

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

DISCLOSEABLE TRANSACTION

ACQUISITION OF THE ENTIRE INTEREST IN

深圳市寶潤燃氣有限公司

(SHENZHEN BAORUN LIQUEFIED PETROLEUM GAS CO., LTD)*

The Directors are pleased to announce that the Purchaser, a wholly-owned subsidiary of the Company, entered into two separate agreements (both dated 31 December 2005, but legally effected on 5 January 2006) with Vendor A and Vendor B respectively. Pursuant to Agreement A, the Purchaser conditionally agreed to purchase 80% interest in Shenzhen Baorun from Vendor A for a cash consideration of RMB22,000,000 (approximately HK\$21,154,000). Pursuant to Agreement B, the Purchaser conditionally agreed to purchase the remaining 20% interest in Shenzhen Baorun from Vendor B for a cash consideration of RMB13,600,000 (approximately HK\$13,077,000).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Vendor A and Vendor B, their ultimate beneficial owners are independent third parties, are not connected persons of the Company and are independent of the Company and their respective associates (as defined in the Listing Rules).

The respective consideration for Agreement A and Agreement B was arrived at after arm's length negotiation and was agreed on normal commercial terms between the Company and the respective Vendors.

Given the reasons and benefits for the Acquisitions, the Directors consider the terms of the Agreements to be fair and reasonable and the Acquisitions are in the interests of the Company and the Shareholders as a whole.

As the applicable percentage ratios for the Acquisitions is more than 5% but less than 25% under Rule 14.06(2) of the Listing Rules, the Acquisitions constitute a discloseable transaction for the Company. A circular containing further details of the Acquisitions will be dispatched to the Shareholders as soon as practicable.

1. THE AGREEMENTS DATED 31 DECEMBER 2005

The Agreements were dated and signed by the respective parties on 31 December 2005. Due to the transfer of state owned assets, the terms of Agreement A has to be verified by 深圳國際高新技術產權交易所 (“China Hi-tech Property Exchange”) as stated under “1.3 Consideration” below and Agreement B has to be witnessed by China Hi-tech Property Exchange in order to be validated, before the Agreements could become legally effective.

The above verification/witnessing procedure by China Hi-tech Property Exchange has been completed on 5 January 2006.

1.1 Parties

Agreement A

- (a) Vendor A, an Independent Third Party; and
- (b) the Purchaser

Agreement B

- (a) Vendor B, an Independent Third Party; and
- (b) the Purchaser

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of Vendor A and Vendor B, their ultimate beneficial owners are independent third parties, are not connected persons of the Company and are independent of the Company and their respective associates (as defined in the Listing Rules).

1.2 Assets to be acquired

Pursuant to the Agreement A, the Purchaser conditionally agreed to acquire 80% of the equity interests in Shenzhen Baorun from Vendor A.

Pursuant to the Agreement B, the Purchaser conditionally agreed to acquire 20% of the equity interests in Shenzhen Baorun from Vendor B.

1.3 Consideration

The aggregate consideration of RMB35,600,000 (approximately HK\$34,231,000) will be satisfied in cash. The Company intends to fund such payment by the Group’s internal resources. The respective consideration for Agreement A and Agreement B was arrived at after arm’s length negotiation and was agreed on normal commercial terms between the Company and the respective Vendors.

Agreement A

The consideration of RMB22,000,000 (approximately HK\$21,154,000) for Agreement A was negotiated with reference to the audited net asset value of Shenzhen Baorun as at 31 October 2005 (prepared in accordance with PRC GAAP) of approximately RMB16,989,000 (approximately HK\$16,336,000).

The Purchaser will pay Vendor A a sum of RMB18,000,000 (approximately HK\$17,308,000) upon the Company having received evidence, namely the relevant business licences and the relevant approvals from various government agencies for operating LPG business, as part of the due diligence performed by the Group to ascertain the validity of the share transfer and being satisfied that the share transfer procedures have been verified (“鑒證”) by 深圳國際高新技術產權交易所 (“China Hi-tech Property Exchange”) and accepted by 深圳市工商管理部 (“Administrative of Industry and Commerce of Shenzhen Municipality”) and the remaining balance of RMB4,000,000 (approximately HK\$3,846,000) will be payable upon the duly transferred of the title of the piece of land located at Songang District, Shenzhen (深圳市松崗區), which is currently occupied by the operation of Shenzhen Baorun, from 深圳市寶安區管道燃氣有限公司 (“Shenzhen Baoan Gas Limited”), an Independent Third Party, to Shenzhen Baorun. The aforesaid transfer is the final step of an agreement of reorganisation between 深圳市寶安區管道燃氣有限公司 and Shenzhen Baorun.

The Directors expect that the above due diligence process and the abovementioned acceptance by Administrative of Industry and Commerce of Shenzhen Municipality will be completed by the end of February 2006.

No additional consideration is required by Shenzhen Baorun for the transfer of the title of the land as mentioned above. The Directors expect the aforesaid transfer of the title of the land will be completed around April 2006.

Agreement B

The consideration of RMB13,600,000 (approximately HK\$13,077,000) for Agreement B.

The Directors consider that it is essential to secure full control of Shenzhen Baorun as explained under “2. Information about the Group and Shenzhen Baorun” below. Accordingly, the consideration for the remaining 20% of Shenzhen Baorun was separately negotiated with Vendor B on arm’s length basis with reference to the audited net asset value of Shenzhen Baorun as at 31 October 2005 and the future prospects of securing a position in the sale and distribution of LPG in Shenzhen and Dongguang area.

The Purchaser will pay Vendor B a sum of RMB13,600,000 (approximately HK\$13,077,000) upon Completion.

The Directors consider the terms of the Agreements, based on the reasons for and benefits of the Acquisitions as stated below, to be fair and reasonable and the Acquisitions are in the interests of the Company and the Shareholders as a whole.

1.4 Conditions precedent of the Agreements

Agreement A

Completion of Agreement A is conditional upon fulfillment of the following conditions:

- (a) the Purchaser having been satisfied with the result of the due diligence review on the legal, financial, taxation, business and customer base of Shenzhen Baorun and Vendor A shall deliver to the Purchaser the following documents:
 - (i) document evidencing that the board of directors of Shenzhen Baorun and its shareholders, being the Vendors, authorising the entering into of Agreement A;
 - (ii) financial report of Shenzhen Baorun and business licence; and
 - (iii) all consents or approvals of any relevant governmental authorities or other relevant regulatory bodies in the PRC for conducting distribution of LPG in the Guangdong Province, the PRC, which shall be confirmed by a PRC legal opinion opining on the legality and enforceability of such documents; and
- (b) the directors of Shenzhen Baorun appointed by Vendor A shall be duly resigned.

The Directors expect the above conditions precedent will be completed by the end of February 2006. The completion of Agreement A is not conditional on the completion of the acquisition of the 20% interest in Shenzhen Baorun under Agreement B.

Agreement B

Completion of Agreement B is subject to, inter alia, the completion of the acquisition of the 80% interest in Shenzhen Baorun under Agreement A.

In the event of any breach of contract by any vendors, the Purchaser can terminate the agreement and the vendor has to return the amount paid by the Purchaser and an additional 10% of that amount paid as compensation to the Purchaser within 5 days from the date of notice of termination. In the event of any breach of contract by the Purchaser, the vendor can terminate the agreement and the Purchaser has to pay an amount equal to 10% of the amount already paid by the Purchaser as compensation to the vendor within 5 days from the date of notice of termination.

To the best knowledge of the Directors, two of the directors of Shenzhen Baorun are appointed by Vendor B, who will resign upon Completion.

In the event that the above conditions precedent is not fulfilled by the end of April 2006, the Agreements will lapse.

2. INFORMATION ABOUT THE GROUP AND SHENZHEN BAORUN

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

In order to expand the Group's distribution of LPG business, the Group began to seek for investment opportunities in the sale and distribution of LPG business in the PRC. In mid-September 2005, Vendor A announced its intention to dispose of its interest in Shenzhen Baorun through 深圳國際高新技術產權交易所 ("China Hi-tech Property Exchange*"). Following certain research in the Shenzhen/Dongguang area, the Group approached the Vendors for a possible sale of their interest in Shenzhen Baorun and eventually the Agreements were signed on 31 December 2005.

Shenzhen Baorun is principally engaged in warehousing, packaging, wholesale and retail sales and distribution of LPG in Shenzhen. Based on the audited financials of Shenzhen Baorun (prepared in accordance with the PRC GAAP), the results for each of the two years ended 31 December 2004 and the ten months ended 31 October 2005 are as follows:

	For the year ended 31 December		For the ten months ended 31 October
	2003	2004	2005
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Turnover	134,391,455.96	132,010,021.79	131,355,977.96
Net loss	(881,347.05)	(1,529,143.19)	(3,399,209.31)
	As at 31 December		As at 31 October
	2003	2004	2005
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Total assets	25,322,616.49	22,387,327.30	20,888,394.32
Total liabilities	1,217,233.03	1,999,100.24	3,899,376.57
Net assets	24,105,383.46	20,388,227.06	16,989,017.75

For the ten months ended 31 October 2005, Shenzhen Baorun recognised a loss of approximately RMB2,200,000 being the set up cost previously not being amortised. Save for this expense, the loss recorded by Shenzhen Baorun for ten months ended 31 October 2005 was at approximately the same level as of the year ended 31 December 2004.

Despite of the continuing loss for Shenzhen Baorun which was partly due to operational inefficiency, such as high operating and material costs, for the two years ended 31 December 2004 and the ten months ended 31 October 2005, taking into account that (i) the acquisition of Shenzhen Baorun would expedite the Group's expansion of its business in the Shenzhen/Dongguang area; (ii) the reduction of operating costs of Shenzhen Baorun through cost saving exercise; and (iii) the utilisation of the Group's sales and distribution network to achieve economies of scale, the Directors are confident that by capitalising the management expertise in distribution of LPG, the Group can turnaround the business of Shenzhen Baorun. Besides, all the directors of Shenzhen Baorun will be resigned upon Completion.

As far as the Directors are aware, Vendor A is an investment holding company, mainly in property investment and Vendor B is an investment holding company for the purpose of holding the 20% interest in Shenzhen Boarun.

3. REASONS FOR AND BENEFITS OF THE ACQUISITIONS

During the two years ended 31 December 2003 and 2004, Shenzhen Baorun has sold approximately 38,800 tons and approximately 31,700 tons of LPG. For the ten months ended 31 October 2005, Shenzhen Baorun has sold approximately 30,000 tons of LPG.

According to the latest available published figures from National Bureau of Statistics of China (“中華人民共和國國家統計局”), Shenzhen and Dongguang have a population of over 13,450,000 in 2000. In view of the continued economic development in the coastal region of the PRC, rural population is moving to the cities for jobs. Given Shenzhen Special Economic Zone was first developed since 1980 and gradually expanded to Baoan/Dongguang area, public utilities infrastructure (such as LPG pipelines) were not that developed or well connected to the commercial or residential areas. Accordingly, the public are still heavily relied upon the supply of bottled LPG delivered to commercial or residential areas. In addition, Shenzhen Baorun is strategically located between Shenzhen and Dongguang, which are populated and heavily industrialised areas. On this basis, the Directors are confident about the potential growth and development of Shenzhen Baorun.

The Directors are aware that the price paid to Vendor B for the 20% interest is higher than the price paid to Vendor A for the 80% interest in Shenzhen Baorun. Despite the fact that the Company could control the board of Shenzhen Baorun (assuming Agreement A is completed only), the Directors are of the view that in order to (i) secure the Group’s position to sell and distribute bottled LPG in Shenzhen and Dongguang; (ii) utilise its existing sales and distribution network to achieve economies of scale; (iii) enjoy the potentials of the growing prospects of such business operation; (iv) capitalise the Group’s experience and management expertise in the distribution of LPG business; and (v) avoid any potential conflict/disagreement with the minority shareholder of Shenzhen Baorun which might hinder the operation of and business opportunities for Shenzhen Baorun in future, it is important to acquire the entire interest and obtain full control in Shenzhen Baorun to carry out its intended business re-engineering of the operation of Shenzhen Baorun in an efficient and effective manner.

The Directors consider that it is a strategic step for the Group to secure full control of Shenzhen Baorun and are confident to improve the efficiency of Shenzhen Baorun. The Directors are also of the view that the benefits of securing full control of Shenzhen Baorun outweigh the cost of paying a premium to the minority shareholder of Shenzhen Baorun.

4. POSSIBLE FINANCIAL IMPACT

Upon completion of the Agreements, Shenzhen Baorun will become an indirect wholly-owned subsidiary of the Company and the financial results of Shenzhen Baorun will be consolidated into those of the Group.

Given the Acquisitions are to be satisfied in cash and with reference to the audited net asset value of Shenzhen Baorun, there will not be any material effect to the net asset value of the Group following completion of the Agreements.

The Directors believe that the Acquisitions will contribute to the earnings base of the Group, but the quantitative impact in this regard will depend on the business performance of Shenzhen Baorun after completion of the Agreements. In light of the fact that (i) the continuing expansion of the population in Shenzhen and Dongguang area; (ii) the potentials to expand market coverage from Shenzhen to Dongguang due to its strategically located

between these two densely populated areas; and (iii) the consideration of the Acquisitions were payable in cash (as opposed to the issuance of Shares as consideration which would result in a dilution on the earnings of the Group), the Directors consider the Acquisitions to be a sound strategy and allows the Group to accelerate its pace to penetrate into bottled LPG market in Shenzhen and Dongguang, which in turn would further broaden the future earnings potential of the Group as a whole.

5. GENERAL

As the applicable percentage ratios for the Acquisitions are more than 5% but less than 25% under Rule 14.06(2) of the Listing Rules, the Acquisitions constitute a discloseable transaction for the Company. A circular will be despatched as soon as practicable to the Shareholders and it will contain, among other thing, further details of the Agreements.

6. DEFINITIONS

“Acquisitions”	the acquisition of the entire interest in Shenzhen Baorun by the Purchaser from Vendor A and Vendor B under the Agreements
“Agreement A”	the agreement dated 31 December 2005 entered into between the Purchaser and Vendor A in relation to the acquisition by the Purchaser of an 80% equity interest in Shenzhen Baorun beneficially owned by Vendor A
“Agreement B”	the agreement dated 31 December 2005 entered into between the Purchaser and Vendor B in relation to the acquisition by the Purchaser of an 20% equity interest in Shenzhen Baorun beneficially owned by Vendor B
“Agreements”	Agreement A and Agreement B
“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
“Completion”	completion of the Agreements
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s), or in the case of companies, their ultimate beneficial owner(s), who are independent of and not connected with the Company and its connected persons

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LPG”	liquefied petroleum gas
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong
“PRC GAAP”	generally accepted accounting principles in the PRC
“Purchaser”	新海能源珠海有限公司 (NewOcean Energy (Zhuhai) Holdings Limited*), a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shenzhen Baorun”	深圳市寶潤燃氣有限公司 (Shenzhen Baorun Liquefied Petroleum Gas Co., Ltd*), a company incorporated with limited liability under the laws of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor A”	深圳市中科財實業發展有限公司, a company incorporated with limited liability under the laws of the PRC and its beneficial owners, being 中國科技國際信託投資有限責任公司, which, in turn, is owned by 17 shareholders and to the best knowledge of the Directors, majority of which, are stated owned enterprises and北京惠德科貿中心 which is owned by a state owned enterprise’s employees, are Independent Third Parties
“Vendor B”	深圳市基業隆實業有限公司, a company incorporated with limited liability under the laws of the PRC and its beneficial owners, being 樂小英 (“Le Xiao Ying”*) and 韓潔 (“Han Jie*”), whom are Independent Third Parties
“Vendors”	Vendor A and Vendor B
“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
Shum Siu Hung
Chairman

Hong Kong, 12 January 2006

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. Chiu Sing Chung, Raymond, Mr. Wu Hong Cho, Mr. Cen Ziniu and Mr. Lawrence Shum Chun, being the 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.

* *for identification purposes only*