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## **NewOcean Energy Holdings Limited**

**( 新海能源集團有限公司 )\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 342)**

### **DISCLOSEABLE TRANSACTION RELATING TO A JOINT VENTURE WITH CALTEX SOUTH CHINA INVESTMENTS LIMITED AND RESUMPTION OF TRADING**

On 20 June 2006 the Company and Caltex entered into a Share Transfer and Option Agreement relating to the Joint Venture. Pursuant to the Share Transfer and Option Agreement Caltex agreed to purchase and the Company agreed to sell the Sale Shares for a consideration of RMB5,148,000.

Under the Share Transfer and Option Agreement, Caltex shall have: (i) a Put Option exercisable during the Put Option Period to require the Company to purchase all the Sale Shares at the Put Option Price; and (ii) a Call Option exercisable at any time during the Call Option Period to purchase from the Company all (but not less than all) the Option Shares at the Call Option Price.

The Joint Venture was established by the Group to develop and operate an 80,000 metric ton depot for petroleum products on the Oil Depot Site located at the Gaolan Harbour Terminal in Zhuhai. The Sale Shares and the Option Shares together represent the entire issued share capital of NewOcean Hong Kong, the investment vehicle company set up by the Group for the purpose of establishing the Joint Venture.

Under the Joint Venture Contract, NewOcean Hong Kong shall provide 65% of the registered capital of the Joint Venture by cash injection of RMB51,468,342 for construction of the Oil Terminal, and NewOcean Zhuhai shall provide 35% of registered capital by injection of the Oil Depot Site. Presuming that Caltex exercises the Call Option, after the transfer of the Sale Shares and the Option Shares Caltex will be in joint venture with the Group and will be the 65% equity holder of the Joint Venture through its holding of the entire issued share capital of NewOcean Hong Kong.

Completion of the transfer of the Sale Shares is subject to the Sale Share Conditions, and completion of the transfer of the Option Shares (presuming Caltex exercises the Call Option) is subject to the Option Share Conditions.

Completion of the transfer of the Sale Shares will take place on the date falling 14 days after the later of (i) the fulfilment of all the Sale Share Conditions; and (ii) the date of commencement of construction of the Oil Terminal.

The Transaction constitutes a discloseable transaction for the Company. A circular containing details of the Transaction will be despatched to the shareholders of the Company as soon as practicable.

At the request of the Company, trading of the Company's shares on the Stock Exchange was suspended at 9:30 am on 20 June 2006 pending the release of this announcement. Application has been made to resume trading of the Company's shares at 9:30 a.m. on 22 June 2006.

## **SHARE TRANSFER AND OPTION AGREEMENT DATED 20 JUNE 2006**

### **Parties:**

- (i) the Company
- (ii) Caltex

### **Transfer of the Sale Shares:**

Caltex has agreed to purchase, or cause its nominee to purchase, and the Company has agreed to sell or cause its nominee to sell the Sale Shares, representing 10% of the issued shares of NewOcean Hong Kong.

### **Consideration for Transfer of the Sale Shares:**

RMB5,148,000 to be satisfied by Caltex by cheque for an equivalent amount in HK\$.

The amount for the consideration was decided through arm's length negotiation, taking into consideration the initial capital injection to be made by NewOcean Hong Kong under the Joint Venture Contract.

### **Sale Share Conditions:**

Completion of the transfer of the Sale Shares is subject to:

- (a) the satisfaction of Caltex of its due diligence investigation in respect of NewOcean Hong Kong, the Joint Venture, the Oil Depot Site, the Oil Terminal Project, the use of the Retained Land and the Jetty, which shall include the feasibility of the Oil Terminal Project;
- (b) the grant of all relevant approvals from applicable authorities to the change in the scope of the business licence of the Joint Venture to allow the Joint Venture to engage in the construction, management and operation of the Oil Terminal Project and the storage and warehousing of Class A/B/C Petroleum Products; and
- (c) the granting of all government, regulatory and other relevant approvals in respect of the Transaction.

The Company shall use its reasonable endeavours to procure satisfaction of the Sale Share Conditions.

If any of the Sale Share Conditions is not fulfilled (or waived by Caltex) on or before the date falling six months after the date of the Share Transfer and Option Agreement (or such other date as may be agreed between the Company and Caltex), the Share Transfer and Option Agreement shall lapse and be of no further effect.

### **Completion of Transfer of the Sale Shares**

Completion of the transfer of the Sale Shares will take place on the date falling 14 business days after the later of (i) the fulfilment of all the Sale Share Conditions; and (ii) the commencement of construction of the Oil Terminal, which is expected to take place in the third quarter of 2006.

### **Grant of the Put Option**

#### ***Shares subject to the Put Option***

The Sale Shares, as transferred to Caltex under the Share Transfer and Option Agreement.

#### ***The Put Option***

Caltex shall have the right during the Put Option Period to require the Company to purchase all the Sale Shares from Caltex or its nominee. Caltex is obliged not to exercise the Call Option in the event it exercises the Put Option.

#### ***Consideration for the Put Option***

The sale and purchase of the Sale Shares.

#### ***Exercise Period for the Put Option***

The period commencing one year after the date of the Share Transfer and Option Agreement and ending on the Option Period Expiration Date, being the date falling 3 months after the Company gives notice to Caltex of (i) the completion of construction of the Oil Terminal; and (ii) the obtaining by the Oil Terminal of all necessary approvals for its operation (the "Oil Terminal Completion Notice").

If the Option Period Expiration Date shall fall within one year from the date of the Share Transfer and Option Agreement, then the Put Option Period will start when Caltex shall have received the Oil Terminal Completion Notice.

#### ***The Put Option Price***

The sum of RMB5,148,000 plus interest at HIBOR calculated on the number of days from the date of completion of the transfer of the Sale Shares to the date of payment of the Put Option Price by the Company.

### ***Exercise of the Put Option***

By written notice served by Caltex on the Company.

### **Grant of the Call Option**

#### ***Shares subject to the Call Option***

The Option Shares, representing 90% of the issued shares of NewOcean Hong Kong.

#### ***The Call Option***

Caltex is irrevocably and unconditionally granted the right to purchase from the Company all (but not less than all) the Option Shares.

#### ***Consideration for the Call Option***

HK\$10 already received by the Company.

#### ***Exercise Period for the Call Option***

The period commencing on the date of the Share Transfer and Option Agreement and ending on the Option Period Expiration Date.

#### ***The Call Option Price***

The amount of capital contribution made by NewOcean Hong Kong to the Joint Venture as at the date of exercise of the Call Option, less an amount of RMB5,148,000, being the consideration for the transfer of the Sale Shares.

Based on the amount of RMB51,468,342 of capital injection required under the Joint Venture Contract to be made by NewOcean Hong Kong to the Joint Venture by stages, the Call Option Price will be a sum up to RMB 46,320,000. An announcement will be made by the Company if Caltex exercises the Call Option.

#### ***Exercise of the Call Option***

By written notice served by Caltex on the Company.

#### ***Conditions for Transfer of the Option Shares***

Completion of the transfer of the Option Shares is subject to:

- (a) the satisfaction of Caltex of its due diligence investigation in respect of NewOcean Hong Kong, the Joint Venture, the Oil Depot Site, the Oil Terminal Project, the use of the Retained Land and the Jetty, which shall include the readiness for commencement of the operation of the Oil Terminal;
- (b) the completion of the construction of the Oil Terminal in accordance with all applicable legal and regulatory requirements in the PRC, and the Joint Venture having obtained all necessary approval relating thereto;

- (c) the construction of the Oil Terminal having satisfied all safety standard imposed by all PRC legal and regulatory requirements;
- (d) the Oil Terminal being ready for commencement of operation in accordance with all applicable legal and regulatory requirements in the PRC, and the Joint Venture having obtained all necessary approval relating thereto;
- (e) the execution of a shareholders' agreement by NewOcean Zhuhai and Caltex, the amendment of the Joint Venture Contract and the articles of association of the Joint Venture in line with such shareholders' agreement, and registration of such amendment;
- (f) the execution of a Rights of Way Agreement by the Joint Venture and NewOcean Zhuhai; and
- (g) the execution of a Rights of Usage Agreement by the Joint Venture and NewOcean Zhuhai.

The Company shall use its reasonable endeavours to procure satisfaction of the Option Share Conditions.

If any of the Option Share Conditions is not fulfilled (or waived by Caltex) on or before the date falling one year after the date of the Share Transfer and Option Agreement (or such other date as may be agreed between the Company and Caltex), Caltex shall have the right to exercise the Put Option.

The consideration for the transfer of the Sale Shares, the consideration for the Call Option and the maximum amount for the Call Option Price will amount in aggregate to total maximum consideration of HK\$49,393,812 (RMB51,468,352) payable to the Company. The consideration was negotiated and entered into on an arm's length basis and on normal commercial terms.

## **INFORMATION ON THE JOINT VENTURE**

### **NewOcean Hong Kong**

NewOcean Hong Kong was incorporated in Hong Kong in May 2004 as an investment vehicle company whose function is the establishment of the Joint Venture. The authorized and issued capital of NewOcean Hong Kong comprise 10,000 shares of HK\$1 each, all fully paid up. Other than the issued capital of the company and its interest in the Joint Venture under the Joint Venture Contract hereinafter mentioned, NewOcean Hong Kong has no assets and liabilities. As at the date of this announcement, the net asset value of NewOcean Hong Kong stands at the amount of HK\$10,000 and the company has not recorded any revenue, profit or loss.

### **The Joint Venture**

The Joint Venture was established in July 2004 as a Sino-foreign joint venture company by NewOcean Hong Kong together with NewOcean Zhuhai. Its purpose is to develop and operate an 80,000 metric ton depot for petroleum products on the Oil Depot Site located at NewOcean Zhuhai's Gaolan Harbour Terminal in Zhuhai. Under the Joint Venture Contract, NewOcean Hong Kong is entitled to a 65% interest in the registered capital of the Joint Venture by the injection of an aggregate sum of RMB51,468,355 in cash for the purpose of funding the construction of the Oil Terminal. NewOcean Zhuhai is entitled to the remaining 35% in the registered capital of the Joint Venture by the injection of the Oil Depot Site, valued at RMB27,713,730.

It is currently estimated that construction of the Oil Terminal will be completed around mid 2007.

### **The Joint Venture Contract**

Under the Joint Venture Contract, NewOcean Hong Kong will make capital injections into the Joint Venture in the aggregate sum of RMB51,468,355 as follows:

- (a) a sum of approximately RMB7,720,000 after the issue of the business licence for the Joint Venture;
- (b) an aggregate sum of RMB33,454,000 by instalments during the construction period according to the progress of the construction of the Oil Terminal; and
- (c) the balance of approximately RMB10,294,000 after the completion of the construction of the Oil Terminal.

Under the Joint Venture Contract, in addition to providing the Oil Depot Site, NewOcean Zhuhai will grant to the Joint Venture a non-exclusive right to use its Jetty for the purpose of the business of the Joint Venture.

The Joint Venture Contract provides for the management and affairs of the Joint Venture. Profit and loss of the Joint Venture will be shared by NewOcean Hong Kong and NewOcean Zhuhai in the proportion of their capital contribution.

With the Joint Venture Contract as its basis the Company and Caltex will enter into a shareholders' agreement providing for more detailed aspects of the management and affairs of the Joint Venture.

As at the date of this announcement, a business licence has been issued to the Joint Venture, but injection of capital by NewOcean Hong Kong pursuant to the Joint Venture Contract has not yet started. Main construction work for the Oil Terminal is expected to start in the third quarter of 2006.

### **INFORMATION ON THE COMPANY**

The principal activity of the Company is investment holding. The Group is principally engaged in the sale and distribution of LPG, sales of electronic products and leasing of investment properties, property, plant and equipment.

### **INFORMATION ON CALTEX**

The principal activity of Caltex is investment holding. The principal activities of the Caltex Group is the carrying on of the business of operating petrol stations (with integrated convenience stores), retailing of gasoline, diesel, lubricants and LPG, and selling of fuel oil, diesel and LPG directly to commercial and industrial customers, in Macau and in the Guangdong and Fujian provinces of the PRC.

## **REASONS AND BENEFITS OF THE TRANSACTION**

NewOcean Zhuhai's Gaolan Harbour Terminal occupies approximately 75,750 square metres of land (including the Oil Depot Site) in Gaolan Harbour, Zhuhai, PRC which is an important petro-chemical seaport for southern China. At present about one-third of the land at the Gaolan Harbour Terminal is used as a LPG storage depot serving the Group's LPG operations, and the remainder of the land is held in reserve for future development of the Group.

Given the economic progress of the PRC and the increasing demand for import of petroleum fuel, the directors consider it an appropriate time now to utilize the land reserve at the Gaolan Harbour Terminal for business expansion into main-line petroleum products. As a strategic step for expansion of the Group's business, the directors identified Caltex as a suitable partner for the Joint Venture on account of Caltex's experience and extensive market coverage in petroleum products. The Transaction will enable the Group to develop and operate the Oil Terminal in joint venture with Caltex. With the support of the facilities provided by the Jetty, the Oil Terminal will become an important loading-unloading base for petroleum products in Guangdong.

In addition to being a logistics base, the Oil Terminal will be able to engage in the business of sale and distribution of petroleum products after fulfilling legal and regulatory requirements for such business and obtaining the necessary business permits.

The directors believe that the Transaction is in the interest of the Company and that the terms are fair and reasonable.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading of the Company's shares on the Stock Exchange was suspended at 9:30 a.m. on 20 June 2006 pending the release of this announcement. Application has been made to resume trading of the Company's shares at 9:30 a.m. on 22 June 2006.

## **GENERAL**

To the best knowledge, information and belief of the directors, and having made all reasonable enquiries, Caltex and its ultimate beneficial owners are third parties independent not connected with any directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates.

A circular containing details of the Transaction will be dispatched to the shareholders of the Company as soon as practical.

## **DEFINITIONS**

In this announcement, the following expressions have the following meanings, unless otherwise specified.

“Call Option” the right granted by the Company to Caltex under the Share Transfer and Option Agreement to purchase the Option Shares from the Company

“Call Option Period” the exercise period for the Call Option under the Share Transfer and Option Agreement



“Call Option Price”	the price payable by Caltex in respect of the Option Shares on the exercise of the Call Option by Caltex
“Caltex”	Caltex South China Investments Limited, a company incorporated in Hong Kong and a member of the Chevron Corporation group of companies of USA
“Caltex Group”	Caltex, its subsidiaries and joint ventures
“Company”	NewOcean Energy Holdings Limited, a company incorporated in Bermuda with limited liability and which shares are listed on the Stock Exchange
“directors”	the board of directors of the Company, including its independent non-executive directors
“Group”	the Company and its subsidiaries
“HIBOR”	the rate for deposits in HK\$ designated as the Hong Kong Interbank Offered Rate
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC.
“Jetty”	the jetty with two berthing spaces attaching to the Retained Land owned by NewOcean Zhuhai
“Joint Venture”	百富洋新海能源(珠海)有限公司(Bai Fu Yang NewOcean Energy (Zhuhai) Company Limited), a Sino-foreign joint venture company incorporated in July 2004 in Zhuhai City, PRC
“Joint Venture Contract”	the Equity Joint Venture Contract dated 1st July, 2004 entered into between NewOcean Zhuhai and NewOcean Hong Kong for the establishment of the Joint Venture
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LPG”	liquefied petroleum gas
“NewOcean Hong Kong”	NewOcean Energy (Hong Kong) Company Limited, a company incorporated in Hong Kong on 24 May 2004 and currently a wholly owned subsidiary of the Company
“NewOcean Zhuhai”	新海能源(珠海)有限公司(NewOcean Energy (Zhuhai) Company Limited), a wholly foreign owned enterprise registered in Zhuhai, the PRC and a wholly owned subsidiary of the Company
“Oil Depot Site”	the vacant land comprising an area of 36,951.64 square meters and the land use right thereof under Lot No. 05010047 located in Gaoland Island, Zhuhai, PRC



“Oil Terminal”	the 80,000 metric ton depot or terminal to be built on the Oil Depot Site pursuant to the Oil Terminal Project
“Oil Terminal Project”	the design, financing, building and operation by the Joint Venture of an 80,000 metric ton depot on the Oil Depot Site for Class A/B/C Petroleum Products including but not limited to the construction and operation of storage tanks, pipeline, cargo handling facilities, ancillary systems (including central control system, electrical systems, fire prevention system, and, if required, pollution control systems) and office premises
“Option Period Expiration Date”	the date falling 3 months after the date written notice is received by Caltex from the Company of (i) the completion of construction of the Oil Terminal; and (ii) the obtaining by the Oil Terminal of all necessary approvals for its operation
“Option Shares”	the 9,000 shares of HK\$1 each in the issued share capital of NewOcean Hong Kong beneficially owned by the Company, which together with the Sale Shares represent the entire issued share capital of NewOcean Hong Kong
“Option Share Conditions”	conditions to the completion of the transfer of the Option Shares
“PRC”	The People’s Republic of China
“Put Option”	the right granted by the Company to Caltex under the Share Transfer and Option Agreement to require the Company to purchase the Sale Shares from Caltex
“Put Option Period”	the exercise period for the Put Option under the Share Transfer and Option Agreement
“Put Option Price”	the price payable by the Company in respect of the Sale Shares on the exercise of the Put Option by Caltex
“Retained Land”	a parcel of land comprising 38,798.36 square meters immediately adjacent to the Oil Depot Site owned by NewOcean Zhuhai
“Sale Shares”	the 1,000 shares in the issued share capital of NewOcean Hong Kong beneficially owned by the Company representing 10% of the issued share capital of the Company
“Sale Share Conditions”	conditions precedent to the completion of the transfer of the Sale Shares
“Share Transfer and Option Agreement”	the Share Transfer and Option Agreement dated 20 June 2006 entered into between the Company and Caltex
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transactions contemplated under the Share Transfer and Option Agreement

“HK\$” Hong Kong Dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

By order of the Board of  
**NewOcean Energy Holdings Limited**  
**Shum Chun, Lawrence**  
*Executive Director*

Hong Kong, 21 June 2006

*As at the date of this announcement, the Board of the Company comprises Mr. Shum Siu Hung, Mr. Raymond Chiu Sing Chung, Mr. Lawrence Shum Chun, Mr. Wu Hong Cho and Mr. Cen Ziniu, being the executive Directors, Mr. Michael Frederick Young Wing Chun, Mr. Anthony Cheung Kwan Hung, Mr. Joseph Ma Man Hoi and Mr. Benedict Chan Yuk Wai, being the independent non-executive Directors.*

\* *for identification purpose only*