

### GENERAL

The Group had another year of high growth in business and recorded a revenue of HK\$1,615,479,000 for the year ended December 31, 2005, a substantial growth of 57.8% comparing with the revenue of HK\$1,023,782,000 for the year ended December 31, 2004. Net profit attributable to the equity holders of the Company for the year of 2005 was HK\$35,702,000, a substantial increase of 76.9% over the amount of HK\$20,178,000 in the year 2004. As at December 31, 2005, the Company has an issued and paid up capital of 481,676,687 ordinary shares. Basic earning per share for year 2005 was HK7.41 cents, a growth of 69.2% comparing with the basic earnings per share of HK 4.38 cents for the year ended December 31, 2004.

The Group achieved 350,000 MTs of sale of LPG in 2005, an increase of 34.6% from 260,000 MTs for the year 2004.

### MARKET SITUATION

#### General Situation

In the year 2005, after years of growth the import volume of LPG in China saw its first year of decline, by 3.8% from 6,409,000 MTs in the previous year to 6,166,500 MTs. Decrease in import does not mean the demand for LPG in China had decreased accordingly. When domestic production of LPG is taken into account, the total consumption of LPG in China for the year was approximately 22,076,000 MTs, an increase of 4.5% from the amount of 21,130,000 MTs in 2004. In addition, Guangdong Province is traditionally the window through which most of the LPG import is channeled into China. Its import volume in 2005 was 4,474,000 MTs (72.60% of the nation's LPG import volume), an increase of 3.6% from 4,320,000 MTs (66.60% of the nation's LPG import volume) in 2004. We are not able to obtain the actual consumption volume in Guangdong Province, however, according to the estimate by our operation, there was substantial increase of LPG delivered from the refineries in the north to the south. Also, there was growth in output from the two refineries in Guangdong (Maoming Petrochemical and Guangzhou Petrochemical). Therefore, we estimate that the increase in consumption of Guangdong was somewhere between 4% to 5%, which is consistent with the growth of China as a whole, and that Guangdong's uptrend of LPG consumption continues.

### 概覽

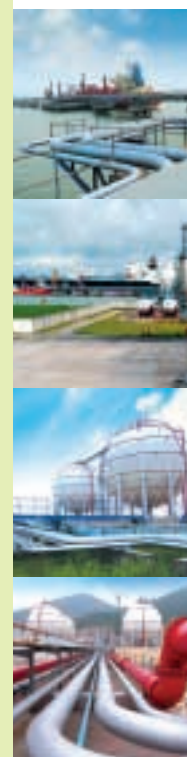
本集團於截至2005年12月31日止之年度內實現了另一年的高業務增長，其間，錄得收入1,615,479,000港元，比對截至2004年12月31日同期之收入1,023,782,000港元，大幅增長57.8%。2005年年度內本公司之權益持有人應佔溢利為35,702,000港元，比對2004年年度之20,178,000港元，上升76.9%。截止2005年12月31日，本集團已發行並已繳足股份數目為481,676,687股，每股基本盈利為7.41港仙，與截至2004年12月31日止之年度之每股基本盈利4.38港仙比較，上升69.2%。

2005年全年液化氣銷售量約為350,000噸，比對2004年同期260,000噸的銷售量上升34.6%。

### 液化氣市場情況

#### 基本情況

2005年，中國的液化氣進口量在連續增長後，出現了多年來首次的下降。全國全年進口量僅6,166,500噸，比2004年的6,409,000噸下降了3.8%。不過，這並非等於中國的液化氣需求量減少了。若加上中國國內液化氣的自身產量，可見2005年全國的消耗量約為22,076,000噸，比2004年21,130,000噸實際上升了4.5%。另外，眾所周知，廣東省是中國液化氣進口量最大的省份，其2005年的進口量為4,474,000噸（佔全國72.6%），比2004年的進口量4,320,000噸（佔全國66.6%）仍然上升了3.6%。廣東省液化氣全年實際的消耗量究竟多少，並沒有比較準確的統計數據，不過，從實際經營上，我們察覺到從北方煉廠利用槽車及氣船運到廣東的液化氣量比往年增加不少，而且廣東兩家煉廠（廣州石化、茂名石化）亦有增產，故此，不難相信廣東省在2005年液化氣實際消耗量的增幅應該在4% - 5%之間，與全國總消耗量的增幅相約，這說明了以廣東為首的華南市場，其實際的消耗量仍然在增長。



## Management Discussion and Analysis (Con't)

## 管理層之討論及分析(續)

## Wholesale Market

Traditionally, the supply of LPG in Southern China is mainly from sea terminals and refineries (Maoming Petrochemical and Guangzhou Petrochemical) in Guangdong. In 2005, when the price of LPG in the international market continued to increase, it occasionally created a significant price difference between imported LPG and domestic production. Substantial profit could be made from selling LPG from the north to markets in the south. As a result, the supply from refineries in eastern and northern China increased substantially and adversely affected the wholesale price in Southern China. The impacts are as follows: (1) on some occasions, the wholesale price was forced to drop substantially in a short period of time; (2) loyalty of the bottle filling plants to their suppliers (i.e. the terminals) had been loosened; (3) terminals with small storage capacity were less flexible towards drastic market changes. For 2005, the wholesale price in Southern China had in general increased from about RMB4,400 per MT in January to about RMB5,850 per MT in December, a 33% increase. At the same time, the terminals' cost (including the tariff and VAT) of import had increased from about RMB4,000 per MT in January to about RMB5,700 per MT in December, a 42.5% increase. Although the demand in the wholesale market continued to grow, refineries in the north became new competitors and in the second half of the year (especially the fourth quarter) the competition adversely affected the gross profit margin of the wholesalers in Southern China.

## Retail Market

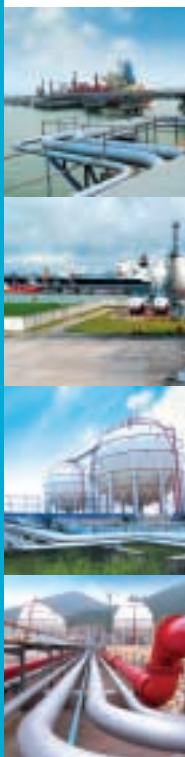
In the year 2005, the retail market of LPG in Southern China had been seriously affected by the continuous surge in wholesale price. Retailers operated at increasing operating cost. Those retailers that were located far away from the terminals had the additional burden of higher transportation costs. As the increase in cost was much faster than the selling price adjustment, in the latter part of 2005, the profit margin shrunk speedily. In some areas, the purchase cost was even higher than the retail price. More serious, because of the frequent adjustment of the retail price (the price of a 15 kg bottle increased from RMB65 at the beginning of the year to RMB100 at the year end), the government made its first intervention in retail price since the year of 2002 (the price then was RMB72 per bottle) and requested retailers to keep the price of bottled LPG below the RMB100 level before Chinese Spring Festival. That created a short term chaos in the form of disrupted supply and panic purchase in the market. Later, with the change of attitude of the

## 批發市場

一直以來，各大碼頭(進口氣)加上茂名石化及廣州石化(國產氣)構成了華南地區液化氣的主要供應來源。2005年，由於液化氣的進口價格跟隨國際油價持續上升，因而多次造成中國南、北兩地之間出現特大價差，北氣南下、有暴利可圖，因此曾經在下半年的多個時間段內，從華東及華北煉廠輸到華南地區的液化氣突然大量增加，衝擊華南地區的批發市場，其造成的影響包括：(1)在短時間內批發價格出現急速下滑的現象；(2)三級氣站向碼頭採購的忠誠度有所動搖；(3)庫容小的批發商在控制其批發價格上非常被動。整體而言，2005年華南地區每月的平均批發價、從1月份約人民幣4,400元/噸上升至12月份人民幣5,850元/噸、升幅約為33%，同期到岸成本(已包括進口關稅及增值稅)從1月份約為人民幣4,000元/噸上升至12月份約為人民幣5,700元/噸、升幅約為42.5%。由此可見，華南地區整體的批發市場在需求雖然繼續增長，但北方的供應形成了一股新的競爭勢力，在2005年的下半年(尤其是第四季度)已經造成了批發商毛利下降的影響。

## 零售市場

2005年華南地區的液化氣零售市場，由於碼頭批發價持續上漲，嚴重加重零售商的經營成本，距離碼頭較遠的三級氣站，由於運輸費用高，負擔更重，加上調節零售價的速度往往慢於成本上漲的速度，因此，在2005年的第四季度，零售的毛利大幅度收窄，個別地區甚至出現售價低於成本的倒掛情況。另外，因為在年內零售價格調整次數頻繁(15公斤瓶裝液化氣的價格由年初約人民幣65元/瓶，至年底上升至人民幣100元/瓶)，終於在年底觸發政府自2002年(當時價格為人民幣72元/瓶)以後首次的價格干預、要求零售商在春節前凍結瓶裝液化氣售價在人民幣100元/瓶的水平，這一舉動造成了一陣子缺貨、搶購等混亂情況。雖然其後政府態度有所改變、事件在短時間內逐漸淡化，但個別地區的零售商為了維護其建立的客戶基礎，已經損失慘重。除此之外，值得注意



## Management Discussion and Analysis (Con't)

### 管理層之討論及分析 (續)

government, market order recovered within a short period of time. However, some retailers in certain areas had already suffered great loss. In the whole retail market, only auto LPG operators received subsidies from the government and their hardship was reduced. In the year 2005, the Guangzhou government required taxis and public buses to switch from gasoline or diesel to auto LPG. That significantly contributed to the increase in consumption of LPG in Guangdong Province. The government however put tight control on the price of auto LPG. Despite the increase in purchase cost, the government had not released the control.

### LPG WHOLESALE AND RETAIL BUSINESS

#### Wholesale Business

The Group's LPG wholesaling continued to grow at a high rate in the year 2005. The import volume of the Group's Zhuhai sea terminal (NewOcean Energy (Zhuhai) Company Limited) was 310,000 MTs, a 121.4% increase from the 140,000 MTs in the year 2004. Utilization of the deep draft sea terminal in Zhuhai was optimized and by virtue of joint purchase arrangement and efficient logistics, the deficiency brought about by our small storage capacity was minimized. In 2005, the sea terminal in Zhuhai became one of the top ten LPG terminals in China (in terms of import volume). It ranked 8th, rising from 12th in 2004 and 19th in 2003. In addition, in December 2005 the sea terminal in Zhuhai, having been granted the status of bonded terminal, achieved export of 3,500 MTs to Hong Kong and became one of the suppliers of auto LPG to the operators in Hong Kong.

Import volume	進口	2005 二零零五年		2004 二零零四年	
		Number of MTs 噸數	Number of Shipments 船	Number of MTs 噸數	Number of Shipments 船
Pressurized LPG	壓力貨	140,550	63	106,150	50
Refrigerated LPG	冷凍貨	170,700	9	29,300	4
Total	總量	311,250	72	135,450	54

As the import and wholesale volume of the Zhuhai sea terminal had reached a significant level, the Guangdong Oil & Gas Association tracked NewOcean Energy (Zhuhai) Company Limited's daily price quotation as a constituent for calculation of the South China LPG Price Index. That indicates; (1) the Group has established a solid position in the LPG market of Southern China, (2) the Terminal is achieving good economy of scale.

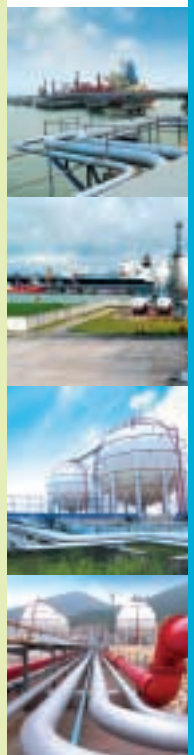
的是年內在廣州地區有大批公交車與出租車已經在政府的要求下已更改燃料的使用、由汽柴油轉用液化氣，這亦是廣東省液化氣消耗量仍然上升的其中一個因素，不過政府對車用液化氣的價格有嚴格控制，儘管在年底成本高企的情況下，仍沒有放開價格，只採取對加氣站進行補貼的方法，舒緩加氣站的經營困難。

### 液化氣批發及零售業務

#### 批發業務

本集團的液化氣批發業務在2005年繼續以高速擴展，通過珠海碼頭(新海能源(珠海)有限公司)實現了全年310,000噸的進口量，比2004年同期140,000噸，增長121.4%，充分發揮大碼頭的優勢，亦同時利用聯合採購與高效物流，大大舒緩了庫容小對業務發展的限制，成功地致使珠海碼頭在2005年躋身中國十大液化氣碼頭之列(按進口量)。珠海碼頭的排名，由2003年第19位、2004年第12位、上升至2005年第8位。2005年12月份，珠海碼頭更成功打開保稅出口的渠道，實現出口3,500噸液化氣到香港、成為香港車用液化氣的供應商之一。

由於進口量與批發量已具規模，廣東油氣商會已採納新海能源(珠海)有限公司所報的批發價為計算液化氣華南指數的成份價格之一，這證明了：(1)對外，本集團在華南地區的液化氣市場已成功地奠定其市場地位；(2)對內，珠海碼頭的經營將在不久的將來達到理想的規模效應。



## Management Discussion and Analysis (Con't)

### 管理層之討論及分析(續)

In November 2005, the Zhuhai sea terminal started construction for its storage expansion. Foundation work has now been completed and the procurement of steel plates for the new tanks (partly to be imported from Japan and partly from domestic suppliers) had been made. When the expansion is completed by the end of 2006, the storage volume will be increased to 15,600 MTs from the existing 2,100 MTs. By then, the laytime for discharging refrigerated cargo will be shortened from 5 days to 2 days and the purchase cost will be reduced by US\$5 to US\$6 per MT, bringing profit margin improvement. In the first quarter of 2006, the Group already achieved an import and wholesale amount of 150,000 MTs. The amount for the whole year is estimated to be not less than 500,000 MTs.

### Retail Business

The LPG retail business of the Group was approximately 140,000 MTs, a 7.7% increase from the 130,000 MTs for the year 2004. 60% of the supply was from the Zhuhai sea terminal and 40% was from domestic suppliers in surrounding area of the bottle filling plants. As a fact growth of retailing slowed down in 2005 because of the continuous increase of the LPG purchase price, which drove up the costs and reduced the profit margin. Therefore, the Management had decided to integrate the existing market, reduce the input of resources into the existing market, and explore other areas for expanding bottle filling plants. In the year 2005, in addition to acquiring the remaining 30% shares of the Chaoyang Depot in Guilin, the Group entered into contract to acquire 100% shareholding of the bottle filling plants of Baorun at Shenzhen (the acquisition was completed on March 31, 2006). For the year 2006, the Group aims to achieve an amount of 200,000 MTs for retail business. Also, the Management believes that, as the international price of LPG will reduce in the year 2006, the profit margin of retail business will be improved. The established and expanded retail client base will bring favorable profit to the Group (in February and March of 2006, the international LPG price had decreased substantially).

### ELECTRONIC BUSINESS

Starting from January 2003, the Group contracted out the manufacture and sales operation of the electronic business. In the year of 2005, the Group maintained its general trading of electronic components as this line of business did not require much of the Group's resources and had not increased any investment and operating risk. Limited volume of the electronic components trading will be maintained in 2006.

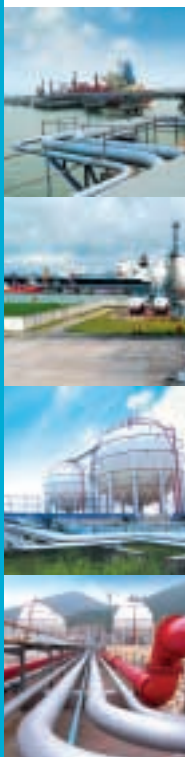
珠海碼頭在2005年11月已全面開展庫容擴建工程，目前已完成了所有的樁基工程，並已經落實了建造球罐所需鋼板的供應(部分從日本進口、部分國內供應)，整個工程預計2006年年底可以完成，珠海碼頭的庫容將由目前2,100噸增加至15,600噸。屆時，進口冷凍貨的卸貨時間可以從目前5天縮減至2天，採購的運輸費用因此可以降低約5-6美元／噸，對改善批發業務的毛利有至關重要的幫助。本集團在2006年的第一季度，已完成約150,000噸的進口及批發量，估計全年的業務量將不少於500,000噸。

### 零售業務

本集團在2005年的液化氣零售業務量為140,000噸左右，比2004年同期約130,000噸，上升7.7%。貨源方面約60%由珠海碼頭供應、40%由各地三級氣站在國內採購。2005年的業務量增長速度放慢，主要原因在於氣價持續上升、成本不斷上漲，毛利嚴重下降；在此情況下，管理層決定加強現有市場的整合、減少現有市場的資源投放，同時另覓其他地區作為開拓終端市場的目標。年內除了收購桂林朝陽氣庫剩下的30%股權外，在年底亦簽訂了收購深圳寶潤氣庫100%股權的協議(是項收購在2006年3月31日全部完成)。估計2006年，本集團全年將可實現接近200,000噸的零售業務量。管理層深信當國際氣價回落，終端市場的利差將得到有效的改善，已建立並逐漸擴大的零售客戶群將可為本集團帶來可觀的利潤(註：2006年2月及3月份國際氣價已大幅回落)。

### 電子業務

自2003年1月開始，本集團已將電子業務的製造及銷售外判承包商經營。2005年本集團僅進行一般電子配件的貿易業務，此項業務並沒有佔用集團很多的資源，亦沒有因此增加集團的投資或經營風險。在2006年本集團將繼續保持一般電子配件有限度的貿易經營。



## Management Discussion and Analysis (Con't)

### 管理層之討論及分析 (續)

## BUSINESS OUTLOOK

It is anticipated that LPG prices on the international market will go down in 2006. However, because of the fluctuation of international crude oil price, LPG prices will still be unstable.

In 2006, the Group's business strategy is:

1. For wholesale business, the Group will work to enter into term supply contracts with reputable customers on cost-plus price mechanism. In the expansion of the wholesale business, the Group will mitigate price risk in order to gain thinner, but safe and reasonable profit;
2. For retail business, the Group will continue its existing strategy to look for potential bottle filling plants to acquire.

In the coming year, the Group will endeavor to complete the construction work for the expansion of the storage capacity at the Zhuhai sea terminal. The Group will also utilize the vacant land at the terminal to develop its petroleum depoting business, and to finalise its plan to enter into co-operation with a multinational oil company.

## LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2005, the net current assets of the Group amounted approximately to HK\$29,292,000 (2004: HK\$29,968,000) and the Group's bank balances and cash was HK\$57,479,000 (2004: HK\$55,937,000). At the balance sheet date, current ratio was 1.07:1 (2004: 1.21:1), quick ratio was 0.97:1 (2004: 1.19:1), gearing ratio was 0.53:1 (2004: 0.30:1) which was calculated based on total liabilities of HK\$442,181,000 (2004: HK\$154,776,000) and total assets of HK\$832,644,000 (2004: HK\$514,113,000).

## CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at the balance sheet date.

At December 31, 2004, the Company was a guarantor to an agent for import of LPG under an agency agreement entered into between a subsidiary of the Company and the agent. The guarantee was not utilised by the agent at December 31, 2004.

## 前瞻

預計國際氣價在2006年會有回落，但因為國際油價仍然波動，所以氣價雖然有下調的跡象，相信仍然會不時反覆，價格波動風險依然存在。

2006年本集團整體的業務策略是：

1. 批發業務方面，儘量與具有規模的客戶合作、簽訂以成本加利潤的長期供貨合同；在擴大批發業務的同時亦規避價格風險，以達到微薄但安全和合理的利潤；
2. 零售方面將延續原來的策略，繼續尋找合適的收購對象，並開通更多國內採購的渠道，以降低運營成本。

本集團將繼續努力在2006年年底完成珠海碼頭擴大庫容的工程，利用碼頭剩餘的土地發展成品油倉儲業務，同時落實與一家國際級石油公司的合作。

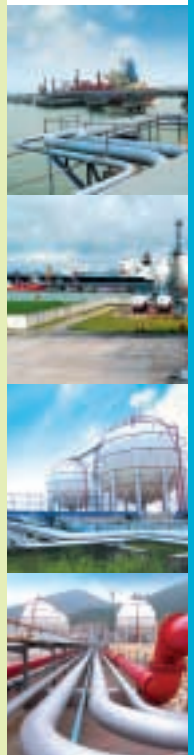
## 流動資金及財務資源

於2005年12月31日，本集團之流動資產淨額合共為約29,292,000港元（2004：29,968,000港元）；銀行結餘及現金為57,479,000港元（2004：55,937,000港元）；於結算日，流動比率為1.07:1（2004：1.21:1）；速動比率為0.97:1（2004：1.19:1）。資產負債比率為0.53:1（2004：0.30:1），此乃根據負債總額442,181,000港元（2004：154,776,000港元）和資產總額832,644,000港元（2004：514,113,000港元）計算。

## 或然負債

截至資產負債表日期止，本集團並無重大或然負債。

本公司之一間附屬公司曾與代理訂立一項代理協議，進口液化氣。於2004年12月31日，本公司為該代理人之擔保人。於2004年12月31日，該代理並無動用該項擔保。



## Management Discussion and Analysis (Con't)

管理層之討論及分析(續)

**PLEDGE OF ASSETS**

At December 31, 2005, the Group pledged its bank deposits amounting to HK\$207,909,000 (2004: HK\$3,004,000) to secure general banking facilities granted to the Group. The Group has pledged prepaid lease payments for lands having an aggregate net book value of HK\$2,045,000 (2004: HK\$2,082,000) to secure general banking facilities granted to the Group.

**EMPLOYEES AND REMUNERATION POLICIES**

As at December 31, 2005, the Group employed approximately 310 full time employees in Hong Kong and the PRC. The Group remunerated the employees based on their performance, experience and prevailing market practice. Employee benefits provided by the Group include a provident fund scheme, medical insurance scheme and an employee share option scheme.

**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 12 months ended December 31, 2005.

**資產抵押**

於2005年12月31日，本集團為獲得一般銀行信貸而將207,909,000港元(2004: 3,004,000港元)之銀行存款抵押。另本集團為獲得一般銀行信貸而將賬面總淨值2,045,000港元(2004: 2,082,000港元)的土地預付租賃款項抵押予銀行。

**僱員及酬金政策**

截至2005年12月31日，本集團於香港及中國僱用約310名全職僱員。本集團按各員工之工作表現、經驗及當時市場情況酬報各員工。本集團之員工福利包括強制性公積金供款、醫療保險及僱員購股權計劃。

**購買、出售及贖回本公司之上市證券**

於截至2005年12月31日止12個月期間內，本公司或其任何附屬公司概無購買、出售或贖回本公司之上市證券。

