

On behalf of the Board of Directors (the "Board") of NewOcean Green Energy Holdings Limited (the "Company"), I am pleased to present the shareholders the annual audited results of the Company and its subsidiaries (the "Group") for the year ended September 30, 2001.

### BUSINESS REVIEW AND PROSPECTS

#### A. Overview

2001 has been a difficult year for both the industrial and business sectors of Hong Kong. The Group's new management has nevertheless made great effort to improve its electronic business as this business is still in development stage and loss was incurred inevitably. However, with the continuous launch of new models for electronic products, the Group has gradually improved its business prospects. At year end, the Group's electronic business and green energy business accounted for approximately 80% and 20% respectively of its total revenue. Coupled with the introduction of the new Liquefied Petroleum Gas ("LPG") business in late last year, the Group has reshuffled its resources and transformed its core business to green energy sales and distribution. Thus far this business has received favourable market response. A solid foundation has been laid down for its future.

During the year, the Group was affected by the adverse economic conditions locally and abroad. In consolidating the Group's businesses and to enhance its market competitiveness, a thorough appraisal of all investments and assets were made which results in substantial write offs and disposals.

The imminent accession of China to the World Trade Organization and the winning of the hosting country for 2008 Olympic Games contributed to the continuous economic growth of China and offer tremendous business opportunities in the China market and for the Group. We believe that these favourable elements can reverse the Group's adverse results in future as we focus our resources in the development of green energy business. The current favourable economic environment of China will benefit its consumer market in which our electronic and home appliance business targeted. On the back of China's strong growth, the Group looks to a better year ahead.

本人謹代表新海環保能源集團有限公司（「本公司」）董事會（「董事會」）提呈股東本公司及其附屬公司（統稱「本集團」）截至二零零一年九月三十日止年度之經審核年度業績。

#### 業務回顧及展望

##### A. 整體回顧

二零零一年是香港工商業艱難的一年。盡管如此，本集團新的管理層仍致力改善其電子業務，因電子業務仍處於發展階段，難免錄得虧損。但新的電子產品型號已相繼推出，業務發展漸入佳境。於年終，本集團之電子業務及環保能源業務佔其業務比重分別為80%及20%。繼去年尾始投入之液化石油氣（「液化氣」）業務，本集團已撥調資源及使其核心業務轉型至環保能源業務。至今該業務得到市場的良好反應，為日後奠下了穩健的基礎。

年內，本集團受到本地及外圍不利之經濟影響，已就整體投資及資產進行全面評估，作出了相當的撥備及撇銷，以整固本集團之業務及提升市場競爭力。

中國加入世貿及成功主辦2008年奧運將促成中國經濟之繼續迅速增長，預料為龐大的中國市場以至本集團的業務帶來無限商機。本集團相信在這利因素下，於集中資源發展環保能源業務之同時，能扭轉本集團之業績。中國目前有利之經濟形勢，將帶動國內消費市場，對集團的電子及家電業務內銷亦十分有利。承中國之大好形勢，來年本集團有更美好的展望。

### B. Adjustment in Business Strategy

During the year, China's international status was further promoted and strengthened, benefited by the economic prosperity and the proper positioning of the Group's business, we have made further inroad into the green energy business in China. In view of this success, the Group has adjusted its overall business strategy by consolidating and strengthening its current business aiming at developing green energy business as its core business. In August 2001, the Company symbolized its new business strategy and direction by changing its name from "Sound International Limited" to "NewOcean Green Energy Holdings Limited".

### C. Review of Green Energy Business

Our market strategy is to consolidate and build on the existing green energy business in Northeast China while exploring potential markets in the Southwest. We shall focus our business on the sale and distribution of LPG to domestic users and vehicles, operating LPG refuelling stations and conversion of vehicles to be powered by LPG.

During the year, the investment project of Daqing Longyou Green Energy Limited ("Daqing Longyou") has attained smooth progress. Daqing is currently an important petroleum producing region in China. Its production of crude oil amounted to one-third of the total volume produced in the PRC. Daqing also produces approximately 10% of China's total production of LPG, a by-product from the process of oil refinery. This has contributed to ample supply of natural resources, together with the well-established railway system in the north-eastern region and the local habit of consuming LPG, the market potential in Daqing and the north-eastern region is huge. These areas will undoubtedly become the major target markets for the Group's green energy business in future.

### B. 調整業務策略

年內，中國之國際地位進一步提升及鞏固，受惠於其經濟之蓬勃及本集團業務之定位得宜，本集團於中國之環保能源業務進一步擴展。鑑此，本集團相應調整了整體業務策略，以鞏固及強化現有業務基礎之同時，進一步擴大環保能源業務，使其成為本集團為的核心業務。於二零零一年八月，本公司將原來的名稱「新海國際有限公司」改為「新海環保能源集團有限公司」，此舉反映了本集團最新的業務策略和發展方向。

### C. 環保能源業務回顧

本集團之業務策略乃於中國東北地區鞏固現有之環保能源業務，並同時開拓西南地區之有利市場。我們將集中其業務於銷售及批發液化氣以供民用及車用、經營液化氣加氣站及改裝車輛以燃燒液化氣。

年內，「大慶龍油環保能源有限公司」（「大慶龍油」）的投資項目進展順利。大慶目前乃是中國石油氣重要的生產地，原油產量約佔中國總產量的三分之一。而石油提煉過程中的副產品——液化氣，大慶的產量亦佔全中國產量約十分之一，這不但提供了雄厚的物質基礎，而且東北地區的鐵路運輸網絡發達，加上當地人民有使用液化氣作為燃料的習慣，可見市場潛力龐大。大慶至東北地區將成為本集團開發環保能源業務的重要市場之一。

Daqing Longyou's LPG refueling stations have started operation during the year as planned. The business strategy of the Group is to develop Daqing as a business focal point and further expand its end-users distribution network towards Daqing's neighboring cities. The preliminary result has been successful. Daqing Longyou's current business has now been expanded to Qiqihar, the second largest city in Heilongjiang. One of the Group's business plans includes acquisition of assets and operations of a Qiqihar's local gas company. Daqing Longyou has recently entered into a co-operation agreement with a Shenyang company which engaged in the wholesale and distribution of LPG, leasing of gas containers and other operating facilities from the Shenyang partner. Shenyang is the provincial city of Liaoning and the largest city in the north-eastern region. Its population is approximately 70 million, industrial base is strong and consuming power of local population is increasing following rapid economic growth, market outlook of Shenyang is optimistic. The successful development of Shenyang market will act as an important step for the establishment of the Group's sales and distribution network in the future.

In October 2001, the Group has acquired the entire issued share capital of Environmental Energy Investment Limited, an investment company holding two wholly-owned subsidiaries in the PRC, namely Wuzhou Green Technology Limited (梧州綠環科技有限公司) and Guilin Green Energy Development Limited (桂林綠環能源發展有限公司) both of which engaged in the sale and distribution of LPG respectively in Wuzhou and Guilin of Guangxi, the PRC. The acquisition marked a milestone for the Group in developing end-users distribution network in potential markets other than the north-eastern region.

Guilin is a famous global tourist spot. The local government has put great emphasis on environmental protection and has made particular effort in promoting the conversion of domestic sight-seeing coach, cruise and taxi to use LPG in order to alleviate the problem of air pollution. There are approximately 180,000 domestic users of LPG in Guilin and Wuzhou. The Group will make use of its experience and operating advantage in the industry to further develop the sale of domestic-use LPG to end-users and to construct LPG refueling stations in these two cities in order to consolidate its client base and to generate income.

大慶龍油計劃中的加氣站，於年內陸續落成並開始營運。公司實施的業務策略是以大慶為中心，並逐步向週周邊城市群擴展終端銷售網，且初見成效。大慶龍油目前的業務已伸延到黑龍江省的第二大城市齊齊哈爾。本集團的整體業務計劃包括擬收購該市燃氣公司的資產和業務。該公司擁有龐大的客戶網絡、銷售渠道及完善的經營設施，能加強本集團在東北的客戶基礎及經營規模。此外，大慶龍油該公司最近與瀋陽市一家從事液化石油氣批發和分銷業務的公司達成合作協議，租用該公司的氣罐和經營設施，拓展瀋陽市液化石油氣的業務。瀋陽是中國遼寧省的省會，同時又是東北地區最大的城市，人口約七千萬，工業基礎雄厚，居民的購買力亦隨著經濟發展而不斷提升，市場前景樂觀。瀋陽市場的成功拓展，成為本集團在建立銷售網絡中重要的踏腳石。

本集團於二零零一年十月，收購了「環保能源投資有限公司」全部的股權，該公司分別在中國廣西的梧州和桂林市設立了「梧州綠環科技有限公司」和「桂林綠環能源發展有限公司」，此兩間公司分別擁有梧州和桂林的液化氣批發和分銷權，有利拓展本集團的環保能源業務，此舉標誌著本集團在開發中國東北以外區域的環保能源終端銷售網上，奠定了新的里程碑。

桂林是世界聞名的旅遊城市，地方政府對環保非常重視，尤其對該市的旅遊車、計程車及旅遊觀光船改用液化氣的工作不遺餘力，以改善當地之空氣污染。桂林和梧州兩市擁有近十八萬民用客戶，本集團將充分利用已積累的行業經驗和經營優勢，進一步拓展民用終端銷售業務，並積極在上述兩地建設車用加氣站，藉此鞏固本集團整體的客戶基礎和增加經營收益。

**D. Review of Electronic and Home Appliance Business**

In August, 2001, the Group has rationalised its electronic and home appliance business by relocating the production base for audio products to its self-owned factory at Huangtian, Shenzhen while keeping the production base for home appliance products at existing factory at Shunde. Turnover of electronic products increased by approximately 1.8 times when compared with last year. We expect the increased production capacity resulting from the factory relocation enables the Group to meet greater sales orders. The number of employees of the Group was reduced from 600 from last year to this year's 440. Moreover, various cost control measures have been undertaken by the Group during the year. As the relocation was completed in August, the current year's results have not fully reflected the benefits of those costs savings measures.

**E. Prospect**

"Environmental Protection" is an important theme in the 21st century. China after 20-year's strive for economic reform has established international recognition. It is foreseen that investment in environmental business in China will be surging and consequently impact favourably on the Group's numerous business opportunities.

In the coming year, the Group will make use of Wuzhou as the focal point to continuously develop its green energy business in south-western China while keeping Daqing as the springboard to expand into neighbouring cities in the north-eastern region due to its abundant gas supply. With regard to the electronic business, we shall concentrate our resources in development of new products in profitable market niches. We expect that with the increasing share of green energy business, by the end of year 2002, green energy business and electronic business will respectively account for 65% and 35% of the Group's overall business.

**FINANCIAL AND LIQUIDITY REVIEW**

For the year under review, turnover of the Group was doubled from HK\$36,722,000 to HK\$79,076,000 mainly due to the effort in rationalization of production facilities, launch of new products and models and the new business in green energy made a portion

**D. 電子及家電業務回顧**

於二零零一年八月，本集團為整頓其電子及家電業務已把音響產品之生產基地遷往於深圳黃田之自置廠房，家電產品之生產基地則沿用現時之順德廠房。與上年度比較，電子產品之營業額上升了約1.8倍。我們預期因分拆廠房而提升之生產能力可令本集團應接更多訂單。本集團整體員工數目由上年度之600人減少至本年度之440人，其次本集團於年內亦實施了其他成本控制措施；因廠房只於八月中才搬遷，本年度之業績並未完全反影此等措施所帶來減輕成本之好處。

**E. 展望**

環保已經成為廿一世紀的重要項目。經過二十多年的經濟改革，今日的中國，舉世矚目。預計未來中國在環保事業方面的投資將大幅度增加，並為本集團帶來龐大的商機。

來年，本集團將利用梧州為中心於中國西南部發展環保能源業務，並因大慶之龐大液化氣源以其為跳板向鄰近城市發展東北地區。至於電子業務，本集團將集中資源開發有市場優勢之新型號產品。預期於二零零二年終環保能源業務可增加至本集團整體業務之65%，電子業務則佔35%。

**財務及流動資金回顧**

於回顧年內，本集團之營業額由去年之36,722,000港元倍增至79,076,000港元，此有賴於生產設施合理化、新產品及型號推出及環保能源業務對業績之貢獻。本集

of contribution as well. The Group's electronic business and green energy business accounted for approximately 80% and 20% respectively of turnover. At the year end, the Board has reviewed the existing businesses and decided to make substantial provision to reflect the value of all existing assets. Net loss for the year was HK\$143,604,000 compared with a loss of HK\$74,465,000 of previous year. Loss per share was 5.5 HK cents, down from 4.1 HK cents.

Net cash outflow from operating activities was HK\$20,535,000 for the year under review, compared with HK\$42,091,000 in prior year. Bank and cash balances at the year end amounted to HK\$3,032,000, compared with a balance of HK\$18,966,000 at the prior year end. The decrease in cash balance was mainly due to the loss in operation and the capital investments towards the green energy business. At the year end, the current ratio was 0.8:1; the quick ratio was 0.6:1. The gearing ratio was 29% which was calculated based on total liabilities of HK\$36,826,000 and total assets of HK\$125,428,000. Bank deposits amounting to HK\$1,090,000 were pledged to a bank in the PRC. During the year, exchange difference of HK\$1,582,000 arose from translation of financial statements of overseas subsidiaries and was credited to exchange reserves. The Group is not exposed to the risk of foreign exchange.

#### EMPLOYEES AND REMUNERATION POLICIES

As at September 30, 2001, the Group employed approximately 440 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.

Lastly, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all of the Group's employees for their hard work and dedicated efforts in the past year.

By Order of the Board,  
**Shum Siu Hung**  
Chairman

Hong Kong, November 28, 2001

團之電子業務及環保能源業務分別佔其整體營業額80%及20%。於年終，董事局已審核現有業務並決定作出大規模之撥備，以反映所有現有資產之價值。本年度之淨虧損為143,604,000港元，上年度之比較數字為虧損74,465,000港元。每股虧損為5.5港仙，比上年度之每股虧損4.1港仙增加。

於回顧年內，經營業務之現金流出淨額為20,535,000港元，去年經營業務之現金流出淨額比較數額為42,091,000港元。於年結日，銀行及現金結餘為3,032,000港元，上年度之現金比較數額為18,966,000港元。年內之經營虧損以及對環保能源業務之資金投入均導致現金結餘之下降。於年結日，流動比率為0.8:1、速動比率為0.6:1。負債資產比率為29%，此乃根據負債總額36,826,000港元和資產總額125,428,000港元計算。為數1,090,000港元之銀行存款已抵押予一國內銀行。於年內，因換算海外附屬公司財務報表產生滙兌差額1,582,000港元，已計入滙兌儲備。本集團並不承受外滙風險。

#### 僱員及酬金政策

截至二零零一年九月三十日，本集團於香港及中國僱用了約440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公積金供款、醫療保險及僱員購股權計劃。

最後本人藉此機會謹代表董事會對本集團員工上年度之辛勤工作及努力表示謝意。

承董事會命  
主席  
岑少雄

香港，二零零一年十一月二十八日