered between 新海(珠海) (NewOcean (Zhuhai)) and an independent contractor on December 1, 2006, 新海(珠海) (NewOcean (Zhuhai)) paid a deposit of approximately HK$49,768,000 to an independent contractor for the construction of gas plant and facilities plan in Zhuhai. The construction of the gas plant and facilities had not yet commenced as at December 31, 2006 and the deposit paid was included in the other assets. The construction is completed as at December 31, 2007 and the deposit was transferred to property, plant and equipment during the year ended December 31, 2007.

24. INVENTORIES

	2007	2006
	HK$'000	*HK$'000*
LPG	56,407	8,229
Electronic products	70,518	49,741
	126,925	57,970

The cost of inventories charged to the consolidated income statement for the year amounted to approximately HK$3,179,247,000 (2006: HK$2,261,555,000).

25. TRADE DEBTORS, BILLS RECEIVABLE, OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	2007	2006
	HK$'000	*HK$'000*
Trade debtors	430,532	80,152
Less: Allowance for doubtful debts	—	(326)
	430,532	79,826
Bills receivable	331	59,512
	430,863	139,338

The Group allows an average credit period of 180 days. The bills receivable are matured within the range of 30 days to 90 days. The following is an aged analysis of trade debtors (net of allowances for doubtful debts) at each balance date:

	2007	2006
	HK$'000	*HK$'000*
0 to 30 days	344,826	101,464
31 to 60 days	11,949	37,538
61 to 90 days	22,949	217
91 to 180 days	9,363	78
Over 180 days	41,776	41
	430,863	139,338

Included in the Group's trade debtors, are debtors of approximately HK$84,833,000 (2006: HK$61,914,000) denominated in United States dollars, which is not the functional currency of the relevant group entities.

Included in the Group's trade debtors balance are debtors with aggregate carrying amount of approximately HK$42,308,000 (2006: HK$73,000), which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The trade debtors past due but not provided for were either subsequently settled as at the date of this report or no historical default of payments by the respective customers. The average age of these receivables is 242 days (2006: 120 days).

Ageing of trade receivables which are past due but not impaired

	2007	**2006**
	HK$'000	*HK$'000*
91 to 180 days	42,298	59
181 to 365 days	3	7
Over 365 days	7	7
Total	42,308	73

Movement in the allowance for doubtful debts

	2007	**2006**
	HK$'000	*HK$'000*
Balance at beginning of the year	326	1,376
Impairment losses recognised on receivables	—	326
Amounts written off as uncollectible	(326)	(1,376)
Balance at end of the year	—	326

Included in the allowance for doubtful debts for 2006 are individually impaired trade receivables with an aggregate balance of HK$326,000 which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances. The amount has been fully written off in the year ended December 31, 2007.

Pursuant to the agreements entered into between 新海（珠海）(NewOcean (Zhuhai)) and an independent contractor, 新海（珠海）(NewOcean (Zhuhai)) had paid an advance of approximately HK$79,628,000 to the contractor and the amount was included in other debtors as at December 31, 2006. The amount is unsecured, interest-free and repayable within the next twelve months in accordance with the repayment schedule agreed between 新海（珠海）(NewOcean (Zhuhai)) and the independent contractor. The whole amount was settled during the year ended December 31, 2007 in accordance with the signed repayment schedule.

Included in the other debtors as at December 31, 2006, there were derivative from foreign currency forward contracts amounting to approximately HK$1,481,000.

Major terms of the foreign currency forward contracts are summarised as follows:

Notional amount	**Maturity**	**Exchange rates**
Buy USD7,000,000	January 25, 2007 to July 26, 2007	HKD/USD7.76 to HKD/USD7.80
Buy USD39,856,000	March 6, 2007 to May 14, 2007	RMB/USD7.72 to RMB/USD7.76

26. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

The amount is unsecured, interest-free and repayable on demand.

27. PLEDGED BANK DEPOSITS, BANK BALANCES AND CASH

The amounts represent deposits pledged to banks to secure banking facilities granted to the Group. The deposits have been pledged to secure short-term bank loans, and are therefore classified as current assets. The pledged bank deposits of HK$744,435,000 (2006: HK$311,559,000) carry at fixed interest rate which range from 2.52% to 4.14% (2006: 0.72% to 2.25%) per annum and will be released upon settlement of the relevant bank borrowings. The remaining pledged bank deposits carry at floating interest rate which range from 1.95% to 4.97% (2006: 0.72% to 3.62%) per annum and will be released upon settlement of the relevant bank borrowings.

The bank balances carried interest at market rates which range from 0.72% to 5.125% (2006: 0.72% to 5.02%) per annum.

At the balance sheet date, the pledged bank deposits and bank balances and cash of approximately HK$793,979,000 (2006: HK$446,672,000) were denominated in RMB which is not freely convertible into other currencies. Included in the Group's bank balances, are approximately HK$55,502,000 (2006: HK$15,429,000) denominated in USD, which is not the functional currency of the relevant group entities.

28. TRADE CREDITORS AND BILLS PAYABLE, OTHER CREDITORS AND ACCRUED CHARGES

The aged analysis of trade creditors is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
0 to 30 days	181,674	158,094
31 to 60 days	130,449	—
Over 90 days	247	—
	312,370	158,094
Bills payable	69,446	126,620
	381,816	284,714

The bills payable are matured within the range of 0 days to 60 days (2006: 0 days to 60 days).

Included in the Group's trade creditors and bills payable, are approximately HK$381,167,000 (2006: HK$284,586,000) denominated in USD, which is not the functional currency of the relevant group entities.

29. BORROWINGS, PARTLY SECURED

	2007	2006
	HK$'000	*HK$'000*
Bank trust receipt loans	1,004,748	397,194
Other bank loans	212,407	176,838
Other long-term loans	53,265	49,645
	1,270,420	623,677
Analysed as:		
Secured	978,923	533,890
Unsecured	291,497	89,787
	1,270,420	623,677
Carrying amount repayable:		
On demand or within one year	1,064,999	401,444
More than one year, but not exceeding two years	95,170	81,726
More than two years, but not exceeding five years	110,251	140,507
	1,270,420	623,677
Less: Amounts due within one year shown under current liabilities	(1,064,999)	(401,444)
	205,421	222,233

Bank loans include approximately HK$846,525,000 (2006: HK$55,068,000) fixed-rate borrowings which are due within one year and carry average interest at 5.76% per annum (2006: 5.69% per annum). The remaining bank loans are variable-rate borrowings which carry interest at London Inter-Bank Offered Rate + 1.5% per annum to Best Lending Rate + 0.25% per annum ranging from 5.36% to 8.50% per annum (2006: 5.76% to 8.50% per annum).

Bank trust receipt loans include approximately USD85,986,000 borrowings (equivalent to approximately HK$668,971,000) which are secured by pledged bank deposits of approximately RMB647,329,000 (equivalent to approximately HK$691,310,000).

Other long-term loans are unsecured, bearing variable interest rate at best lending rate at PRC 7.56% (2006: 6.12%) per annum and repayable in full in January 2009.

Other bank loans of the Group comprise of: (a) an amount of approximately HK$171,160,000 (2006: HK$163,380,000) drawn under a term loan facility secured by a floating charge over the assets of the Company, and by share mortgages of the issued capital and floating charges over the assets of Sound Hong Kong Limited and NewOcean (Shenzhen) Energy Investment Limited; and (b) an amount of approximately HK$41,247,000 (2006: HK$13,458,000) drawn under a term loan facility guaranteed by the Company.

The Group's borrowings that are denominated in USD which is not the functional currencies of the relevant group entities are set out below:

	HK$'000
As at December 31, 2007	1,014,096
As at December 31, 2006	555,461

30. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each (2006: HK$0.10 each)		
Authorised share capital:		
At January 1, 2006, December 31, 2006 and 2007	20,000,000,000	2,000,000
Issued and fully paid share capital:		
At January 1, 2006 and December 31, 2006 and 2007	481,676,687	48,168

31. 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 April 9, 1999 for the primary purpose of providing incentives to directors and eligible employees, and will expire on April 8, 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 percent 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 percent of the share capital of the Company in issue from time to time. At December 31, 2007, no granted options remained outstanding under the Old Option Scheme.

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 Old Option Scheme or any other share 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 from the grantee to the Company.

The following tables disclose details of the Company's share options held by employees (including directors) and movements in such holdings during the year:

					Number of share options		
Option type	Date of grant	Vesting period	Exercisable period	Exercise price	Outstanding at 1.1.2007	Lapsed during the year	Outstanding at 12.31.2007
				HK$			
2002A	3.14.2002	3.15.2002 to 9.14.2002	9.15.2002 to 9.14.2007	1.30	6,400,000	(6,400,000)	—
2002B	6.26.2002	6.27.2002 to 11.25.2002	12.26.2002 to 12.25.2007	1.12	3,100,000	(3,100,000)	—
					9,500,000	(9,500,000)	—

					Number of share options		
Option type	Date of grant	Vesting period	Exercisable period	Exercise price	Outstanding at 1.1.2006	Lapsed during the year	Outstanding at 12.31.2006
				HK$			
2001	6.20.2001	6.21.2001 to 12.20.2001	12.21.2001 to 12.20.2006	1.00	4,500,000	(4,500,000)	—
2002A	3.14.2002	3.15.2002 to 9.14.2002	9.15.2002 to 9.14.2007	1.30	6,400,000	—	6,400,000
2002B	6.26.2002	6.27.2002 to 11.25.2002	12.26.2002 to 12.25.2007	1.12	3,100,000	—	3,100,000
					14,000,000	(4,500,000)	9,500,000

Details of the share options held by the directors and other key management included in the above table are as follows:

	Outstanding at beginning of the year	Lapsed during the year	Outstanding at ending of the year
1.1.2007 to 12.31.2007	6,000,000	(6,000,000)	—
1.1.2006 to 12.31.2006	10,500,000	(4,500,000)	6,000,000

(ii) New Share Option Scheme

Pursuant to an ordinary resolution passed at the Special General Meeting of the Company held on June 18, 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.

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 (2006: 481,676,687 shares) in issue as at December 31, 2007 and no options (2006: 9,500,000 options) outstanding under the Old Option Scheme and 29,500,000 options (2006: 30,500,000 options) 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 48,167,668 shares (2006: 38,667,668 shares).

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 or any other share 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.

The following tables disclose details of the Company's share options granted under the New Share Option Scheme held by employees (including directors) and movements in such holdings during the two years ended December 31, 2007:

2007

Option type	Date of grant	Vesting period	Exercisable period	Exercise price *HK$*	Number of share options Outstanding at 1.1.2007	Cancelled during the year	Outstanding at 12.31.2007
2006A	5.15.2006	5.16.2006 to 6.16.2006	6.17.2006 to 12.31.2015	0.69	13,500,000	—	13,500,000
2006B	6.16.2006	—	6.17.2006 to 12.31.2015	0.69	17,000,000	(1,000,000)	16,000,000
					30,500,000	(1,000,000)	29,500,000

2006

Option type	Date of grant	Vesting period	Exercisable period	Exercise price *HK$*	Number of share options Outstanding at 1.1.2006	Granted during the year	Outstanding at 12.31.2006
2006A	5.15.2006	5.16.2006 to 6.16.2006	6.17.2006 to 12.31.2015	0.69	—	13,500,000	13,500,000
2006B	6.16.2006	—	6.17.2006 to 12.31.2015	0.69	—	17,000,000	17,000,000
					—	30,500,000	30,500,000

Details of the share options held by the directors included in the above table are as follows:

	Outstanding at beginning of the year	Granted during the year	Lapsed during the year	Outstanding at ending of the year
1.1.2007 to 12.31.2007	17,000,000	—	(1,000,000)	16,000,000
1.1.2006 to 12.31.2006	—	17,000,000	—	17,000,000

During the year ended December 31, 2007, no option was granted. During the year ended December 31, 2006, options were granted on May 15, 2006 and June 16, 2006. The estimated fair value of the options granted on these dates is approximately HK$5,855,000.

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

	6.16.2006	5.15.2006
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%
Excepted 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 behavioural consideration. Risk free rate was determined by reference to the yield of 1 year Exchange Fund Notes at the date of grant. Expected dividend yield was based on historical dividend yield of the shares of the Company.

During the year ended December 31, 2006, the Group recognised a total expense of approximately HK$5,855,000 in the consolidated income statement in relation to share options granted by the Company.

32. DEFERRED TAXATION

The following are the major deferred liabilities (assets) recognised by the Group and movements thereon during the year and prior reporting year:

	Accelerated tax depreciation	**Tax losses**	**Other intangible assets**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At January 1, 2006	9,511	(2,326)	—	7,185
Acquired on acquisition of subsidiaries	387	—	—	387
Credit to the consolidated income statement for the year	(652)	(310)	—	(962)
At December 31, 2006	9,246	(2,636)	—	6,610
Acquired on acquisition of subsidiaries	3,596	—	4,499	8,095
(Credit) debit to the consolidated income statement for the year	(539)	706	(541)	(374)
Effect of change in tax rate	(152)	—	—	(152)
At December 31, 2007	12,151	(1,930)	3,958	14,179

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2007	2006
	HK$'000	*HK$'000*
Deferred tax assets	1,930	2,636
Deferred tax liabilities	(16,109)	(9,246)
	(14,179)	(6,610)

At the balance sheet date, the Group has estimated unused tax losses of approximately HK$69,139,000 (2006: HK$46,413,000) available for offset against future profits. Deferred tax asset has been recognised in respect of HK$11,880,000 (2006: HK$15,829,000). No deferred tax asset has been recognised in relation to remaining balances of HK$57,259,000 (2006: HK$30,584,000) due to the unpredictability of future profit streams. The unrecognised tax losses of approximately HK$5,741,000 (2006: HK$11,747,000) will be expired before year 2010 (2006: year 2009). Other losses may be carried forward indefinitely.

At the balance sheet date, the Group has deductible temporary differences of approximately HK$1,145,000 (2006: HK$6,766,000) in respect of accelerated accounting depreciation. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

33. ACQUISITION OF SUBSIDIARIES

For the year ended December 31, 2007

A. On January 1, 2007, the Group acquired the entire equity interest in 南雄 (Nanxiong) for cash consideration and related expenses of HK$16,130,000. The acquisition has been accounted for using the purchase method of accounting. The amount of goodwill arising as a result of the acquisition was approximately HK$10,886,000.

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

	Acquiree's carrying amounts before combinations	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Property, plant and equipment	372	3,073	3,445
Other intangible assets	—	3,274	3,274
Trade debtors	384	—	384
Other debtors, deposits and prepayments	379	—	379
Inventories	742	—	742
Bank balances and cash	119	—	119
Trade creditors	(1,409)	—	(1,409)
Other creditors and accrued charges	(103)	—	(103)
Deferred tax liabilities	—	(1,587)	(1,587)
	484	4,760	5,244
Goodwill			10,886
			16,130

Total consideration satisfied by:

	HK$'000
Cash	16,130
Deposit paid *(note)*	(15,926)
	204

Net cash outflow in respect of the acquisition for the year ended December 31, 2007 is as follows:

	2007
	HK$'000
Cash consideration paid *(note)*	(204)
Bank balances and cash acquired	119
	(85)

Note: During the year ended December 31, 2006, a cash consideration of approximately HK$15,926,000 which was paid for the acquisition of 南雄 (Nanxiong) and the amount was disclosed as other asset in the consolidated balance sheet. Details of the other asset are disclosed in note 23.

The goodwill arising on the acquisition of 南雄 (Nanxiong) is attributable to the anticipated profitability of the distribution of the Group's LPG in the market and the anticipated future operating synergies from the combination. In addition, 南雄 (Nanxiong) owns several LPG stations close to the LPG terminal owned by 新海(珠海)(NewOcean (Zhuhai)), in the opinion of the directors, this acquisition will enhance logistic efficiency and improve the market share in Guangdong region.

南雄 (Nanxiong) contributed HK$6,649,000 and HK$583,000 to the Group's revenue and loss before taxation between the period from the date of acquisition to December 31, 2007.

B. On January 1, 2007, the Group acquired the 51% equity interest in 夢華燃氣 (Menghua LPG) for cash consideration and related expenses of HK$16,618,000. The acquisition has been accounted for using the purchase method of accounting. The amount of goodwill arising as a result of the acquisition was HK$596,000.

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

	Acquiree's carrying amounts before combinations	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Property, plant and equipment	6,331	11,311	17,642
Other intangible assets	—	14,721	14,721
Inventories	3,137	—	3,137
Bank balances and cash	1,018	—	1,018
Deferred tax liabilities	—	(6,508)	(6,508)
	10,486	19,524	30,010
Minority interests			(13,988)
Goodwill			596
			16,618

	HK$'000
Total consideration satisfied by:	
Cash	12,371
Directly attributable costs	4,247
	16,618

Net cash outflow in respect of the acquisition is as follows:

	2007
	HK$'000
Cash consideration paid	(16,618)
Bank balances and cash acquired	1,018
	(15,600)

The goodwill arising on the acquisition of 夢華燃氣 (Menghua LPG) is attributable to the anticipated profitability of the distribution of the Group's LPG in the markets and the anticipated future operating synergies from the combination. In addition, 夢華燃氣 (Menghua LPG) owns several LPG stations close to the LPG terminal owned by 新海(珠海)(NewOcean (Zhuhai)), in the opinion of the directors, this acquisition will enhance logistic efficiency and improve the market share in Guangdong region in the PRC.

Pursuant to an agreement entered between Qingxin NewOcean Transportation Company Limited ("Qingxin NewOcean") and the minority shareholder of 夢華燃氣 (Menghua LPG) (the "MI") on December 29, 2006, Qingxin NewOcean agreed to subcontracting the operation of 夢華燃氣 (Menghua LPG) to MI for a period of one year. The MI is responsible for the daily operation of 夢華燃氣 (Menghua LPG) and accountable for all liabilities and obligations arising from any agreements or contracts entered into in the name of 夢華燃氣 (Menghua LPG) and the operating losses, if any, during the sub-contracting period. The MI entitled to 100% of the results of 夢華燃氣 (Menghua LPG) during the sub-contracting period. Qingxin NewOcean was entitled to a fixed sum of sub-contracting fee payable by MI. The sub-contracting arrangement was terminated at December 31, 2007.

On July 1, 2007, Qingxin NewOcean and MI entered into a sales and purchase agreement in which Qingxin NewOcean agreed to acquire further 39% equity interest from MI at a consideration of HK$22,452,000 (the "Agreement"). The acquisition on further 39% equity interest in 夢華燃氣 (Menghua LPG) has not been completed as at December 31, 2007. Pursuant to the Agreement, the MI has granted an option to Qingxin NewOcean to acquire the remaining 10% equity interest from MI at a consideration of RMB4,500,000 for the period from July 1, 2007 to June 30, 2009. In addition, Qingxin NewOcean has granted an option to MI to sell the remaining 10% equity interest to Qingxin NewOcean at a consideration of approximately HK$4,806,000 (equivalent to RMB4,500,000) from the period from July 1, 2009 to July 31, 2009 ("Put Option"). The obligation of the Put Option is recorded as non-current liabilities as at December 31, 2007.

For the year ended December 31, 2006

On April 1, 2006, the Group acquired the entire equity interest in Shenzhen Baorun Liquefield Petroleum Gas Co., Ltd. ("Shenzhen Baorun") for cash consideration and related expenses of HK$38,961,000. The acquisition has been accounted for using the purchase method of accounting. The amount of goodwill arising as a result of the acquisition was HK$19,981,000.

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

	Acquiree's carrying amounts before combinations	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Property, plant and equipment	12,608	1,309	13,917
Prepaid lease payments	3,869	1,272	5,141
Other debtors, deposits and prepayments	309	—	309
Deferred tax liability	—	(387)	(387)
	16,786	2,194	18,980
Goodwill			19,981
			38,961

	HK$'000
Total consideration satisfied by:	
Cash	34,602
Directly attributable costs	4,359
	38,961

Net cash outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	2006
	HK$'000
Cash consideration paid *(note)*	34,602
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	34,602

Note: During the year ended December 31, 2005, a cash consideration of approximately HK$4,359,000 for the acquisition of Shenzhen Baorun was paid and the amount was disclosed as other assets in the consolidated balance sheet.

The goodwill arising on the acquisition of Shenzhen Baorun is attributable to the anticipated profitability of the distribution of the Group's LPG in the market and the anticipated future operating synergies from the combination. In addition, Shenzhen Baorun owns several LPG stations close to the LPG terminal owned by 新海（珠海）(NewOcean (Zhuhai)), in the opinion of the directors, this acquisition will enhance logistic efficiency and improve the market share in Guangdong region in the PRC.

If the acquisition had been completed on January 1, 2006, total group revenue derived from continuing operations for the year would have been approximately HK$2,425,924,000, and profit for the year from continuing operations would have been approximately HK$43,720,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2006, nor is it intended to be a projection of future results.

Shenzhen Baorun contributed HK$123,266,000 and HK$2,185,000 to the Group's revenue derived from continuing operations and loss before taxation derived from continuing operations between the date of acquisition and the balance sheet date.

34. DISPOSAL OF SUBSIDIARIES

On December 10, 2007, the Group disposed several subsidiaries to an independent third party with a consideration of USD1. Those subsidiaries were engaged in LPG sales and distribution in the northern region of the PRC. The assets of those subsidiaries were fully impaired or write off in prior years and became inactive in recent years. The net liabilities of the subsidiaries at the date of disposal were as follows:

	10.12.2007
	HK$'000
Property, plant and equipment	2,753
Property, plant and equipment write-offs	(2,753)
Trade debtors, other debtors, deposits and prepayments	2,377
Impairment losses on receivables	(2,377)
Other creditors and accrual charges	(170)
Tax liabilities	(7,201)
	(7,371)
Gain on disposal	7,371
	—

The subsidiary disposed of during the year made no significant contribution to the Group's turnover and cash flow.

35. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at December 31, 2007 and 2006.

36. 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:

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	36,415	1,587
In the second to fifth year inclusive	130,712	176
Over five years	2,401	50
	169,528	1,813

During the year ended December 31, 2007, operating lease payments mainly represent rentals payable by the Group for office premises and LPG vessel. During the year ended December 31, 2006, operating lease payments mainly represent rentals payable by the Group for leasehold land in the PRC and LPG vessel. Leases are negotiated for terms ranged from 1 to 5 years. As at December 31, 2007, rentals are fixed for an average of 4 years (2006: 4 years).

37. OTHER COMMITMENTS

	2007	**2006**
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Investment in a jointly controlled entity	—	1,916
Purchase of gas plant and machinery	134,245	77,946
	134,245	79,862

38. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. The subsidiaries are required to contribute fixed percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

39. RELATED PARTY TRANSACTIONS

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

	2007	2006
	HK$'000	*HK$'000*
Sales to a jointly controlled entity	4,716	808
Rental expenses paid to Shum Ho, Neo	456	456

At December 31, 2006, Shum Ho, Neo has pledged his property to secure a short term bank loan of the Group to the extent of HK$10,000,000. The facilities were not utilised by the Group at December 31, 2006 and the pledged property was released on October, 2007.

Shum Ho, Neo is the son of Shum Siu Hung and Tong Shiu Ming.

On May 16, 2004, Sound Management Services Limited, 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 May 16, 2004. On May 16, 2005, the agreement was renewed for one year to May 15, 2006 with the same terms. On May 16, 2006, the agreement was renewed for one year to May 15, 2007 with the same terms. On May 16, 2007, the agreement was renewed for one year to May 15, 2008 with the same terms.

Save as disclosed above and note 26, there were no other significant transactions with related parties during the year or significant balances with them at the end of the year.

Compensation of key management personnel

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

	2007	2006
	HK$'000	*HK$'000*
Short-term benefits	6,018	5,347
Post-employment benefits	60	60
Share-based payments	—	3,264
	6,078	8,671

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

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at December 31, 2007 and 2006 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operation	Class of share held	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company 2007	2006	Principal activities
Qingxin Bai Fu Yang Petrol Chemical Company Limited ("BFY") *(Note a)*	PRC *	Registered capital	RMB5,000,000	100	100	Sale and distribution of LPG
NewOcean Resources (Singapore) Pte Ltd	Singapore	Ordinary	SGD100	100	100	Sale and distribution of LPG
Shenzhen Baorun	PRC *	Registered capital	RMB15,000,000	100	100	Sale and distribution of LPG
Sound Agents Limited	Hong Kong	Ordinary	HK$2	100	100	Sale and distribution of LPG and electronic products
Sound Industrial Limited	Hong Kong	Ordinary	HK$2	100	100	Trading of electronic products
Sound Management Services Limited	Hong Kong	Ordinary	HK$2	100	100	Providing management services to group companies
Sound Technologies Limited	Hong Kong	Ordinary	HK$2	100	100	Trading of electronic products
Qingxin Yong Long Gas and Chemical Company Limited ("Yong Long") *(Note b)*	PRC *	Registered capital	RMB4,280,000	80	80	Sale and distribution of LPG
桂林新海能源發展有限公司 (Guilin NewOcean Energy Development Company Limited)	PRC #	Registered capital	HK$6,600,000	100	100	Sale and distribution of LPG
桂林荔浦新海燃氣有限公司 (Guilin Lipu NewOcean LPG Company Limited)	PRC #	Registered capital	HK$1,400,000	100	100	Sale and distribution of LPG
梧州綠環科技有限公司 (Wuzhou Luhuan Technology Company Limited)	PRC #	Registered capital	HK$1,600,000	100	100	Sale and distribution of LPG
梧州市新海燃氣有限公司 (「梧州新海」) (Wuzhou City NewOcean LPG Company Limited) ("Wuzhou NewOcean")*(Note c)*	PRC *	Registered capital	RMB500,000	100	100	Sale and distribution of LPG
蒼梧縣新海燃氣有限公司 (「蒼梧新海」) (Cangwu NewOcean LPG Company Limited) ("Cangwu NewOcean") *(Note d)*	PRC *	Registered capital	RMB500,000	100	100	Sale and distribution of LPG

Name of subsidiary	Place of incorporation/ registration/ operation	Class of share held	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company 2007	2006	Principal activities
新海能源(珠海)有限公司 (「新海(珠海)」) (NewOcean Energy (Zhuhai) Company Limited) ("NewOcean (Zhuhai)")	PRC #	Registered capital	USD27,050,000	100	100	Sale and distribution of LPG
廣州市夢華燃氣有限公司 (「夢華燃氣」) (Guangzhou Shi Menghua LPG Company Limited) ("Menghua LPG")	PRC *	Registered capital	RMB7,755,100	51	—	Sale and distribution of LPG
廣州市許標燃氣有限公司 (Guangzhou Xubiao LPG Company Limited)	PRC *	Registered capital	RMB2,000,000	51	—	Sale and distribution of LPG
德慶縣南雄燃氣有限公司 (「南雄」) (Deging Nanxiong LPG Company Limited) ("Nanxiong")	PRC *	Registered capital	RMB990,000	100	—	Sale and distribution of LPG

* Domestic-invested enterprises

\# Wholly-owned foreign enterprises

Notes:

(a) BFY is indirectly held by the Company through the declarations of trust executed by Cen Ziniu and Li Canyuan who held the interest in BFY of 90% and 10% respectively.

(b) Pursuant to an agreement entered between BFY and the minority shareholder of Yong Long, ("PRC Investor"), the operation of Yong Long was sub-contracted to BFY with a sub-contracting period of 5 years. The PRC Investor was entitled to a fixed sum of sub-contracting fee payable by BFY. BFY entitled to 100% of the results of Yong Long during the subcontracting period.

(c) 梧州新海(Wuzhou NewOcean) is indirectly held by the Company through the declarations of trust executed by 李燦元 (Li Canyuan) and 劉小萍 (Liu Xiaoping) who held the interest in 梧州新海 (Wuzhou NewOcean) of 20% and 20% respectively. The remaining interest in 梧州新海 (Wuzhou NewOcean) is indirectly held by the Company.

(d) 蒼梧新海 (Cangwu NewOcean) is indirectly held by the Company through the declarations of trust executed by 李燦元 (Li Canyuan) and 劉小萍 (Liu Xiaoping) who held the interest in 蒼梧新海 (Cangwu NewOcean) of 20% and 20% respectively. The remaining interest in 蒼梧新海 (Cangwu NewOcean) is indirectly held by the Company.

The above principal subsidiaries are owned indirectly by the Company.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

41. DERIVATIVE FINANCIAL INSTRUMENTS

Major terms of the foreign currency forward contracts are summarised as follows:

Notional amount	Maturity	Exchange rates
Buy USD88,957,000	January 11, 2008 to December 22, 2008	RMB/USD6.20 to RMB/USD 7.45

3. INDEBTEDNESS

At the close of business on 30 June 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had a total outstanding borrowings of approximately HK$1,993,448,000, comprising the followings:

Classification	Amount	Remarks
Bank trust receipt loans	Approximately HK$1,731,388,000	Note (1)
Other bank loans	Approximately HK$202,097,000	Note (2)
Other long term loan	Approximately HK$56,731,000	Unsecured
Bank overdrafts	Approximately HK$3,232,000	Note (3)
Total	Approximately HK$1,993,448,000	

Notes:

(1) Bank trust receipt loans include (a) an amount of approximately US$149,384,000 borrowings (equivalent to HK$1,162,205,000) which was fully secured by the pledged RMB bank deposits of approximately RMB1,075,302,000 (equivalent to HK$1,223,087,000); (b) the trust receipt loans of an aggregate amount of approximately US$70,385,000 and approximately RMB18,980,000 (equivalent to a total amount of HK$569,183,000), of which approximately US$70,385,000 (equivalent to approximately HK$547,595,000)) was partly secured by bank deposits of an aggregate amount of approximately US$643,000 and approximately HK$1,000,000 (equivalent to a total amount of approximately HK$6,000,000), was to finance the Group trading business.

(2) Other bank loans include (a) an amount of approximately US$20,680,000 (equivalent to approximately HK$160,890,000) 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) drawn under short term loan facilities guaranteed by the Company, (c) an amount of approximately HK$7,084,000 drawn under a term loan facility guaranteed by the Company.

(3) Bank overdrafts were fully secured by pledged bank deposits of approximately US$643,000 (equivalent to approximately HK$5,000,000) and promissory note of HK$11,000,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, none of the companies in the Group had outstanding, at the close of business 30 June 2008, any mortgages, charges or debentures, loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness or any hire purchase commitments, liabilities under acceptance or acceptable credits of any guarantees or other material contingent liabilities.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate rates of exchange prevailing at the close of business on 30 June 2008.

The Directors are not aware of any material changes in the Group's indebtedness and contingent liabilities since the close of business on 30 June 2008.

4. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, taking into consideration the financial resources available to the Group including internally generated funds, the existing available banking facilities and the estimated net proceeds from the Open Offer (if the Open Offer becomes unconditional), the Group will have sufficient working capital for at least twelve months from the date of this circular.

5. MATERIAL CHANGE

The Directors are not aware of any material change in the financial or trading position or outlook of the Group since 31 December 2007 (being the date to which the latest published audited financial statements of the Group were made up) up to and including the Latest Practicable Date.

6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Business Review and Future Prospects

In 2008, the Company continued its expansion in LPG wholesaling, LPG retailing and electronics trading (mainly cellular phones).

LPG Wholesaling

The LPG wholesale business which is conducted through the Company's sea terminal in Zhuhai, achieved an increase in the import volume to 325,000 tons in the first half of year 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 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 Company's own LPG retail operation and the remaining 98,200 tons were sold in China on spot basis. In line with its existing development policy, the Company will further improve the throughput capability of its sea terminal in Zhuhai in order to achieve continuous increase in the wholesale volume. Concurrently, the Company shall further adjust its customer portfolio from currently only about 63% towards a position that 90% of its wholesaling will be conducted under a model of hedged price and ascertained profit margin. The continuous increase in wholesale volume coupled with ascertained profit margin will effectively contribute to the Company enduring benefits under manageable market risks.

LPG Retailing

The LPG retail business conducted through the Company's bottling plants in Guangdong and Guangxi Province increased its sales volume to 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 of 2008, the Company 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 – 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 Company continued its strategy of acquiring other bottling plant operators in Guangdong for expansion of its LPG retail network. As set out in the circular of the Company dated 18 July 2008, the Company has committed to acquire Maoming Sanyang LPG Company Limited ("Sanyang") at a consideration of RMB28,000,000. Sanyang is anticipated to contribute an additional sales volume to the Company of about 8,000 tons from October when the acquisition is completed to the end of year 2008.

Electronics Trading

The total turnover of electronics trading in the first half of year 2008 increased to about HK$180 million (about 83% of the total turnover in the full year of 2007). Out of the total turnover, about HK$104 million were trading of cellular phones and about HK$76 million 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 Company'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 Company is cooperating with Newtel Corporation Co. Ltd. ("Newtel") of Thailand pursuit to which the Company 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.

1. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

Set forth below is the accountants' report, prepared for the sole purpose of incorporation in this circular received by the Directors from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in connection with the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group set out in this Appendix:

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS TO THE DIRECTORS OF NEWOCEAN ENERGY HOLDINGS LIMITED

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets of NewOcean Energy Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed open offer on the basis of one offer share for every share held on 16 September 2008, or such other date as may be agreed between the Company and the underwriter for the determination of the entitlements under the open offer might have affected the financial information presented, for inclusion in Section 2 of the Appendix II of the circular dated 29 August 2008 (the "Circular"). The basis of preparation of the unaudited pro forma statement of adjusted consolidated net tangible assets is set out on page 107 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma statement of adjusted consolidated net tangible assets in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma statement of adjusted consolidated net tangible assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma statement of adjusted consolidated net tangible assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of adjusted consolidated net tangible assets with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustment is appropriate for the purpose of the unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma statement of adjusted consolidated net tangible assets is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 December 2007 or any future date.

Opinion

In our opinion:

(a) the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustment is appropriate for the purposes of the unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 29 August 2008

2. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules to illustrate the effects of the Open Offer on the consolidated net tangible assets attributable to equity holders of the Company, as set out in Appendix I to this circular, as if the Open Offer had been completed on 31 December 2007. The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2007 and any future date.

	Audited consolidated net tangible assets attributable to the equity holders of the Company as at 31 December 2007	**Adjustment**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of the Company immediately after the Open Offer**
	HK$	*HK$*	*HK$*
	(Note 1)	*(Note 2)*	
Net tangible assets	397,615,000	142,220,000	539,835,000
Number of shares issued	481,676,687	481,676,687	963,353,374
Audited/Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company per share *(Note 3)*	HK$0.83		HK$0.56

Notes:

1. The audited consolidated net tangible assets of the Group as at 31 December 2007 are based on the equity attributable to equity holders of the Company as at 31 December 2007 of approximately HK$513,130,000 as set out on page 46 of this circular, and deduct goodwill and other intangible assets of approximately HK$102,623,000 and HK$16,850,000 respectively, plus the deferred tax liability arising from other intangible assets of approximately HK$3,958,000.

2. The adjustment represents the estimated net proceeds from the Open Offer that based on 481,676,687 Offer Shares, being minimum number of Offer Shares assuming no exercise of share options, at a price of HK$0.3 per Offer Share after the deduction of the estimated related expenses of approximately HK$2,283,000. The estimated related expenses are the fees paid or payable to various professional parties that directly attributable to the Open Offer.

3. The audited consolidated net tangible assets attributable to the equity holders of the Company per share as at 31 December 2007 is based on 481,676,687 shares in issue as at 31 December 2007. The unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company per share after the Open Offer is based on 963,353,374 Shares (on the basis that there were 481,676,687 Shares in issue as at 31 December 2007 and 481,676,687 Offer Shares, being minimum number of Offer Shares assuming no exercise of Share Options, were issued under the Open Offer) were in issue upon completion of the Open Offer.

4. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2007.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The directors of the Underwriter jointly and severally accepts full responsibility for the accuracy of the information in this circular (other than those relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinion expressed in this circular (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL AND SHARE OPTIONS

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Share capital

(a) ***Share capital as at the Latest Practicable Date***

Authorised:		*HK$'000*
20,000,000,000	Shares	2,000,000
Issued and fully paid:		
481,676,687	Shares	48,168

(b) Share capital upon completion of the Open Offer

Authorised:		*HK$'000*
20,000,000,000	Shares	2,000,000
Issued and fully paid:		
481,676,687	Shares as at the Latest Practicable Date	48,168
481,676,687	Offer Shares to be issued pursuant to the Open Offer	144,503
963,353,374	Shares upon completion of the Open Offer	192,671

All the issued Shares rank pari passu with each other in all respects including the rights to voting, dividends and return of capital. The Offer Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the existing Shares. The Company has not issued any Shares since 31 December 2007.

Share options

As at the Latest Practicable Date, the Company has the following outstanding Share Options under the New Share Option Scheme (with the lapse of 1,000,000 Share Options held by the late Ma Man Hoi, Joseph, an ex-independent non-executive Director who had deceased on 16 June 2007):

Date of grant	**Exercise price per share** *(HK$)*	**No. of Shares which may fall to be issued upon exercise of the Share Options**
16/06/2006	0.69	29,500,000

Of the 29,500,000 Share Options, 9,000,000 Share Options are being held by Mr. Shum and 6,000,000 and 1,000,000 Share Options are being held by Chiu Sing Chung, Raymond, the managing Director and an independent non-executive Director respectively and 13,500,000 by the employees of the Group.

Holders of Share Options have irrevocably undertaken to the Company that they will not exercise any of their Share Options prior to the Record Date and that such Share Options will remain registered in the name of and beneficially owned by such holders from the date of such undertaking up to and including the Record Date.

Upon the Open Offer becoming unconditional, the exercise price and the numbers of outstanding Share Options may be subject to adjustments. Further announcement will be made in this regard.

Save as disclosed above, the Company did not have any other options, warrants and other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

3. MARKET PRICES

The table below shows the closing prices of the Shares as recorded on the Stock Exchange on (i) the Last Trading Day; (ii) the last trading day of each of the six calendar months before the Latest Practicable Date; and (iii) the Latest Practicable Date.

Date	**Share price**
	HK$
February 2008	0.620
March 2008	0.550
April 2008	0.570
May 2008	0.550
June 2008	0.490
July 2008	0.495
Last Trading Day	0.440
Latest Practicable Date	0.420

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period commencing six months prior to the date of the Announcement up to and including the Latest Practicable Date were HK$0.650 on 21 February 2008 and HK$0.360 on 11 August 2008 respectively.

4. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests of the Directors and chief executives and their associates in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model

Code to be notified to the Company and the Stock Exchange were as follows:

(a) Long positions in Shares

Name of Director	**Capacity**	**Number of issued Shares held**	**Percentage of the issued share capital of the Company**
Mr. Shum	Beneficial owner	20,811,779	4.32
	Family interest *(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:

1. 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 paragraph 5(a), and were deemed to be the family interest of Mr. Shum.

2. These interests reflect the proportional interest in the 134,870,621 Shares held by Uniocean. Uniocean is owned as to 15% by Shum Chun, Lawrence and 15% by Shum Ho, Neo, both are the sons of Mr. Shum, 64% by Tong Shiu Ming, spouse of Mr. Shum, 5% by Wu Hong Cho and 1% by Cen Ziniu.

(b) Share options

Name of Director	**Date of grant**	**Exercise price per Share** *(HK$)*	**Exercise period**	**Number of underlying Shares**	**Outstanding Share Options as at Latest Practicable Date**
Mr. Shum	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 and other than the non-beneficial interests of Directors in the nominee shares in certain subsidiaries held by certain Directors subject to the terms of a written, valid and legally enforceable declaration of trust in favour of the Company, as at the Latest Practicable Date, no Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

None of the Directors had any direct or indirect interest in any assets which have been, since 31st December 2007 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group. As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group and subsisting at the date of this circular which is significant in relation to the business of the Group.

5. OTHER DISCLOSURES UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS' INTEREST

Save as disclosed below, as at the Latest Practicable Date, according to the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO and so far as is known to the Directors no person, other than Directors whose interests are disclosed above, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or had any option in respect of such capital:

(a) Interest in Shares (Long Position)

Name of Shareholder	Capacity	Number of issued Share held	Percentage of the issued share capital of the Company
Tong Shiu Ming	Held by corporation *(Note 1)*	134,870,621	28.00
	Family interest *(Note 2)*	20,811,779	4.32
Yam Tak Cheung	Held by corporation *(Note 4)*	30,000,000	6.23

Notes:

1. 134,870,621 Shares were held by Uniocean as referred to in Note 2 to paragraph 4(a).

2. These represent the same block of 20,811,779 Shares held as beneficial owner by Mr. Shum, spouse of Tong Shiu Ming, as referred to in paragraph 4(a), and were deemed to be the family interest of Tong Shiu Ming

3. 300,000,000 Shares 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	Exercise price per Share *(HK$)*	Number of underlying Shares	Outstanding Share Options at Latest Practicable Date
Tong Shiu Ming	Family interest *(Note)*	0.69	9,000,000	9,000,000

Note:

Share Options to subscribe for 9,000,000 Shares are held by Mr. Shum, the spouse of Tong Shiu Ming as referred to in paragraph 4(b) above, and were deemed to be the family interest of Tong Shiu Ming.

Save as disclosed above, the Company did not have any other options, warrants and other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

6. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES

(a) Save for the 155,682,400 Shares together held by Uniocean, Mr. Shum and concert parties with them, none of the Underwriter, Mr. Shum and parties acting in concert with any of them and any of their respective directors held any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date. Save for the 974,000 Shares acquired by Uniocean as disclosed in the paragraph headed "DEALINGS IN THE SHARES DURING THE PAST SIX MONTHS PRIOR TO THE DATE OF THE ANNOUNCEMENT' in the Letter from the Board contained in this circular, none of them had dealt for value in any securities (as defined in Note 4 of Rule 22 of the Takeovers Code) of the Company during the period starting six months prior to the date of the Announcement and ending on the Latest Practicable Date ("Relevant Period").

(b) As at the Latest Practicable Date, save for the undertakings given by Mr. Shum and Uniocean in respect of their taking up of their respective entitlements under the Open Offer and the Underwriting Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Underwriter or any of its concert parties and other persons in relation to the transfer, charge or pledge of the Shares that may be issued and allotted to the Underwriter or any of its concert parties under the Open Offer.

(c) As at the Latest Practicable Date, save for the Shares held by Mr. Lawrence Shum and Mr. Cen Zhinui both being the Directors and Mr. Wu Hong Cho who is the non-executive Director through Uniocean as set out in section "SHAREHOLDING STRUCTURE OF THE COMPANY" in the Letter from the Board and as disclosed in the section headed "DIRECTORS' INTERESTS" in Appendix III to this circular, none of the Directors have held any shares, convertible securities, warrants, options or derivatives of the shares of the Company during the Relevant Period.

(d) As at the Latest Practicable Date, save for the 974,000 Shares acquired by Uniocean of which shares, among others, are held by Mr. Lawrence Shum and Mr. Cen Zhinui both being the Directors and Mr. Wu Hong Cho who is the non-executive Director, none of the Directors had dealt for value in any securities (as defined in Note 4 of Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

(e) As at the Latest Practicable Date, no person with the Underwriter or any person acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code owned or controlled any shareholding in the Company.

(f) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Takeovers Code.

(g) None of the Underwriter or any persons acting in concert with it has borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

(h) As at the Latest Practicable Date, the Company did not have any interest in the shares of the Underwriter.

(i) No Shares or any convertible securities, warrants, options or derivatives of the Company were owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of "associate" for the Relevant Period.

(j) None of the Company or any Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives of the Company for the Relevant Period.

(k) As at the Latest Practicable Date, the Underwriter is held as to 15% by Mr. Shum Chun, Lawrence, as to 1.0% by Mr. Cen Ziniu, both being the Directors, and as to 5% by Mr. Wu Hong Cho, the non-executive Director. Save for this, none of the Company and the Directors held any shares, convertible securities, warrants, options and derivatives in respect of shares of the Underwriter and none of them had dealt for value in any shares, convertible securities, warrants, options and derivatives in respect of shares of the Underwriter for the Relevant Period.

(l) As at the Latest Practicable Date, none of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of a subsidiary of the Company; (iii) any adviser to the Company (as specified in class (2) of the definition of "associate" under the Takeovers Code) had any interest in the Shares, convertible securities, warrants, options or derivatives of the Company and none of them had dealt for value in any securities of the Company for the Relevant period.

(m) As at the Latest Practicable Date, no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers connected with the Company.

(n) As at the Latest Practicable Date, no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the SGM to approve the Open Offer and Whitewash Waiver.

(o) No benefit will be given to any Director as compensation for loss of office in any member of the Group or otherwise in connection with the Open Offer and/or the Whitewash Waiver.

(p) As at the Latest Practicable Date, save that the Underwriter may terminate the arrangements set out in the Underwriting Agreement as mentioned in the paragraph headed "Termination of the Underwriting Agreement" in the Letter from the Board contained in this circular, and the undertakings given by Mr. Shum and Uniocean in respect of their taking up of their respective entitlements under the Open Offer and the Underwriting Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) existed between Uniocean and its concert parties, the Company and any of the directors, recent directors, shareholders, recent shareholders of the Company having any connection with or dependence upon the Open Offer and/or the Whitewash Waiver.

(q) There is no agreements or arrangements to which Uniocean is a party, which relates to circumstances in which they may or may not involve or seek to involve a pre-condition or condition to the Open Offer other than those mentioned in the section headed "Conditions of the Open Offer" in the Letter from the Board Contained in this circular and/or the Whitewash Waiver.

(r) As at the Latest Practicable Date, there was no material contract entered into by the Underwriter in which a Director had a material personal interest.

(s) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Open Offer and the Whitewash Waiver or otherwise connected with the Open Offer and the Whitewash Waiver.

(t) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) exists between the Underwriter or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Open Offer and the Whitewash Waiver.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in businesses, which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

9. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

There are no service contracts in force between any Director and the Company or any of its subsidiaries or associated companies which (including both continuous and fixed term contracts) have been entered into or amended within six months before the date of the Announcement.

There are no service contracts in force between any Director and the Company of any of its subsidiaries or associated companies which are continuous contracts with a notice period of twelve months or more.

There are no service contracts in force between any Director and the Company or any of its subsidiaries or associated companies which are fixed term contracts with more than twelve months to run irrespective of the notice period.

10. MATERIAL CONTRACTS

The following contract (not being a contract entered into in the ordinary course of business) has been entered into by members of the Group within two years immediately preceding the Latest Practicable Date and is or may be material:

(a) the Underwriting Agreement;

(b) the Option Holders Undertakings;

(c) an agreement dated 25 June 2008 between (1) 珠海新海能源科技有限公司 (Zhuhai NewOcean Energy Technology Company Limited, a wholly-owned subsidiary of the Company incorporated in the PRC); and (2) Mr Ye Yongxiong (葉永雄) and Mr Zhang Xiaofan (張小帆) relating to the acquisition of 100% equity interest in 茂名市三洋燃氣有限公司 (Maoming City Sanyang LPG Company Limited) at the consideration of RMB28,000,000;

(d) a supplemental agreement dated 1 July 2007 between (1) 清新縣新海運輸有限公司 (Qingxin NewOcean Transportation Company Limited, a wholly-owned subsidiary of the Company incorporated in the PRC); (2) Mr Hu Shifa (胡世發) providing for modifications to a subscription agreement dated 27 December 2006 ("Subscription Agreement") between the same parties together with Madam Chen Weijiao (陳惠嬌) and Mr Jiang Hong (江泓) for the acquisition of 51% equity interest in 廣州市夢華燃氣有限公司 (Guangzhou Shi Menghua LPG Company Limited) at the consideration of RMB15,500,000 (subject to adjustments);

(e) a supplemental agreement dated 29 December 2006 providing for modifications to the Subscription Agreement;

(f) the Subscription Agreement; and

(g) the agreement dated 3 September 2006 entered into between (1) Sound Electronics (Shenzhen) Co. Ltd., an indirect wholly-owned corporation of the Company and (2) Madam Li Yianling (李燕玲) in relation to the disposal of a property in Shenzhen at the consideration of RMB52,000,000.

Save as disclosed above, there are no other contracts (not being contracts in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) entered into after the date falling two years prior to the date of the Announcement, which are or may be material.

11. EXPERTS AND CONSENTS

(a) The following are the qualifications of the experts who have given their opinions and advice which are included in this circular:

Name	Qualification
Deloitte Touche Tohmatsu ("Deloitte")	Certified Public Accountants
CIMB	a licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

(b) Neither Deloitte nor CIMB has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Neither Deloitte nor CIMB has withdrawn its written consent to the issue of this circular with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.

(c) Neither Deloitte nor CIMB had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2007, the date to which the latest published audited financial statements of the Group were made up.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays and public holidays) at the principal office of the Company at 20/F, Times Tower, 393 Jaffe Road, Wanchai, Hong Kong, and will also be available on the websites of the Company at http://www.newoceanhk.com and the SFC at http://www.sfc.hk/ during normal business hours on any business day from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of each of the Company and Uniocean;

(b) the material contracts referred to under the paragraph headed "Material Contracts" in this Appendix and the respective circular (if applicable) in relation to the material contracts;

(c) the annual reports of the Company for the two financial years ended 31 December 2006 and 31 December 2007;

(d) the accountants' report from Deloitte on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;

(e) the consent letter from CIMB and Deloitte referred to in the paragraph headed "Expert and consent" in this appendix;

(f) the Irrevocable Undertaking given by Uniocean and Mr. Shum in terms as set out on page 15 of this circular;

(g) the circular dated 18 July 2008 in respect of the acquisition of Maoming City Sanyang LPG Company Limited; and

(h) this circular.

13. PARTICULARS OF DIRECTORS

Executive directors

Shum Siu Hung, aged 49, is Chairman of the Company. Mr. Shum is responsible for the formulation and implementation of corporate policies and strategies. Mr. Shum has over 20 years of experience in international trading and investment in China.

Chiu Sing Chung, Raymond, aged 49, is Managing Director and the head of operations in the PRC of the Company. Mr. Chiu had over 20 years' experience in banking and management. He has been involved in the financing and supervision of business projects in the PRC since the late 1980's. During the last 10 years, Mr. Chiu held senior positions in a number of businesses in the PRC and was in charge of the management and control of a wide range of projects.

Shum Chun, Lawrence, aged 29, supervises retail operations and is involved in the financial affairs of the Group. Mr. Shum graduated from the University of Saskatchewan with a degree in Bachelor of Arts, majoring in Economics. Prior to joining the Company in 2004, Mr. Shum has pursued a career in finance and accountancy in an international accounting firm. He is the son of Mr. Shum Siu Hung.

Cen Ziniu, aged 39, graduated from Shanghai Jiao Tong University and has been involved in trading business in Hong Kong and China, holding senior managerial positions. Mr. Cen has extensive experience in dealership management, business formation and marketing. He is responsible for market development of the Group and overseas operations. He is a cousin of Mr. Shum Siu Hung.

Non-Executive Director

Wu Hong Cho, aged 62, graduated from the Law School of the University of Hong Kong and had over 10 years' experience practicing as a solicitor in Hong Kong. Mr. Wu had held senior positions and was in charge of corporate financial matter in a number of public companies in Hong Kong prior to joining the Company as an executive director in 1998. Mr. Wu was an independent non-executive director of the Company from July 1, 2006, he is currently also an executive director of C C Land Holdings Limited, a company listed on the Hong Kong Stock Exchange.

Independent non-executive directors

Cheung Kwan Hung, Anthony, aged 56, Mr. Cheung is an associate member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Cheung graduated from the Hong Kong Polytechnic University (formerly: the Hong Kong Polytechnic) with a higher diploma in Accountancy. Mr. Cheung has over 25 years of experience in account, finance and investment banking profession specializing in equity/debt fund raising, mergers and acquisition and corporate restructuring before working with publicly listed companies undertaking corporate management, planning and strategies development functions.

Chan Yuk Wai, Benedict, aged 50, is a holder of a Master of Science Degree in Applied Mechanics (Cranfield Institute of Technology, U.K.) and a registered professional engineer in Hong Kong and the U.K. Mr. Chan is the recipient of the U.K. Institution of Mechanical Engineers Outstanding Project Price Award, 1981. For the last 20 years, Mr. Chan has taken up key management positions in engineering and technology businesses in Hong Kong, ranging from pumping equipment and control systems, mini-piling, and software and hardware engineering businesses.

Xu Mingshe, aged 52, was accredited a doctor's degree in economics by the Xiamen University. He graduated from the Guangzhou Institute of Foreign Languages with a bachelor's degree in English, holds the title of Senior Economist, and has over

20 years' experience in the banking-finance field. Since 1980, Dr. Xu has held in succession a series of position in the top management level in banking sector in the PRC, and has been well connected in the finance and corporate sectors both in the PRC and overseas. Dr. Xu's expertise ranges from public listings to project financing, syndicated loan, debt restructuring and merge and acquisition. He has taken part in a considerable number of overseas listing of Chinese enterprises and other major fund raising exercises. Dr. Xu was appointed as independent non-executive director of the Company on July 1, 2006 and an independent non-executive director of EPI (Holdings) Limited (a company listed on Hong Kong Stock Exchange) on October 4, 2006.

14. PARTIES INVOLVED IN THE OPEN OFFER AND CORPORATE INFORMATION

Head office and principle place of business	20th Floor, Times Tower 393 Jaff Road Wanchai Hong Kong
Registered office	Clarendon House 2 Church Street Hamilton Bermuda
Financial Adviser	Access Capital Limited Suite 606, 6/F Bank of America Tower 12 Harcourt Road Central Hong Kong
Independent Financial Adviser	CIMB-GK Securities (HK) Ltd 25/F, Central Tower 28 Queen's Road Central Hong Kong
Underwriter	Uniocean Investments Limited 20/F., Times Tower 393 Jaffe Road Wanchai Hong Kong

Legal advisers	*On Hong Kong Law* P.C. Woo & Co. 12/F, Prince's Building 10 Chater Road Central Hong Kong *On Bermuda Law* Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong
Auditors	Deloitte Touche Tohmatsu *Certified Public Accountants* 35/F., One Pacific Place 88 Queensway Hong Kong
Principal bankers	Bank of China (Hong Kong) Limited 9/F., Bank of China Tower 1 Garden Road, Central Hong Kong Bank of Communications Company Limited 20 Pedder Street Central, Hong Kong Standard Chartered Bank (Hong Kong) Limited 13/F., Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong The Hong Kong and Shanghai Banking Corporation Limited Level 10, HSBC Main Building 1 Queen's Road Central Hong Kong
Principal share registrar and transfer office	Tricor Secretaries Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong

Authorised representatives	Shum Siu Hung Block B, 9th Floor 9 Conduit Road Mid-levels Hong Kong Wu Hong Cho 1st Floor, Block 1 Rosary Villas No. 1-19 Lok Lam Road Fotan, New Territories Hong Kong
Company secretary	Wu Hong Cho, *a person who fulfils the requirements of Rule 8.17(3) of the Listing Rules*
Qualified accountant	Lee Kin Man, *a member of the Hong Kong Institute of Certified Public Accountants*

15. MISCELLANEOUS

(a) The registered office of the Underwriter is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and its correspondence address is 20/F., Times Tower, 393 Jaffe Road, Wanchai, Hong Kong. The principal members of the Underwriter are Madam Tong Shiu Ming, Mr. Shum Chun, Lawerence, Mr. Shum Ho Neo, Mr. Wu Hong Cho and Mr. Cen Ziniu. Directors of the Underwriter are Mr. Shum, Mr. Shum Chun, Lawrence, Madam Tong Shiu Ming, Mr. Wu Hong Cho and Mr. Cen Ziniu. The address of Madam Tong Shiu Ming is Block B, 9th Floor, 9 Conduit Road, Mid-levels, Hong Kong.

(b) The securities to be acquired in pursuance of the Open Offer will not be transferred, charged or pledged to any other persons.

(c) In the event of inconsistency, the English text of this circular will prevail over the Chinese text.

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 342)

NOTICE IS HEREBY GIVEN that a special general meeting (the "Meeting") of NewOcean Energy Holdings Limited (the "Company") will be held at 10:00 a.m. on Tuesday, 16 September 2008 at 20th Floor, Times Tower, 393 Jaffe Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT** subject to the fulfillment of the conditions as set out in the underwriting agreement (the "**Underwriting Agreement**", a copy of which has been produced to the Meeting marked "A" and signed by the chairman of the Meeting for the purpose of identification) dated 7 August 2008 and entered into among the Company and Uniocean Investments Limited (the "**Underwriter**"), and the Underwriting Agreement not being terminated in accordance with the terms thereof prior to 4:00 p.m. on the third business day after the latest time for acceptance of Offer Shares (as defined below),

   (i) the issue by way of an open offer (the "**Open Offer**") of not less than 481,676,687 shares of the Company (the "**Offer Shares**") to the Shareholders (the "**Qualifying Shareholders**") whose names appear on the register of members of the Company on the date by reference to which entitlements to the Open Offer are to be determined (the "**Record Date**") (excluding those Shareholders with registered addresses as shown in the register of members of the Company at the close of business on the Record Date in places outside Hong Kong (the "**Excluded Shareholders**") in respect of whom the board (the "**Board**") of directors (the "**Directors**") of the Company consider it necessary or expedient not to offer the Offer Shares after making the relevant enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant regulatory body or stock exchange in those places) on the basis of one Offer Share for every Share then held is hereby approved, confirmed and ratified;

* *For identification purpose only*

(ii) any Directors be and is hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements or Excluded Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company;

(iii) the Underwriting Agreement and the transactions contemplated thereunder (including but not limited to the arrangements for taking up of the unsubscribed Offer Shares, if any, by the Underwriter) be and are hereby approved, confirmed and ratified;

(iv) the arrangements for application for the Offer Shares by the Qualifying Shareholders in excess of their entitlements under the Open Offer be and are hereby approved, confirmed and ratified; and

(v) any Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Open Offer or as they consider necessary, desirable or expedient in connection with the implementation of or giving effect to the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder."

2. "**THAT** subject to the passing of the ordinary resolution numbered 1 set out above, the terms of the waiver granted or to be granted by the Securities and Futures Commission of Hong Kong to the Underwriter and the parties acting in concert with it pursuant to Note 1 on Dispensations from Rule 26 of the Codes on Takeovers and Mergers and Share Repurchases in respect of waiving the obligation on the part of the Underwriter and parties acting in concert with it to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by them (the "**Whitewash Waiver**") be and are hereby approved, confirmed and ratified, and that the Directors be and are hereby authorised to do all things and acts and sign all documents which they consider desirable or expedient to implement and/or give effect to any matters relating to or in connection with the Whitewash Waiver."

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

Hong Kong, 29 August 2008

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of business in Hong Kong:
20th Floor,
Times Tower
393 Jaffe Road
Wanchai
Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member.

2. A form of proxy for use at the Meeting is enclosed. In order to be valid, the form of proxy attached to this circular must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, at the office of the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting. Completion and return of the form or proxy will not preclude a member from attending and voting in person at the Meeting or at any adjournment thereof should he so wish.

3. Where there are joint holders of any share of the Company, any one of such holders may vote at the Meeting either personally or by proxy in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the Meeting personally or be proxy, then the one of such holders whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.

4. Voting on resolutions 1 and 2 above will be conducted by way of poll.