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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)**

Website: <http://www.newoceanhk.com>

### **TERMINATION OF DISCLOSEABLE TRANSACTION**

On 30 October 2015 NBIC, a wholly-owned subsidiary of the Company and being the holding company of Lianxin Energy, and Sinopec-NewOcean JV entered into the Lianxin Sub-contract Termination Agreement to terminate the Lianxin Subcontract. On the same date Sinopec and Sinopec-NewOcean JV entered into the Sinopec Sub-contract Termination Agreement to terminate the Sinopec Subcontract. The Termination Agreements effectively terminated and released the rights and obligations of each of NBIC and Sinopec under the arrangements provided in the JV Agreement dated 10 April 2013 relating to the establishment of Sinopec-NewOcean JV. Pursuant to a formal shareholders resolution passed by NBIC and Sinopec, Sinopec-NewOcean JV will in due course be dissolved.

The Directors consider that termination of the arrangements under the JV Agreement would have no material adverse effect on the operations and the financial position of the Group.

This announcement is made pursuant to Rule 14.36 of the Listing Rules.

Reference is made to the announcements (the “**Announcements**”) of the Company dated 10 April 2013, 10 May 2013 and 2 September 2013 in relation to the JV Agreement and the arrangements provided thereunder. Capitalized terms used herein shall have the same meanings as those defined in the Announcements unless otherwise stated.

## THE JV AGREEMENT

As disclosed in the Announcements, the JV Agreement provided for the establishment of Sinopec-NewOcean JV the registered capital of which shall be subscribed for and owned as to 51% by Sinopec, and subscribed for and owned as to 49% by NBIC, a wholly owned subsidiary of the Company. The JV Agreement provided, among other things for:

- (a) NBIC subcontracting to Sinopec-NewOcean JV for a period of 10 years the business operations of Lianxin Energy which mainly included 17 LPG refueling stations in Guangzhou (the “**Lianxin Sub-contract**”);
- (b) Sinopec leasing to Sinopec-NewOcean JV all the 3 LPG refueling stations in Guangzhou owned by Sinopec. The leasing subsequently took the form of Sinopec subcontracting to Sinopec-NewOcean JV the 3 LPG refueling stations in question (the “**Sinopec Sub-contract**”);
- (c) the installation by Sinopec NewOcean JV of LPG refueling facilities in a further 5 fillings stations owned by Sinopec in Guangzhou;
- (d) Sinopec-NewOcean JV by stages funding the installation of LNG refueling facilities in other filling stations owned by Sinopec in Guangzhou; and
- (e) sale and distribution of bonded oil products for marine bunkering by Sinopec-NewOcean JV.

Under the Lianxin Sub-contract Sinopec-NewOcean JV shall pay to NBIC a subcontracting fee of RMB10,000,000 (equivalent to approximately HK\$12,246,000) for each year of the subcontracting period. Additionally NBIC or its fellow subsidiaries shall be allowed to charge Lianxin Energy technical services fee up to RMB48,300,000 (equivalent to approximately HK\$59,148,180) each year over the subcontracting period.

Further details of the JV Agreement, the Lianxin Sub-Contract and the Sinopec Sub-contract are set out in the Announcements and note 22(b) of the consolidated financial statements of the Company for year ended 31 December 2013 dated 13 March 2014.

## IMPLEMENTATION OF THE JV AGREEMENT

Both the Lianxin Sub-contract and the Sinopec Sub-contract commenced on 1 November 2013 and continued up to 31 October 2015. The installation of LPG refueling facilities by Sinopec-NewOcean JV in the further 5 filling stations owned by Sinopec in Guangzhou has not commenced. Installation of LNG refueling facilities in Sinopec’s filling stations in Guangzhou funded by Sinopec-NewOcean JV was still in the planning stage and no facilities have been installed. The business of sale and distribution of bonded oil products of Sinopec-NewOcean JV has not commenced.

## **THE TERMINATION AGREEMENTS**

### *The Lianxin Sub-contract Termination Agreement*

On 30 October 2015 NBIC entered into the Lianxing Sub-contract Termination Agreement with Sinopec-NewOcean JV whereby the parties mutually agreed to terminate the Lianxin Sub-contract with effect from 1 November 2015 without liability for breach on either party. Ten months' subcontracting fee for year 2015 amounted to RMB 8,333,333 (equivalent to HK\$10,205,000) shall be payable (if not already paid) by Sinopec-NewOcean JV to NBIC. Sinopec-NewOcean JV's profit entitlement from Lianxin Energy shall be determined by an independent audit on the profit generated in Lianxin Energy during the subcontracting period from 1 November 2013 to 31 October 2015. In the event of any losses in Lianxin Energy during the period, NBIC shall be called upon to make good such losses without recourse to Sinopec-NewOcean JV.

### *The Sinopec Sub-contract Termination Agreement*

On 30 October 2015 Sinopec entered into the Sinopec Sub-contract Termination Agreement with Sinopec-NewOcean JV whereby the parties mutually agreed to terminate the Sinopec Sub-contract with effect from 1 November 2015 without liability for breach on either party. The parties confirmed that ten months' subcontracting fee for year 2015 amounted to RMB 1,000,000, (equivalent to HK\$1,225,000) has already been paid by Sinopec-NewOcean JV to Sinopec. Sinopec-NewOcean JV's profit entitlement from Sinopec in respect of the 3 LPG refueling stations concerned shall be determined by an independent audit on the profit generated by these 3 LPG refueling stations during the subcontracting period from 1 November 2013 to 31 October 2015.

## **REASONS FOR THE TERMINATION OF THE ARRANGEMENTS UNDER THE JV AGREEMENT**

The principal businesses of the Group are sale and distribution of LPG and natural gas, oil products business and sale of electronic products, with sale and distribution of LPG and oil products business being the Group's core businesses. The JV Agreement was a part of the Group's growth strategy in 2013 to expand its energy business into the natural gas field by initially targeting the LNG business.

At about year-end 2013 world oil prices began a steep dive and have since been lingering at low levels. The crash in oil prices led to natural gas substantially narrowing its price advantage over LPG and other crude derived petroleum products in the past two years, and investment sentiment in natural gas installations dulled. The lack of enthusiasm was echoed in the LNG field and seriously affected the implementation of the JV Agreement as regards the installing of LNG facilities in filling stations owned by Sinopec in Guangzhou, so that up to the date of this announcement no facilities have yet been installed and the business did not make any contribution to the Group's income.

In the meantime the Company's management kept a keen watch over the challenges caused by the narrowing of price advantage of natural gas, and regarded them as an opportunity for the Group to achieve wider and deeper penetration into the LNG market through end-user networking. By way of mutual exchange of business resources and strengthening of cooperation with local end-users, the Group built up an outstanding business capability to explore opportunities in LNG not offered under the JV Agreement. Since 7 July 2014, the Group succeeded in entered into a number of joint ventures and cooperation arrangements with local operators with existing or potential needs for either LNG or natural gas, these include a large manufacturing based company that have the need for massive land and sea transportation over a large area in South China and its coastal waters, and a piped gas company located in the Pearl Delta region.

The termination of the JV Agreement would, therefore, have no material adverse effect on the operations of the Group. Rather than slowing the Group's entry into the natural gas field, the Termination Agreements would instead accelerate its expansion into this market by enabling direct end-user access, and by opening up a variety of joint-venture/cooperation modes that would meet market needs, which would not be possible under the framework of the JV Agreement.

As a result of the Termination Agreements, starting from 1 November 2015 NBIC is no longer entitled to receive the annual subcontracting fee of RMB10,000,000 (equivalent to approximately HK\$12,246,000) from Sinopec-NewOcean JV. However, the revenue and profits of 17 LPG refueling stations owned by Lianxin Energy in Guangzhou, which had been accounted for as businesses of an associate, will be consolidated to the accounts of the Group. For the ten months ending 31 October 2015, NBIC has received total subcontracting fee of RMB8,333,333 (equivalent to approximately HK\$10,205,000) from Sinopec-NewOcean JV. As a result termination of the arrangements under the JV Agreement would have no material adverse effect on the financial position of the Group

This announcement is made pursuant to Rule 14.36 of the Listing Rules.

*For the purpose of this announcement, amounts quoted in RMB have been converted into HK\$ at a rate of RMB1.00 to HK\$1.22458. Such exchange rates has been used, where applicable, for the purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

By order of the Board  
**NewOcean Energy Holdings Limited**  
**Shum Siu Hung**  
*Chairman*

Hong Kong, 30 October 2015

*As at the date of this announcement, the Board of the Company comprises Mr. Shum Siu Hung, Mr. Shum Chun, Lawrence, Mr. Cen Ziniu, Mr. Chiu Sing Chung, Raymond, Mr. Siu Ka Fai, Brian, and Mr. Wang Jian, being the executive directors, Mr. Cheung Kwan Hung, Anthony, Mr. Chan Yuk Wai, Benedict and Dr. Xu Mingshe, being the independent non-executive directors.*

*\* for identification purposes only*