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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 AND CONNECTED TRANSACTION DEED OF TERMINATION AND NEW SUBSCRIPTION AGREEMENT

TERMINATION OF THE SUBSCRIPTION AGREEMENT

Reference is made to the Company's announcement dated 25 August 2009 relating to the Subscription Agreement, which provided for the subscription of the Subscription Shares at the subscription price of HK\$100,000,000. The Subscription Shares, representing 25% of the enlarged issued capital of NewOcean Development, has been subscribed by the Subscriber and in accordance with the Subscription Agreement a sum of HK\$20,000,000 was paid to NewOcean Development on allotment of the Subscription Shares. Under the Subscription Agreement the balance of the subscription monies in the sum of HK\$80,000,000 would be paid on calls made by NewOcean Development as and when required for the expansion of NewOcean Development's LPG retail business. So far, one sum of HK\$20,000,000 has been called and was paid up by the Subscriber, and the remaining HK\$60,000,000 has not been called.

On account of the strong cash position of the Group following completion of the placing of Shares as announced on 9 December 2009, the Directors have determined that the business expansion in question could be carried out without NewOcean Development making any further calls for subscription monies under the Subscription Agreement. At the request of the Company, the parties agree to execute the Deed of Termination to terminate the Subscription Agreement and to enter into the New Subscription Agreement.

Under the Deed of Termination, on termination of the Subscription Agreement the Subscriber shall transfer the Subscription Shares to NewOcean Hong Kong. In consideration of the transfer, NewOcean Hong Kong shall pay to the Subscriber the sum of HK\$40,000,000, being all the subscription monies received by NewOcean Development from the Subscriber, which sum will be set off against the same amount payable by the Subscriber under the New Subscription Agreement.

* *for identification purposes only*

THE NEW SUBSCRIPTION AGREEMENT

Pursuant to the New Subscription Agreement, the Subscriber shall subscribe for the New Subscription Shares, representing 10% of the enlarged issued capital of NewOcean Resources, at the New Subscription Price of HK\$40,000,000.

Under the New Subscription Agreement, during the Exercise Periods the Subscriber has the right to require NewOcean Resources to repurchase, or to procure the purchase of, the New Subscription Shares under certain conditions. In the event of exercise of the Put-Back Option, the New Subscription Shares will be repurchased (or the purchase of which will be procured) by NewOcean Resources at a consideration equal to the New Subscription Price.

GENERAL

The principal effects of the Deed of Termination and the New Subscription Agreement are (i) to release the parties of their respective obligations under the Subscription Agreement in respect of the uncalled subscription price of HK\$60,000,000 for the Subscription Shares; and (ii) to exchange the Subscription Shares, being 25% shares in NewOcean Development partly paid up into the New Subscription Shares, being 10% fully paid shares in NewOcean Resources.

As the applicable percentage ratios for the Deed of Termination and the New Subscription Agreement exceed 5% but are below 25%, the transactions under them constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules. Also, as NewOcean Development and NewOcean Resources are both subsidiaries of the Company, the Subscriber is a connected person of the Company on account of its existing 25% shareholding in NewOcean Development, and will be a connected person of the Company on account of its proposed 10% shareholding in NewOcean Resources. Therefore the transactions under the Deed of Termination and the New Subscription Agreement also constitute connected transactions for the Company which are subject to the reporting and announcement requirement under Chapter 14A of the Listing Rules, and are further conditional on approval by Independent Shareholders by poll at a special general meeting of the Company convened for this purpose as required under Chapter 14A of the Listing Rules.

An independent board committee of the Company will be formed comprising all the independent non-executive Directors to advise the Independent Shareholders. An independent financial adviser will also be appointed to advise the independent board committee of the Company and the Independent Shareholders in relation to the terms of the Deed of Termination and the New Subscription Agreement.

A circular containing, among other things, details of the Deed of Termination and the New Subscription Agreement, the recommendations of the independent board committee of the Company, the advice from the independent financial adviser to the independent board committee and the Independent Shareholders and a notice to convene a special general meeting of the Company will be despatched to the Shareholders as soon as practicable.

1. THE DEED OF TERMINATION

1.1 Date

8 April 2010

1.2 Parties

The original parties to the Subscription Agreement, being:

- (i) NewOcean Hong Kong, a wholly-owned subsidiary of the Company currently holding 75% of the issued share capital of NewOcean Development;
- (ii) the Subscriber, currently holding 25% of the issued share capital of NewOcean Development; and
- (iii) NewOcean Development, a subsidiary of the Company.

1.3 Termination of the Subscription Agreement

The Subscription Agreement shall terminate on the date the condition to the Deed of Termination as set out in paragraph 3 headed “Condition to the Deed of Termination and the New Subscription Agreement” shall have been fulfilled.

1.4 Transfer of the Subscription Shares

Upon the termination of the Subscription Agreement the Subscriber shall transfer the Subscription Shares to NewOcean Hong Kong so as to restore the latter’s 100% shareholding in NewOcean Development, in consideration of which NewOcean Hong Kong shall pay to the Subscriber a sum of HK\$40,000,000.

The consideration for the transfer of the Subscription Shares was arrived at after arms length negotiation between NewOcean Hong Kong and the Subscriber and equals the aggregate amount of subscription monies that have been paid up by the Subscriber for the Subscription Shares. The transaction will not involve any actual payment since the consideration to be paid to the Subscriber for the transaction will be set off against the consideration payable by the Subscriber under the New Subscription as described in sub-paragraph 2.3 headed “The New Subscription” below.

1.5 Arrangement relating to payment of dividend

The Subscription Shares shall be transferred to NewOcean Hong Kong together with all dividend and distribution rights as if NewOcean Hong Kong had at all times been the registered shareholder of the Subscription Shares.

In recognition of the fact that the Subscriber would, but for the Deed of Termination, be entitled under the Subscription Agreement to the payment of a dividend from NewOcean Development for the year ended on 31 December 2009, NewOcean Hong Kong shall pay to the Subscriber a sum of HK\$250,000 in cash.

The payment of HK\$250,000 equals the resulting sum by multiplying (i) HK\$25,000,000, being an approximately figure representing the unaudited after tax profit from retail sales of bottled LPG for the year ended 31 December 2009 based on the 2009 Accounts multiplied by (ii) 25%, being the percentage of issued shares of NewOcean Development held by the Subscriber, and further multiplied by (iii) 40%, being the percentage of the subscription price for the Subscription Shares paid up by the Subscriber up to the date of the Deed of Termination. The sum was considered by all parties to be fair and reasonable and will be paid out of the Group's internal resources.

2. THE NEW SUBSCRIPTION AGREEMENT

2.1 Date

8 April 2010

2.2 Parties

- (i) NewOcean Hong Kong;
- (ii) the Subscriber; and
- (iii) NewOcean Resources, an indirect wholly-owned subsidiary of the Company which, following a reorganization of the business holding structure for retail sales of bottled LPG of the Group, is currently the holding company of the Retailing Companies.

2.3 The New Subscription

Subject to fulfillment of the condition to the New Subscription Agreement as set out in paragraph 3 headed "Condition to the Deed of Termination and the New Subscription Agreement" below, the Subscriber shall subscribe for the New Subscription Shares, representing 10% of the issued capital of NewOcean Resources as enlarged by the New Subscription, at the New Subscription Price of HK\$40,000,000.

The New Subscription Price was arrived at after arms length negotiation between the parties to the New Subscription Agreement. In arriving at the New Subscription Price, (i) reference was made to the consolidated net asset value of NewOcean Resources and the Retailing Companies of approximately HK\$212,245,000 as shown in the 2009 Accounts; and (ii) consideration was given to the fact that shareholder's loans from the Group to NewOcean Resources in the sum of HK\$100,000,000 will be capitalized pursuant to the terms of the New Subscription Agreement as described in sub-paragraph 2.5 headed "Capitalisation of Shareholder's Loan" below.

2.4 Payment for the New Subscription Price

Payment for the New Subscription Shares will be satisfied by the Subscriber directing NewOcean Hong Kong to pay to NewOcean Resources the sum of HK\$40,000,000 payable by NewOcean Hong Kong under the Deed of Termination.

2.5 Capitalisation of Shareholder's Loan

Out of the net balance of shareholder's loans advanced from the Group to NewOcean Resources as shown in the 2009 Accounts, an amount of HK\$100,000,000 will be capitalized on or before 30 September 2010 pursuant to the New Subscription Agreement so as to bring about a corresponding increase in shareholders' equity in NewOcean Resources.

2.6 Put-Back Option

The Subscriber has the right to require NewOcean Resources to repurchase, or to procure the purchase of, all the New Subscription Shares as follows:

- (a) The Subscriber may exercise the Put-back Option at any time during the First Exercise Period if:
 - (i) the 2009 Audited Accounts has not been provided to the Subscriber on or before 30 June 2010; or
 - (ii) in the 2009 Audited Accounts, the audited consolidated net asset value of NewOcean Resources (adjusted so as not to take into account the New Subscription or any capitalization of shareholder's loans) is less than the consolidated net asset value of the Retailing Companies and their holding company as shown in the 2008 Accounts.

- (b) The Subscriber may exercise the Put-Back Option at any time during the Second Exercise Period if the shares of NewOcean Resources (or shares issued by NewOcean Resources or any of its subsidiaries or holding companies in exchange for the shares of NewOcean Resources pursuant to a reorganization) are not listed on the main board of the Stock Exchange on or before 1 July 2012.

The repurchase consideration equals the New Subscription Price, and will be funded by internal resources of the Group in the event the Put-Back Option is exercised.

3. CONDITION TO THE DEED OF TERMINATION AND THE NEW SUBSCRIPTION AGREEMENT

The Deed of Termination and the New Subscription Agreement are both conditional upon approval by a majority vote at a general meeting of the Shareholders.

4. INFORMATION ON THE GROUP AND ITS BUSINESS OF RETAIL SALES OF BOTTLED LPG

The principal businesses of the Group are the sale and distribution of LPG and sale of electronic products, being mainly mobile phones and electronic components. Part of the LPG business of the Group, namely retail sales of bottled LPG, is being carried out by the Retailing Companies which, prior to the end of the year 2009, were all subsidiaries of NewOcean Development. Through the Retailing Companies, NewOcean Development owned and operated, or owned the operating rights of, 13 local LPG depots (counted up to the end of 2009) in Guangdong and Guangxi with each depot having its own chain of retail outlets.

5. INFORMATION ON NEWOCEAN RESOURCES

NewOcean Resources is a wholly owned subsidiary of the Company incorporated in the British Virgin Island on 18 November 2009. As NewOcean Development had in previous years been involved in other businesses of the Group, immediately before the end of December 2009 the business of retail sales of bottled LPG held under NewOcean Development was transferred to NewOcean Resources in order to achieve a better delineation of that business from the rest of the Group. The unaudited consolidated financial highlights and operating results of NewOcean Resources and the Retailing Company for the year ended 31 December 2009 complied after the reorganization, with comparative figures for the year ended 31 December 2008 from the management accounts of NewOcean Development are as follows:

	12 months ended 31 December 2009	12 months ended 31 December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Turnover	920,531	1,043,001
Net profit before tax	<u>41,598</u>	<u>19,647</u>
Net profit after tax	<u>23,816</u>	<u>20,940</u>
	As at	As at
	31 December 2009	31 December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Total Assets	440,158	325,639
Total Liabilities	226,386	260,610
Net Assets	213,772	65,029
Minority Interests	<u>(1,527)</u>	<u>(1,531)</u>
Equity Attributable to Equity Holders	<u>212,245</u>	<u>63,498</u>

6. USE OF PROCEEDS OF THE NEW SUBSCRIPTION

The proceeds receivable from the Subscriber under the New Subscription Agreement will be set off against an equal amount payable by NewOcean Hong Kong to the Subscriber under the Deed of Termination.

7. REASONS AND BENEFITS FOR THE DEED OF TERMINATION AND THE NEW SUBSCRIPTION

The principal effects of the Deed of Termination and the New Subscription Agreement are (i) to release the parties of their respective obligations under the Subscription Agreement in respect of the uncalled subscription price of HK\$60,000,000 for the Subscription Shares; and (ii) to exchange the Subscription Shares which have been partly paid up into the New Subscription Shares, being 10% fully paid shares in NewOcean Resources.

As originally agreed under the Subscription Agreement, subscription monies from the Subscriber amounting to HK\$100,000,000 in total should be used exclusively for expansion of NewOcean Development's business, being retail sales of bottled LPG. The business expansion involves, among other things, the setting up of bottled LPG operations in Hong Kong and Macau. Except for an amount of HK\$20,000,000 paid on allotment of the Subscription Shares, these subscription monies were to be paid on calls made by NewOcean Development as and when required for the business expansion aforesaid. Due to the time needed for government approval to the change of land-use conditions for the sites designated as the Group's bottled LPG depot in Hong Kong, so far out of the amount of HK\$80,000,000 to be paid on call, only one sum of HK\$20,000,000 has been called which has been paid up. The balance of HK\$60,000,000 has remained uncalled.

In the meantime, on account of the strong cash position of the Group following completion of the placing of Shares as announced by the Company on 9 December 2009, the Directors have determined that the business expansion in question could be carried out without NewOcean Development making any further calls for subscription monies under the Subscription Agreement. At the request of the Company, the parties agree to execute the Deed of Termination to terminate the Subscription Agreement and to enter into the New Subscription Agreement.

The Deed of Termination and the New Subscription Agreement will simplify the equity holding structure of the Retailing Companies and the corresponding accounting treatment — exchanging the Subscription Shares for the New Subscription Shares avoids the holding of partly paid shares by the Subscriber. After completion of the New Subscription Agreement, the Subscriber will hold 10% of the issued share capital of NewOcean Resources credited as fully paid up and ranking equally with all other shares of NewOcean Resources. The Directors, including the independent non-executive Directors, consider the terms of the Deed of Termination and the New Subscription Agreement to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

As the Subscription Agreement has not been performed in full, the prospective gain of the Company from the subscription of the Subscription Shares has not yet been booked in the Company's consolidated accounts for the year ended 31 December 2009. Therefore, the Deed of Termination will not have any material financial effect on the Company other than the payment of the sum of HK\$250,000 to the Subscriber in lieu of any dividend payment it would receive from NewOcean Development. On the other hand, the New Subscription will result in a gain of approximately HK\$19,755,000 for the Company, being the difference between the New Subscription Price and the net asset value of NewOcean Resources attributable to the New Subscription Shares. The amount will be directly charged to the reserve of the Company.

8. INFORMATION ON THE SUBSCRIBER

The Subscriber is a company incorporated in the British Virgin Islands the shareholders of which have over 30 years' investment experience in hotels, real estate development, factories and in the petroleum industry.

9. LISTING RULES IMPLICATIONS

As the applicable percentage ratios for the Deed of Termination and the New Subscription Agreement exceed 5% but are below 25%, the transactions under them constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules. Also, as NewOcean Development and NewOcean Resources are both subsidiaries of the Company, the Subscriber is a connected person of the Company on account of its existing 25% shareholding in NewOcean Development, and will be a connected person of the Company on account of its proposed 10% shareholding in NewOcean Resources. Therefore the transactions under the Deed of Termination the New Subscription Agreement also constitute connected transactions for the Company which are subject to the reporting and announcement requirement under Chapter 14A of the Listing Rules, and are further conditional on approval by Independent Shareholders by poll at a special general meeting of the Company to be convened for this purpose as required under Chapter 14A of the Listing Rules.

An independent board committee of the Company will be formed comprising all the independent non-executive Directors to advise the Independent Shareholders. An independent financial adviser will also be appointed to advise the independent board committee of the Company and the Independent Shareholders in relation to the terms of the Deed of Termination and the New Subscription Agreement.

A circular containing, among other things, details of the Deed of Termination and the New Subscription Agreement, the recommendations of the independent board committee of the Company, the advice from the independent financial adviser to the independent board committee and the Independent Shareholders and a notice to convene a special general meeting of the Company will be despatched to the Shareholders as soon as practicable.

10. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“2008 Accounts” means the unaudited pro-forma financial statements of the the Retailing Companies and their holding company as at 31 December 2008 prepared on a consolidated basis and on the assumption that the equity ownership structure of the Retailing Companies as at the date of the New Subscription Agreement had been in existence on 31 December 2008

“2009 Accounts” means the unaudited consolidated financial statements of NewOcean Resources and the Retailing Companies for the 12 months ending on 31 December 2009

“2009 Audited Accounts”	means the audited consolidated financial statements of NewOcean Resources and the Retailing Companies for the 12 months ending on 31 December 2009
“Company”	means NewOcean Energy Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Stock Exchange
“Deed of Termination”	means a deed of termination and release executed on 8 April 2010 between NewOcean Hong Kong, the Subscriber and NewOcean Development relating to the termination of the parties’ respective obligations under the Subscription Agreement
“Directors”	means directors of the Company
“Group”	means the Company together with its subsidiaries and jointly controlled entities
“Exercise Periods”	means the First Exercise Period and the Second Exercise Period
“First Exercise Period”	means the first period during which the Put-Back Option may be exercised, being the period commencing on 1 July 2010 and ending 3 months after that day (both days inclusive)
“Hong Kong”	means The Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	means Hong Kong Dollars, the lawful currency of Hong Kong
“Independent Shareholders”	means all the Shareholders as no Shareholder is required to abstain from voting in relation to the approval of the Deed of Termination and the New Subscription Agreement
“LPG”	means liquefied petroleum gas
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	means The Macau Special Administrative Region of the PRC

“NewOcean Development”	means NewOcean Development Limited, a wholly owned subsidiary of NewOcean Hong Kong incorporated in the British Virgin Islands which, prior to the end of the year 2009, was the holding company of the Retailing Companies
“NewOcean Hong Kong”	means Sound Hong Kong Limited, a subsidiary of the Company incorporated in the British Virgin Islands which currently holds the entire issued share capital of NewOcean Resources and 75% of the issued shares of NewOcean Development
“NewOcean Resources”	means Best Resources Base Limited, a wholly owned subsidiary of NewOcean Hong Kong incorporated in the British Virgin Islands which, as at 31 December 2009, is the holding company of the Retailing Companies
“New Subscription Agreement”	means the agreement date 8 April 2010 entered into between NewOcean Hong Kong, the Subscriber and NewOcean Resources relating to the New Subscription
“New Subscription”	means the subscription of the New Subscription Shares under the New Subscription Agreement
“New Subscription Price”	means the consideration of HK\$40,000,000 for the New Subscription Shares payable by the Subscriber under the New Subscription Agreement
“New Subscription Shares”	means 5,000 shares of US\$1.00 each in the share capital of NewOcean Resources to be issued and allotted to the Subscriber pursuant to the New Subscription Agreement
“PRC”	means the People’s Republic of China, which, for the purposes of this announcement, excludes Hong Kong and Macau
“Put-Back Option”	means the right of the Subscriber to require NewOcean Resources to repurchase, or procure the purchase of, the New Subscription Shares
“Retailing Companies”	means the indirect subsidiaries and a jointly controlled entity currently held under NewOcean Resources all of which are engaged in retail sales of bottled LPG

“Second Exercise Period”	means the second period during which the Put-Back Option may be exercised, being the period commencing on 1 July 2012 and ending 6 months after that day (both dates inclusive)
“Shares”	means shares of HK\$0.10 each in the issued capital of the Company
“Shareholder(s)”	means holder(s) of the Shares
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Subscriber”	means Provisional Talent Limited, a company incorporated in the British Virgin Islands
“Subscription Agreement”	means the agreement date 21 August 2009 entered into between NewOcean Hong Kong, the Subscriber and NewOcean Development relating to the subscription of the Subscription Shares
“Subscription Shares”	means 12,500 shares of US\$1.00 each in the share capital of NewOcean Development which has been issued and allotted to the Subscriber pursuant to the Subscription Agreement, partly paid

By Order of the Board
Shum Siu Hung
Chairman

Hong Kong, 8 April 2010

As at the date of this announcement, the Board of the Company comprises Mr. Shum Siu Hung, Mr. Lawrence Shum Chun, Mr. Raymond Chiu Sing Chung, Mr. Cen Ziniu, Mr. Siu Ka Fai, Brian, Mr. Cai Xikun and Mr. Wang Jian, being the Executive Directors, Mr. Wu Hong Cho being the Non-executive Director, Mr. Anthony Cheung Kwan Hung, Mr. Benedict Chan Yuk Wai and Dr. Xu Mingshe being the Independent Non-executive Directors.