NewOcean Energy Holdings Limited

新海能源集團有限公司

(Incorporated in Bermuda with limited liability)

（於百慕達註冊成立之有限公司）

Stock Code 股份代號：342

INTERIM REPORT 2012

Contents

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
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TO THE BOARD OF DIRECTORS OF
NEWOCEAN ENERGY HOLDINGS LIMITED

Introduction

We have reviewed the condensed consolidated financial statements of NewOcean Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 4 to 32, which comprises the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Report on Review of Condensed Consolidated Financial Statements *(Continued)*

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that caused us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

17 August 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

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

Condensed Consolidated Statement of Financial Position

At 30 June 2012

	Note	As at 30 June 2012 (Unaudited) HK$'000	As at 31 December 2011 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	10	1,352,974	941,784
Land use rights	11	234,879	250,842
Prepaid lease payments for coast		10,330	10,811
Goodwill	16	294,388	96,429
Other intangible assets	17	360,783	8,929
Interest in a jointly controlled entity		10,430	9,201
Available for sale investment	15	—	3,701
Other assets	12	105,334	175,883
Entrusted loan	15	—	644,423
Derivative financial instruments	15	—	45,715
Deferred tax assets		1,613	1,781
		2,370,731	2,189,499
Current assets			
Inventories		742,635	433,595
Properties under development for sales	13	184,836	185,867
Trade debtors and bills receivable	14	1,877,950	2,127,923
Other debtors, deposits and prepayments	14	1,036,033	565,394
Derivative financial instruments		27,865	28,815
Land use rights	11	9,617	3,024
Prepaid lease payments for coast		841	846
Pledged bank deposits	18	4,397,041	4,209,577
Bank balances and cash		793,103	877,595
		9,069,921	8,432,636
Current liabilities			
Trade creditors and bills payable	19	1,564,437	1,074,288
Other creditors and accrued charges	19	1,089,855	294,057
Amount due to a jointly controlled entity		491	—
Derivative financial instruments		64,195	106,727
Tax liabilities		44,288	44,790
Borrowings – repayable within one year	20	6,140,074	6,782,885
Obligation for put option to non-controlling shareholder of a subsidiary		5,520	5,550
		8,908,860	8,308,297
Net current assets		161,061	124,339
Total assets less current liabilities		2,531,792	2,313,838

Condensed Consolidated Statement of Financial Position *(Continued)*

At 30 June 2012

	Note	As at 30 June 2012 (Unaudited) *HK$'000*	As at 31 December 2011 (Audited) *HK$'000*
Capital and reserves			
Share capital	*21*	**130,586**	130,586
Share premium and other reserves		**1,882,402**	1,693,168
Equity attributable to equity holders of the Company		**2,012,988**	1,823,754
Non-controlling interests		**22,724**	23,781
Total equity		**2,035,712**	1,847,535
Non-current liabilities			
Deferred tax liabilities		**148,578**	21,461
Borrowings – repayable over one year	*20*	**347,502**	444,842
		496,080	466,303
		2,531,792	2,313,838

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Share capital *HK$'000*	Share premium *HK$'000*	Special reserve *HK$'000* *(Note i)*	Statutory surplus reserves *HK$'000* *(Note ii)*	Exchange reserve *HK$'000*	Share options reserve *HK$'000*	Contributed surplus accounts *HK$'000*	Other reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2012 (Audited)	130,586	711,250	122,085	27,771	144,178	5,663	1,667	35,690	644,864	1,823,754	23,781	1,847,535
Profit for the period	–	–	–	–	–	–	–	–	229,054	229,054	(1,046)	228,008
Exchange differences arising on translation	–	–	–	–	(9,784)	–	–	–	–	(9,784)	(11)	(9,795)
Total comprehensive income for the period	–	–	–	–	(9,784)	–	–	–	229,054	219,270	(1,057)	218,213
Appropriations	–	–	–	2,882	–	–	–	–	(2,882)	–	–	–
Dividend paid *(Note 9)*	–	–	–	–	–	–	–	–	(30,036)	(30,036)	–	(30,036)
At 30 June 2012 (Unaudited)	130,586	711,250	122,085	30,653	134,394	5,663	1,667	35,690	841,000	2,012,988	22,724	2,035,712
At 1 January 2011 (Audited)	130,586	711,250	122,085	27,771	84,812	5,663	1,667	33,111	351,763	1,468,708	9,883	1,478,591
Profit for the period	–	–	–	–	–	–	–	–	165,120	165,120	927	166,047
Exchange differences arising on translation	–	–	–	–	27,061	–	–	–	–	27,061	44	27,105
Total comprehensive income for the period	–	–	–	–	27,061	–	–	–	165,120	192,181	971	193,152
Appropriations	–	–	–	(4,240)	–	–	–	–	4,240	–	–	–
Dividend paid *(Note 9)*	–	–	–	–	–	–	–	–	(13,058)	(13,058)	–	(13,058)
At 30 June 2011 (Unaudited)	130,586	711,250	122,085	23,531	111,873	5,663	1,667	33,111	508,065	1,647,831	10,854	1,658,685

Notes:

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

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Note	Six months ended 30 June 2012 (Unaudited) HK$'000	2011 (Unaudited) HK$'000
Net cash from (used in) operating activities		**1,143,539**	(898,405)
Net cash from (used in) investing activities			
Interest received		**66,955**	94,278
Purchase of property, plant and equipment	10	**(185,152)**	(20,139)
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	22	**(523,295)**	—
Acquisition of leasehold land through purchase of subsidiary		**—**	(18,037)
Deposit paid for relocating the existing residents and for demolishing the buildings on the newly the acquired land		**—**	(58,320)
Withdrawal of pledged bank deposits		**(1,740,098)**	(2,412,065)
Placement of pledged bank deposits		**1,529,006**	1,256,292
Entrusted loan repayment from an entity		**644,423**	—
Other investing cash flows (net)		**(3,821)**	(2,849)
		(211,982)	(1,160,840)
Net cash (used in) from financing activities			
Borrowings raised		**6,692,475**	6,014,733
Repayments of borrowings		**(7,532,821)**	(3,987,119)
Other financing cash flows (net)		**(175,163)**	(99,624)
		(1,015,509)	1,927,990
Net decrease in cash and cash equivalents		**(83,952)**	(131,255)
Cash and cash equivalents at beginning of the period		**877,595**	380,181
Effect of foreign exchange difference		**(540)**	17,982
Cash and cash equivalents at end of the period		**793,103**	266,908
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**793,103**	266,908

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

1. General Information and Basis of Preparation

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

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

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

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

2. Principal Accounting Policies

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

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

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

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

2. Principal Accounting Policies *(Continued)*

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

3. Segment Information

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

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

1. Sales and distribution of LPG through Zhuhai terminal and in the international market

2. Sales and distribution of LPG through retail networks in the PRC and Macau

3. Sales of electronic products

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

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

3. Segment Information *(Continued)*

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

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

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

Six months ended 30 June 2012 (Unaudited)

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

3. Segment Information *(Continued)*

Six months ended 30 June 2011 (Unaudited and restated)

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

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

3. Segment Information *(Continued)*

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

Segment assets

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

3. Segment Information *(Continued)*

Segment liabilities

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

4. Net Exchange (Loss) Gain

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

5. Other Income

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

6. Profit Before Taxation

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

7. Taxation charge

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

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

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

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

8. Earnings Per Share

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

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

9. Dividends

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

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

10. Movements in Property, Plant and Equipment

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

11. Land Use Rights

	As at 30 June 2012 (Unaudited) *HK$'000*	As at 31 December 2011 (Audited) *HK$'000*
The Group's land use rights comprise:		
Land use rights outside Hong Kong, in the PRC under medium term leases	**244,496**	253,866
Analysed for reporting purposes as:		
Non-current asset	**234,879**	250,842
Current asset	**9,617**	3,024
	244,496	253,866

During the year ended 31 December 2011, the Group acquired a leasehold land in Zhuhai through purchase of a subsidiary (the "Land"). Details of the acquisition are set out in note 23. The size of the Land is 15,750 square meters. The Group will develop half of the Land to construct a property for owner-occupied purpose and half for properties for sale. The details of property under development for sale are disclosed in note 13.

12. Other Assets

	As at 30 June 2012 (Unaudited) HK$'000	As at 31 December 2011 (Audited) HK$'000
Deposit for acquisition of LPG stations in Guangzhou *(Note a)*	104,266	104,848
Deposit for acquisition of 聯新能源發展有限公司(" 聯新能源 ") *(Note b)*	—	69,967
Deposit for purchase of property, plant and equipment	1,068	1,068
	105,334	175,883

Notes:

(a) The amount represents the deposit paid by the Group to a lawyer firm for it to act as the agent for acquisition of LPG stations in Guangzhou. Pursuant to the agency agreement signed between the Group and the lawyer firm, RMB85,000,000 (equivalent to approximately HK$104,266,000 (31 December 2011: HK$104,848,000)) was deposited to the lawyer firm as a refundable deposit to arrange the acquisition of not less than 15 LPG stations in Guangzhou and handle the related share transfer procedures. Up to the date of this report, no acquisition agreements have been signed.

(b) The amount represents the deposit paid by the Group for acquisition of 聯新能源 in the PRC. The details of acquisition of subsidiary are disclosed in notes 15C and 22.

13. Property under Development for Sale

	HK$'000
At cost	
At the acquisition date	82,814
Additions	99,411
Exchange adjustments	3,642
As at year ended of 31 December 2011	185,867
Exchange adjustments	(1,031)
As at period end of 30 June 2012	184,836

The Group is developing half of the Land into properties for sale. The details of the Land are set out in note 11. All the properties under development for sales are not expected to be realised within twelve months after the end of the reporting period. The carrying amount of properties under development for sales is situated on land in the PRC under medium term leases.

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

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

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

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

15. Available-for-sale Investment, Entrusted Loan and Derivative Financial Instrument

Pursuant to the framework agreement dated 21 October 2010 (the "Agreement"), certain subsidiaries of the Group entered into the following transactions with two independent third parties (the "Transactions"):

A. A subsidiary, 新海能源(中國)有限公司 ("新海能源(中國)") agreed with 廣州森能燃氣有限公司 ("廣州森能") to acquire 5% registered capital of 聯新能源 at a consideration of RMB3,000,000 (equivalent to approximately HK$3,701,000 as at 31 December 2011). 聯新能源 is a privately owned entity incorporated in the PRC that operates 17 LPG stations in Guangzhou. The acquisition was completed on 23 December 2010 and the 5% registered capital of 聯新能源 had been classified as an available for sale investment in the consolidated statement of financial position as at 31 December 2011. The investment was stated at cost less impairment, if any.

B. A wholly owned subsidiary, 新海百富洋投資有限公司 ("百富洋投資") agreed to provide an entrusted loan of RMB580,000,000 (equivalent to approximately HK$690,138,000 as at 31 December 2011) to 珠海市旺通船務有限公司 ("旺通船務") (the "Entrusted Loan"). 旺通船務 owned 95% of the registered capital of 聯新能源. Based on the terms set out in the Agreement, the Entrusted Loan was repayable on 23 December 2011 with total interest of HK$120,000,000 payable at maturity. The Entrusted Loan was pledged by 95% registered capital of 聯新能源. On the same date, 旺通船務 also issued a call option to 百富洋投資 which allows 百富洋投資 to acquire the 95% registered capital of 聯新能源 (the "Call Option"). The exercise period of the Call Option was from 23 December 2011 to 22 January 2012. There were several conditions set out in the Agreement to be fulfilled by 旺通船務 before 百富洋投資 considered to exercise the Call Option, including i) a special audit on 聯新能源, ii) 旺通船務 to pay up all the interests in respect of the Entrusted Loan, iii) all required operating leases of 旺通船務 are still effective (together referred to as the "Conditions") etc. During the interim period, 旺通船務 had fulfilled all of the above conditions and 百富洋投資 had exercised the option in January 2012.

   On initial recognition, the Entrusted Loan had been split into two components according to Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and measurement" at their respective fair values, a loan receivables of approximately HK$644,423,000 with effective interest rate at 25.5% per annum and a Call Option of approximately HK$43,554,000. The loan receivable is subsequently measured at amortised cost using the effective interest method and the Call Option is subsequently measured at cost less any identified impairment losses. As at 31 December 2011, the Entrusted loan and Call Option of approximately HK$644,423,000 and HK$45,715,000 respectively were classified as non-current asset because the Directors consider it is probable that the Group would exercise the Call Option to acquire 聯新能源 and the funds generated from repayments of Entrusted Loan would be used to settle the consideration and other required cash outflow related to the acquisition.

15. Available-for-sale Investment, Entrusted Loan and Derivative Financial Instrument *(Continued)*

C. On 20 December 2011, 百富洋投資 and 旺通船務 entered into a supplemental agreement (the "Supplemental Agreement") for several revised procedures in relation to the completion of the potential acquisition. Pursuant to the Supplemental Agreement, 旺通船務 agreed to repay the whole amount of Entrusted Loan and the revised deposit to be paid by 百富洋投資 to 旺通船務 was RMB57,000,000. In the opinion of the directors, the terms set out in Supplemental Agreement has no significant impact to the valuation of the Call Option. On 21 December 2011, 百富洋投資 paid 旺通船務 the deposit of RMB57,000,000 (equivalent to approximately HK$69,967,000) and the amount was included in other assets and classified as non-current assets as at 31 December 2011.

On 22 January 2012, 百富洋投資 exercised the Call Option to acquire the 95% equity interest of 聯新能源. Both the Call Option and the deposits had been considered as part of consideration transferred in the acquisition transaction. The details of acquisition of subsidiary are disclosed in note 22.

16. Movements in Goodwill

During the period, the Group acquired a new subsidiary and the goodwill arising on the acquisition amounted to approximately HK$199,262,000 (six months ended 30 June 2011: nil). The details are set out in note 22. This goodwill is assigned to 聯新能源 CGU as defined in note 22.

The basis of the recoverable amounts of 聯新能源 CGU (contain goodwill and intangible assets) and the major underlying assumptions are summarized below:

The recoverable amount of 聯新能源 CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on one year financial budget approved by management, and discount rate of 15.5%. The cash flows beyond the first year period is extrapolated using a steady growth rate of 3% for next 4-year period and beyond 5-year period is extrapolated using zero percent 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.

17. Movements in other Intangible Assets

During the period, the other intangible assets acquired on acquisition of a new subsidiary amounted to approximately HK$360,115,000 (six months ended 30 June 2011: nil). The other intangible assets mainly represented distribution network of total 17 LPG stations in Guangdong district of approximately HK$360,115,000. The distribution network is amortised on a straight-line basis over a range of 10-15 years.

18. Pledged Bank Deposits

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

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

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

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

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

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

20. Borrowings

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

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

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

21. Share Capital

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

22. Acquisition of a Subsidiary

In January 2012, the Group exercised the Call Option to acquire 95% equity interest in 聯新能源 from an independent third party 旺通船務. The acquisition was completed on 22 January 2012 ("Acquisition Date"). This acquisition has been accounted for using the acquisition method of accounting. The exercise price of the Call Option is RMB580,000,000 (equivalent to HK$712,884,000) subjected to adjustments. Adjustments in relation to the outstanding amount due to former shareholder and the shortfall in the agreed carrying amount of property, plant and equipment were approximately RMB310,000,000 (equivalent to HK$381,009,000) and RMB11,937,000 (equivalent to HK$14,672,000) respectively. After taken into account of those adjustments, the exercise price for the acquisition was approximately RMB258,063,000 (equivalent to HK$317,203,000) and the settlement of amount due to a former shareholder was approximately RMB310,000,000 (equivalent to HK$381,009,000). The primary reason for the acquisition of 聯新能源 is to expand a new business segment of retail operation business of LPG gas station in Guangdong district. The amount of goodwill arising as a result of the acquisition was approximately HK$199,262,000.

Total consideration

	HK$'000
Call Option *(Note a)*	45,524
Fair value of previously held 5% equity interests *(Note b)*	3,685
Exercise price for acquisition of 95% equity interest *(Note c)*	317,203
	366,412

22. Acquisition of a Subsidiary *(Continued)*

Notes:

(a) 旺通船務 issued a Call Option to a wholly owned subsidiary, 百富洋投資 to acquire 95% of the registered capital of 聯新能源 on 23 December 2010, which is amounted to RMB37,061,000 (equivalent to approximately HK$45,524,000 as at Acquisition date (31 December 2011: HK$45,715,000)). The details of Call Option are disclosed in note 15B. The fair value of the Call Option is determined on a provisional basis, awaiting the completion of professional valuation.

(b) 5% registered capital of 聯新能源 was acquired at a consideration of RMB3,000,000 (equivalent to approximately HK$3,685,000 as at Acquisition date (31 December 2011: HK$3,701,000)) by a subsidiary, 新海能源(中國) from 廣州森能 on 23 December 2010. The amount has been classified as available for sale investment as at 31 December 2011. The amount is treated as if it was disposed of and reacquired at fair value on the Acquisition date. The fair value of the 5% equity interest is determined on a provisional basis.

(c) A deposit of RMB57,000,000 (equivalent to approximately HK$70,015,000 as at Acquisition date (31 December 2011: HK$69,967,000)) was prepaid for the acquisition of 聯新能源 on 21 December 2011. The details of deposits are disclosed in note 12(b) and note 15C.

22. Acquisition of a Subsidiary *(Continued)*

Assets and liabilities recognised at the date of acquisition (determined on a provisional basis)

Net assets acquired:	*HK$'000*
Non-current assets	
Property, plant and equipment	269,164
Other intangible assets	360,115
	629,279
Current assets	
Inventories	2,771
Trade debtors and bills receivable	172,546
Other debtors, deposits and prepayment	11,426
Bank balances and cash	104,902
	291,645
Current liabilities	
Trade creditors and bills payable	(99,620)
Other creditors and accrued charges	(16,516)
Borrowings – repayable within one year	(126,368)
Amount due to former shareholder *(Note)*	(381,009)
	(623,513)
Non-current liabilities	
Deferred tax liabilities	(130,261)
Net assets at the date of acquisition	167,150

Note: The amount due to former shareholder was fully settled soon after the completion of the acquisition.

22. Acquisition of a Subsidiary *(Continued)*

The receivables acquired (which principally comprised trade debtors, bills receivable, other debtors and deposits) with a fair value of approximately HK$178,451,000 at the date of acquisition had gross contractual amounts of approximately HK$178,451,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amount to nil.

The initial accounting for certain properties and intangible assets acquired in the above business combination with fair value of approximately HK$269,164,000 and HK$360,115,000 respectively have been determined on a provisional basis, awaiting the completion of professional valuations. The intangible assets mainly represented the distribution network. The amounts of deferred tax liabilities and goodwill may be adjusted accordingly.

The acquisition-related costs amounting to approximately HK$1,200,000 incurred in the year ended 31 December 2010 was recognised directly as an administrative expense in that year. There are no additional acquisition-related costs being incurred in the current interim period.

Goodwill arising on acquisition (determined on a provisional basis)

	HK$'000
Total consideration	366,412
Less: Recognised amount of identifiable net assets acquired (100%)	(167,150)
Goodwill arising on acquisition	199,262

None of the goodwill arising on this acquisition was expected to be deductible for tax purposes.

22. Acquisition of a Subsidiary *(Continued)*

Impact of acquisition on the results of the Group

The goodwill arose on acquisition of 聯新能源 was attributable to the anticipated profitability of distribution of LPG to Guangdong district market through the LPG network owned by 聯新能源 and the anticipated operating synergies that the Group can leverage on the existing LPG sourcing team, revenue growth and future market development from the combination. The LPG network owned by 聯新能源 are mainly located in favourable locations next to public transportation stations. In addition, 聯新能源 is one of the major LPG suppliers of public transportations in Guangdong district. In the opinion of directors, this acquisition would improve their market share in southern region of the PRC. In order to ensure the quality and continuous supply of LPG to the business of 聯新能源, the Group has set up an offshore subsidiary with experienced LPG purchasing team to act as the purchasing arm for 聯新能源 to source international LPG. This offshore subsidiary and 聯新能源 is counted as a separate cash generating unit ("聯新能源CGU") and the goodwill of approximately HK$199,262,000 is allocated to this CGU.

Net cash outflow arising on acquisition for the six months period ended 30 June 2012

	HK$'000
Consideration paid in cash	247,188
Settlement of the amount due to former shareholder	381,009
Less: cash and cash equivalent balances acquired	(104,902)
	523,295

23. Acquisition of Leasehold Land Through Purchase of Subsidiary

For the year ended 31 December 2011

On 15 June 2011, the Group entered into a sale and purchase contract with two independent vendors 廣州市森馬貿易有限公司 ("森馬") and 成山集團有限公司 ("成山"), to acquire 100% equity interest of 珠海市成海貿易有限公司 ("珠海成海") at an aggregate consideration of approximately RMB80,225,000 (equivalent to HK$96,468,000) and grant a call option to the vendors. Details of the call option are set out in the note below. The acquisition was completed on 30 June 2011 and 珠海成海 has not yet commenced business at the date of acquisition. The acquisition was accounted for as acquisition of the leasehold land and the associated liabilities of 珠海成海.

	As at 31 December 2011 (Audited) *HK$'000*
Net assets acquired	
The Land	165,628
Other payables	(49,748)
Total consideration	115,880
Satisfied by	
Cash consideration *(Note a)*	96,468
Call option *(Note b)*	19,412
Total consideration	115,880

Notes:

(a) The Group paid cash consideration approximately HK$96,468,000 to the vendors as at 31 December 2011. The Group will develop half of the Land to construct a property for owner-occupied purpose and half for properties for sale.

23. Acquisition of Leasehold Land Through Purchase of Subsidiary *(Continued)*

(b) On 15 June 2011, the Group entered into a supplemental agreement with 森馬 and 成山 to grant the call option to 森馬 and 成山 to acquire 1,500 square meters of the properties located on the Land to be completed by the Group at a maximum price of RMB15,000 per square meter. The call option is exercisable upon the completion of the construction. The fair value of the call option was determined by, Norton Appraisals Limited, an independent valuation company and the amount of approximately HK$19,412,000 was included in other creditors and accrued charges in the consolidated statements of financial position as at 31 December 2011. The call option was measured at fair value on initial recognition. The model adopted for the measurement of the Call Option was Black-Scholes model. The key input for the Black-Scholes model were: market value of RMB37,500,000 for the 1,500 square meters of the completed properties, volatility of 3.47% and risk free rate of 3.49% per annum. Based on the contractual terms, the call option requires physical delivery of the underlying assets (properties located on the Land) only and is not readily convertible to cash. The Directors consider the call option is not within the scope of HKAS 39 "Financial Instruments: Recognition and the Measurement" and accordingly, the call option is subsequently measured at cost less impairment.

24. Lease Commitments

The Group as lessee

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

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

25. Other Commitments

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

26. Contingent Liabilities

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

27. Related Party Transactions

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

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

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

On 16 May 2011, Sound Management Services Limited, a wholly-owned subsidiary of the Company, entered into an office tenancy agreement with Shum Ho, Neo, for the use of office premises provided by Shum Ho, Neo located on 20th Floor, Times Tower, 393 Jaffe Road, Wanchai, Hong Kong at HK$80,000 per calendar month for a period of one year commencing on 16 May 2011. On 16 May 2012, the agreement was renewed for one year to 15 May 2013 at HK$80,000 per calendar month with the same terms.

27. Related Party Transactions (Continued)

Compensation of key management personnel

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

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

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

Interim Dividend

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

Management Discussion and Analysis

1. Group Overall Performance

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

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

1.1 Gross Profit

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

1. Group Overall Performance *(Continued)*

1.2 Other Income/Loss

Foreign Exchange Gain related to Matching Transactions and Other Income

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

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

Net exchange (loss) gain and changes in fair values of derivative financial instruments of about HK$(23,543,000) and HK$37,868,000 respectively for the first six months of 2012 (for the same period of 2011: HK$14,096,000 and HK$(15,685,000)) were shown in the consolidated statement of comprehensive income in accordance with the requirements of the auditors of the Company. In actual substance the Group has not taken any position in derivative financial

1. Group Overall Performance *(Continued)*

1.2 Other Income/Loss *(Continued)*

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

instruments by way of investment. As the Group takes out 1 or 2 year forward RMB/US$ exchange derivative instruments to reduce its purchase costs, it would at the same time make fixed term RMB bank deposits of corresponding amounts calculated at the exchange rate determined by the forward exchange derivate instruments that the Group has taken out. This guarantees full settlement of the forward exchange derivate instruments on their maturity. As a result, the foreign exchange gain and changes in fair value of derivatives financial instruments as shown in the consolidated statement of comprehensive income do not in reality have any effect on the Group's position.

Entrusted Loan Interest

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

1.3 Cost Control

Financial Expenditures

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

1. Group Overall Performance *(Continued)*

1.3 Cost Control *(Continued)*

Operating Cost

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

1.4 Conclusion

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

2. LPG Business

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

2. LPG Business *(Continued)*

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

Industrial Customers

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

Auto-gas Operators

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

Overseas Customers

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

2. LPG Business *(Continued)*

Other sea terminals and bottling plants

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

End-users – Bottled LPG

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

Ender-users – Auto-gas

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

3. Oil Products Business

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

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

4. Electronics Business

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

5. Business Outlook

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

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

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

Change in Directorship

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

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

As at 30 June 2012, the interests of the directors and chief executives and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(a) Long positions of ordinary shares of HK$0.1 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Shum Siu Hung	Beneficial owner	25,304,000	1.94%
	Family interest *(Note 1)*	490,779,280	37.58%
		516,083,280	39.52%
Shum Chun, Lawrence	Beneficial owner	49,933,558	3.82%
	Other *(Note 2)*	73,616,892	5.64%
		123,550,450	9.46%
Cen Ziniu	Other *(Note 2)*	4,907,793	0.38%

Note:

1. These represent the same block of 490,779,280 shares held as corporate interest by Tong Shiu Ming, spouse of Shum Siu Hung, through Uniocean Investments Limited ("Uniocean") as referred to in note 2 below and note 1 under section (a) in the paragraph headed "Substantial Shareholders' Interest in Shares and Underlying Shares", and were deemed to be the family interest of Shum Siu Hung.

2. These interests reflect respectively 15% and 1% proportional interest of Shum Chun, Lawrence and Cen Ziniu in the 490,779,280 shares held by Uniocean.

(b) Share options

Name of executive director	Capacity	Number of options held	Number of underlying shares held
Shum Siu Hung	Beneficial owner	9,940,358	9,940,358
Chiu Sing Chung, Raymond	Beneficial owner	6,626,905	6,626,905
Siu Ka Fai, Brian	Beneficial owner	4,970,179	4,970,179
		21,537,442	21,537,442

Name of independent non-executive director	Capacity	Number of options held	Number of underlying shares held
Cheung Kwan Hung, Anthony	Beneficial owner	1,104,484	1,104,484

Other than disclosed above and nominee shares in certain subsidiaries held by certain directors in trust for the Group, none of the directors, chief executives nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2012.

Share Options

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

	Option type	Outstanding at 30 June 2012	Outstanding at 30 June 2011
Category 1: Directors			
Shum Siu Hung	2006B	9,940,358	9,940,358
Chiu Sing Chung, Raymond	2006B	6,626,905	6,626,905
Siu Ka Fai, Brian	2006A	4,970,179	4,970,179
Total directors		21,537,442	21,537,442

	Option type	Outstanding at 30 June 2012	Outstanding at 30 June 2011
Category 2: Independent Non-Executive Directors			
Cheung Kwan Hung, Anthony	2006B	1,104,484	1,104,484
Category 3: Employees	2006A	9,940,358	9,940,358
		32,582,284	32,582,284

Notes:

1. The Company's share options were granted under a share option scheme adopted on 18 June 2003 ("Option Scheme").

2. Details of the types of options granted under the Option Scheme are as follows:

Option Type	Date of Grant	Vesting Period	Exercise Period	Exercise Price *HK$*
2006A	15 May 2006	16 May 2006 to 16 June 2006	17 June 2006 to 31 December 2015	0.625
2006B	16 June 2006	—	17 June 2006 to 31 December 2015	0.625

3. Under the Option Scheme, the number and exercise price of the share options are subject to adjustment in case of rights issue, bonus issue, or other similar changes in the Company's share capital. The number and exercise price shown in the tables above represent the number and exercise price of share options as adjusted.

Substantial Shareholders' Interest In Shares and Underlying Shares

As at 30 June 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that other than the interests disclosed above in respect of certain directors and chief executives, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

(a) Long positions of ordinary shares of HK$0.1 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Tong Shiu Ming	Held by corporation *(Note 1)*	490,779,280	37.58%
	Family interest *(Note 2)*	25,304,000	1.94%
Yam Tak Cheung	Held by corporation *(Note 3)*	80,000,000	6.13%

Notes:

1. 490,779,280 shares of the Company are held as corporate interest by Tong Shiu Ming through Uniocean which is owned as to 64% by Tong Shiu Ming, 15% by Shum Chun, Lawrence, 15% by Shum Ho, Neo, 5% by Wu Hong Cho and 1% by Cen Ziniu.
2. These represent the same block of 25,304,000 shares held beneficially by Shum Siu Hung, spouse of Tong Shiu Ming as referred to in note 1 under section (a) of the paragraph headed "Directors' and Chief Executives' Interest in Shares and Underlying Shares" and were deemed to be the family interest of Tong Shiu Ming.
3. 80,000,000 shares of the Company are held by Integrated Asset Management (Asia) Limited ("Integrated Asset"). Yam Tak Cheung owned 100% of Integrated Asset and was deemed to be the controlling shareholder of Integrated Asset.

(b) Share options

Name of shareholder	Capacity	Number of options held	Number of underlying shares
Tong Shiu Ming	Family interest *(Note)*	9,940,358	9,940,358

Note: Share option to subscribe 9,940,358 shares are held by Shum Siu Hung, the spouse of Tong Shiu Ming as referred to under paragraph (b) of the section headed "Directors' and Chief Executives' Interest in Shares and Underlying Shares" above, and are deemed to be the family interest of Tong Shiu Ming.

Save as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 30 June 2012.

Corporate Governance and Other Information

Corporate Governance

The Company complied with the provision of the Code on Corporate Governance Practices (the "Corporate Governance Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2012 with the exception that the independent non-executive directors are not appointed for a specific term as provided in the Corporate Governance Code. Under the Bye-laws of the Company, independent non-executive directors of the Company shall retire by rotation and their appointment will be reviewed when they are due for re-election. In the opinion of the directors, this arrangement meets the same objectives as the Governance Code.

Compliance with The Model Code for Securities Transactions by Directors

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Securities Transactions Code") as its own code of conduct regarding securities transactions. Having made specific enquiry of the directors, all directors of the Company had complied with the required standards as set out in the Securities Transactions Code during the six months ended 30 June 2012.

Disclosure pursuant to Rule 13.18 of the Listing Rules

On 28 January 2011 an agreement (the "Facility Agreement") was entered into between the Company as borrower and certain financial institutions as lenders whereby a term loan facility in the aggregate amount of US$42,000,000 was provided to the Company, to be repaid in instalments the last of which failing due 48 months from the date of the Facility Agreement . Under the Facility Agreement, if the Shum Family (comprising certain family members and relatives of Mr. Shum Siu Hung, Chairman of the Company as set out in the Facility Agreement) cease to beneficially own 30% of the issued share capital of the Company, or cease to have control over the Company, the lenders shall have the right to cancel the facility available to the Company. Upon such an event all outstanding amounts due under the Facility Agreement become immediately due and payable.

As at 30 June 2012, the Shum Family beneficially own approximately 43.34% in aggregate of the issued share capital of the Company.

Liquidity and Financial Review

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

Human Resources

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

Purchase, Sale and Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

Audit Committee

The audit committee, comprising all independent non-executive directors of the Company, has reviewed with the Company's external auditor and the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the directors, including a review of the unaudited condensed consolidated accounts for the six months ended 30 June 2012.

By order of the Board
Shum Siu Hung
Chairman

Hong Kong, 17 August 2012