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NewOcean Green Energy Holdings Limited
(新海環保能源集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 342)

CONNECTED TRANSACTIONS

**ACQUISITION OF THE REMAINING 30% INTEREST IN
GUILIN NEWOCEAN GAS CO., LTD**

The Directors wish to announce that on 5 September 2005, Sound Green Energy, a wholly-owned subsidiary of the Company, entered into two separate agreements with Mr. Li Dao Sheng and Mr. Wu Gui Ping respectively, pursuant to which Sound Green Energy agreed to purchase 15% interest in Guilin NewOcean Gas from each of the Vendors, hence, in aggregate of 30% of Guilin NewOcean Gas, for a total consideration of RMB9,200,000 (HK\$8,846,153).

The consideration for the Mr. Li Acquisition and the Mr. Wu Acquisition was arrived at after arm's length negotiation and was agreed on normal commercial terms between the Vendors and the Company.

The Directors consider the terms of the Agreements to be fair and reasonable and the Acquisitions are in the best interests of the Group and the Shareholders as a whole.

Mr. Li and Mr. Wu are connected persons of the Company by virtue of each of them being a substantial shareholder and director of Guilin NewOcean Gas. Accordingly, the Acquisitions constitute connected transactions of the Company under the Listing Rules. As the percentage ratio for the consideration for the Acquisitions is more than 2.5% but less than 25% and the aggregate consideration is less than HK\$10,000,000, the Acquisitions are only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. THE AGREEMENTS DATED 5 SEPTEMBER 2005

1.1 Mr. Li Agreement

Parties

- (a) Mr. Li Dao Sheng; and
- (b) Sound Green Energy, a company incorporated in British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company

1.2 Mr. Wu Agreement

Parties

- (a) Mr. Wu Gui Ping ; and
- (b) Sound Green Energy

2. TERMS OF THE AGREEMENTS

Assets to be acquired

Pursuant to the Mr. Li Acquisition, Sound Green Energy agrees to acquire 15% of the equity interests in Guilin NewOcean Gas from Mr. Li.

Pursuant to the Mr. Wu Acquisition, Sound Green Energy agrees to acquire 15% of the equity interests in Guilin NewOcean Gas from Mr. Wu.

Consideration

RMB4,600,000 (HK\$4,423,076) for the Mr. Li Acquisition and RMB4,600,000 (HK\$4,423,076) for the Mr. Wu Acquisition, the aggregate consideration of RMB9,200,000 (HK\$8,846,153) will be satisfied in full in cash. The Company intends to fund such payment by the Group's internal resources.

The consideration for the Mr. Li Acquisition and the Mr. Wu Acquisition was arrived at after arm's length negotiation and was agreed on normal commercial terms between the Vendors and the Company.

The Directors (including the independent non-executive Directors) consider the terms of the Agreements, based on the reasons as stated below, to be fair and reasonable and the Acquisition are in the best interests of the Group and the Shareholders as a whole.

Terms of payment

Sound Green Energy will pay each of the Vendors a sum of RMB460,000 (HK\$442,308), as deposit within seven working days upon the Agreements become effective and the remaining balance of RMB4,140,000 (HK\$3,980,769) will be paid within one month upon the completion of the registration procedure of the relevant shareholding of Guilin NewOcean Gas.

3. INFORMATION ABOUT THE GROUP AND GUILIN NEWOCEAN GAS, AND REASONS FOR THE ACQUISITIONS

The principal activities of the Group are the sale and distribution of LPG and leasing of property, plant and equipment.

Guilin NewOcean Gas was a domestic company established in the PRC on 24 November 2003 and no audited accounts was required and prepared for the year ended 31 December 2003. Guilin NewOcean Gas, a sino-foreign equity joint venture company incorporated with limited liability under the laws of the PRC on 25 October 2004 and has a paid up capital of RMB600,000, 70% of which is beneficially owned by Sound Green Energy, 15% is held by Mr. Li Dao Sheng who is a director of Guilin NewOcean Gas and the remaining 15% is held by Mr. Wu Gui Ping who is also a director of Guilin NewOcean Gas. The Company acquired 70% interest of Guilin NewOcean Gas in 2004 from an independent third party at a consideration of RMB12,500,000. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the vendor is not a connected person of the company and is independent of Mr. Li, Mr. Wu and their respective associates (as defined in the Listing Rules). According to the Directors, the consideration was negotiated among the parties on an arm's length basis and with reference to the historical and potential sales in terms of tonnage of Guilin NewOcean Gas. Upon completion of the Acquisition, Guilin NewOcean Gas will become a wholly-foreign owned enterprise and the operation of Guilin NewOcean Gas will not be changed as a result. The sale and distribution of LPG in the PRC does not require any special licence or approval from relevant PRC authority.

Guilin NewOcean Gas is principally engaged in the sale and distribution of LPG in Guilin, the PRC. For the year ended 31 December 2003, the unaudited turnover of Guilin NewOcean Gas was approximately RMB131,754 and the audited turnover for the year ended 31 December 2004 was approximately RMB5,730,460. For the year ended 31 December 2003, the unaudited net loss was approximately RMB11,070 and for the year ended 31 December 2004, the audited net loss was approximately RMB463,929. The unaudited net asset value of Guilin NewOcean Gas was RMB588,930 as at 31 December 2003 and the audited net asset value of Guilin NewOcean Gas was RMB125,132 as at 31 December 2004 the decrease in net asset value was due to the loss incurred during the year.

During the two years ended 31 December 2003 and 2004, Guilin NewOcean Gas has sold approximately 41 tons and approximately 1,700 tons of LPG in Guilin and its vicinity region respectively. However, due to the high logistic and operating cost, Guilin NewOcean Gas incurred net loss for the two years ended 31 December 2003 and 2004 respectively as mentioned above. Due to the booming tourism industry in Guilin and its vicinity region, the local population and tourists grow, which in turn, increase the demand for commercial and residential consumption of LPG. According to the government's statistic, the number of visitors to Guilin reached approximately 6,700,000 in 2004, an increase of approximately 26.4% as compared to 2003. On this basis, the Directors consider that the prospect for the demand of LPG in the PRC is promising and by securing full controlled of Guilin NewOcean Gas, the Group is in a better position to re-engineer the business as well as enhance the logistic capabilities of the Group for the distribution of LPG in the PRC. For the six months ended 30 June 2005, Guilin NewOcean Gas has already sold approximately 3,100 tons of LPG. The Directors also consider that the Acquisitions provide an opportunity to step up its investment (in this case, through the increase in shareholding interest in Guilin NewOcean Gas) in the LPG business.

In order to be in a better position to re-engineer the operation of Guilin NewOcean Gas (through (i) capitalising on the Group’s experience and management expertise in the distribution of LPG business; (ii) cost savings exercise through merging certain duplicated functions within the Group (hence, reduce operating cost); (iii) and utilizing the Group’s sales and distribution network in order to achieve economies of scale) and enjoy the potentials of the growing prospects of such business operation, the Directors consider that it is essential to secure full control of Guilin NewOcean Gas. Accordingly, the consideration for the Acquisitions was negotiated with the Vendors on an arm’s length basis and once again with reference to the historical and potential sales in terms of tonnage of Guilin NewOcean Gas.

Taking into account the sales of LPG by Guilin NewOcean Gas has grown substantially as mentioned above, despite the previous net loss of Guilin NewOcean Gas and the deteriorating of the net asset value of Guilin NewOcean Gas (as a result of the loss incurred during the year), the Directors are confident, through the management expertise, to turnaround the business of Guilin NewOcean Gas into profit by carrying out corporate reorganization upon completion of the Acquisitions, business re-engineering aiming at better efficiency, and by achieving economy of scale.

In view of the historical and potential sales in terms of tonnage of Guilin NewOcean Gas, the Directors wish to secure full control of Guilin NewOcean Gas as soon as possible in order to turnaround the business of Guilin NewOcean Gas as well as to expand its business.

4. GENERAL

Mr. Li and Mr. Wu are connected persons of the Company by virtue of each of them being a substantial shareholder and director of Guilin NewOcean Gas. Accordingly, the Acquisitions constitute connected transactions of the Company under the Listing Rules. As the percentage ratio for the consideration for the Acquisitions are more than 2.5% but less than 25% and the aggregate consideration is less than HK\$10,000,000, the Acquisitions are only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

5. DEFINITIONS

“Acquisitions”	Mr. Li Acquisition and Mr. Wu Acquisition
“Agreements”	Mr. Li Agreement and Mr. Wu Agreement
“Board”	the board of Directors
“Company”	NewOcean Green Energy Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“connected persons”	has the same meaning as defined in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“Guilin NewOcean Gas”	桂林新海燃氣有限公司 (Guilin NewOcean Gas Co., Ltd), a company incorporated with limited liability under the laws of the PRC. Guilin NewOcean Gas is owned as to 70% by the Company, 15% by Mr. Li and 15% by Mr. Wu
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LPG”	liquefied petroleum gas
“Mr. Li”	Mr. Li Dao Sheng, a substantial shareholder and a director of Guilin NewOcean Gas
“Mr. Li Acquisition”	the acquisition by Sound Green Energy of a 15% equity interest in Guilin NewOcean Gas beneficially owned by Mr. Li
“Mr. Li Agreement”	the agreement dated 5 September 2005 entered into between Sound Green Energy and Mr. Li in relation to the Mr. Li Acquisition
“Mr. Wu”	Mr. Wu Gui Ping, a substantial shareholder and a director of Guilin NewOcean Gas
“Mr. Wu Acquisition”	the acquisition by Sound Green Energy of a 15% equity interest in Guilin NewOcean Gas beneficially owned by Mr. Wu
“Mr. Wu Agreement”	the agreement dated 5 September 2005 entered into between Sound Green Energy and Mr. Wu in relation to the Mr. Wu Acquisition
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Sound Green Energy”	Sound Green Energy Limited, a company incorporated in British Virgin Islands and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	Messrs. Li and Wu
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

“%”

per cent.

By Order of the Board
Lawrence Shum Chun
Executive Director

Hong Kong, 13 September 2005

For the purpose of this announcement, the conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.04 = HK\$1.00. Such conversion should not be construed as a representation that the amount in question has been, could have been or could be converted at such particular rate or at all.

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