
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in NewOcean Energy Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, 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 circular.



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>

DISCLOSEABLE AND CONNECTED TRANSACTION SUBSCRIPTION OF SHARES IN NEWOCEAN DEVELOPMENT LIMITED

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



CIMB Securities (HK) Limited

A letter from the Board is set out on pages 5 to 15 of this circular.

A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 16 to 17 of this circular.

A letter from CIMB containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 31 of this circular.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
1. Introduction	5
2. The Subscription Agreement	6
3. Information on the Group and its LPG Businesses	10
4. Information on NewOcean Development	11
5. Information on the Subscriber	12
6. Use of Proceeds from the Subscription	12
7. Reasons and Benefits of the Subscription Agreement	12
8. Possible financial effects of the Subscription	13
9. Listing Rules Implications	14
10. Independent Board Committee and Independent Financial Adviser	15
11. Recommendation	15
12. Additional Information	15
Letter from the Independent Board Committee	16
Letter from CIMB	18
Appendix	32

DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context otherwise requires:

“2008 Accounts”	the unaudited pro-forma financial statements of the Company and the Retailing Companies as at 31st 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 Subscription Agreement had been in existence on 31st December 2008
“2009 Accounts”	the audited consolidated financial statements of NewOcean Development and the Retailing Companies for the 12 months ending on 31 December 2009
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“CIMB”	CIMB Securities (HK) Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription
“Company”	NewOcean Energy Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Group”	the Company together with its subsidiaries and jointly controlled entities
“Exercise Periods”	the First Exercise Period, the Second Exercise Period and the Third Exercise Period

DEFINITIONS

“First Exercise Period”	the first period during which the Put-Back Option may be exercised, being the period commencing on 16 May 2010 and ending 3 months after that day (both days inclusive)
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, namely Mr. Cheung Kwan Hung, Anthony, Mr. Chan Yuk Wai, Benedict and Dr. Xu Mingshe
“Independent Shareholders”	all the Shareholders as no Shareholder is required to abstain from voting in relation to the approval of the Subscription
“LPG”	liquefied petroleum gas
“Latest Practicable Date”	11 September 2009, being the latest practicable date before the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Macau”	Macau Special Administrative Region of the PRC
“NewOcean Development”	NewOcean Development Limited, a wholly-owned subsidiary of NewOcean Hong Kong incorporated in the British Virgin Islands which holds the Retailing Companies
“NewOcean Hong Kong”	Sound Hong Kong Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands which currently holds the entire issued share capital of NewOcean Development

DEFINITIONS

“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“PRC”	the People’s Republic of China, which, for the purposes of this circular, excludes Hong Kong and Macau
“Put-Back Option”	the right of the Subscriber to require NewOcean Development to repurchase, or procure the repurchase of, the Subscription Shares
“Retailing Companies”	the indirect subsidiaries and a jointly controlled entity of the NewOcean Development engaged in LPG retail business
“Repurchase Consideration”	the consideration payable by NewOcean Development for the repurchase of the Subscription Shares upon exercise of the Put-Back Option by the Subscriber pursuant to the Subscription Agreement
“Second Exercise Period”	the second period during which the Put-Back Option may be exercised, being the period commencing on 1 September 2010 and ending 3 months after that day (both dates inclusive)
“Shares”	shares of HK\$0.10 each in the issued capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Provisional Talent Limited, a company incorporated in the British Virgin Islands
“Subscription Agreement”	the agreement dated 21 August 2009 entered into between (i) NewOcean Hong Kong; (ii) the Subscriber; and (iii) NewOcean Development relating to the Subscription

DEFINITIONS

“Subscription”	subscription of the Subscription Shares by the Subscriber
“Subscription Price”	HK\$100,000,000 payable in cash under the Subscription
“Subscription Shares”	12,500 new shares of US\$1.00 each in the share capital of NewOcean Development to be issued and allotted to the Subscriber pursuant to the Subscription Agreement
“Third Exercise Period”	the third 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)
“Uniocean”	Uniocean Investments Limited, the controlling shareholder of the Company
“US\$”	United States Dollars, the lawful currency of the United States of America



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>

Executive Directors:

Shum Siu Hung (*Chairman*)

Shum Chun, Lawrence (*Managing Director*)

Chiu Sing Chung, Raymond

Cen Ziniu

Cai Xikun

Siu Ka Fai, Brian

Wang Jian

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Non-Executive Director:

Wu Hong Cho

*Head office and principal
place of business:*

20th Floor, Times Tower

393 Jaffe Road, Wanchai

Hong Kong

Independent non-executive Directors:

Cheung Kwan Hung, Anthony

Chan Yuk Wai, Benedict

Dr. Xu Mingshe

15 September 2009

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION SUBSCRIPTION OF SHARES IN NEWOCEAN DEVELOPMENT

1. INTRODUCTION

On 25 August 2009, the board of Directors announced that NewOcean Hong Kong together with the Subscriber and NewOcean Development entered into the Subscription Agreement on 21 August 2009 relating to the subscription of shares in NewOcean Development. The Subscription Shares represent 25% of the issued

LETTER FROM THE BOARD

share capital of NewOcean Development as enlarged by the Subscription. Under the Subscription Agreement, the Subscriber has the right to require NewOcean Development to repurchase, or to procure the repurchase of the Subscription Shares at any time during the Exercise Periods. The transactions under the Subscription Agreement constitute a connected and discloseable transaction of the Company under the Listing Rules.

The purpose of this circular is to provide you with further information on the Subscription. Also set out in this circular are: (i) a letter to the Independent Shareholders from the Independent Board Committee; (ii) a letter of advice from CIMB to the Independent Board Committee and the Independent Shareholders; and (iii) other information as required under the Listing Rules.

2. THE SUBSCRIPTION AGREEMENT

2.1 Date

21 August 2009.

2.2 Parties

- (i) NewOcean Hong Kong, a wholly-owned subsidiary of the Company which as at the date of the Subscription Agreement holds the entire issued share capital of NewOcean Development;
- (ii) the Subscriber. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Subscriber and its ultimate beneficial owners are third parties all of whom are independent of the Company and connected persons of the Company; and
- (iii) NewOcean Development, an indirect subsidiary of the Company and being the holding company of the Retailing Companies.

LETTER FROM THE BOARD

2.3 The Subscription

Pursuant to the Subscription Agreement, the Subscriber will subscribe for the Subscription Shares at the Subscription Price, being the sum of HK\$100,000,000, payable in cash to NewOcean Development. The Subscription Shares represent 25% of the issued capital of NewOcean Development as enlarged by the Subscription.

The Subscription Price was arrived at after arms length negotiation between NewOcean Development and the Subscriber. In arriving at the Subscription Price, (i) reference was made to the consolidated net asset value of NewOcean Development and the Retailing Companies of approximately HK\$63,498,000 as shown in the 2008 Accounts; and (ii) taking into account that the advance from companies of the Group of HK\$200,000,000 (“**Shareholder’s Loan**”) as shown in the 2008 Accounts will be capitalized pursuant to the terms of the Subscription Agreement.

2.4 Payment of the Subscription Price

An amount of HK\$20,000,000 in the Subscription Price shall be paid by the Subscriber in cash on allotment of the Subscription Shares. The balance of HK\$80,000,000 shall be paid by the Subscriber over a period of up to 12 months in separate sums after the receipt of calls for such sums by NewOcean Development.

2.5 Condition to the Subscription

Completion of the Subscription is conditional upon the Subscription Agreement and the transactions contemplated thereunder being approved by the Independent Shareholders. As described in paragraph 9 headed “Listing Rule Implications” below, the Company has obtained written approval of the Subscription from Uniocean which holds approximately 50.94% of the issued share capital of the Company as at the Latest Practicable Date. The Company has also obtained from the Stock Exchange a waiver pursuant to Rule 14A.43 of the Listing Rules from its obligation to convene a general meeting for the purpose of independent shareholders’ approval.

LETTER FROM THE BOARD

2.6 Capitalisation of Shareholder's Loan

Out of the amount of HK\$200,000,000 of Shareholder's Loan, an amount of HK\$100,000,000 will be capitalized and converted into paid-up shares of NewOcean Development within 3 months from the date of the Subscription Agreement, and the remaining HK\$100,000,000 will be capitalized before the listing referred to in the Third Exercise Period described in sub-paragraph 2.8 headed "Put-Back Option" below.

2.7 Other Major Terms of the Subscription Agreement

Pursuant to the Subscription Agreement, NewOcean Hong Kong and NewOcean Development undertake that the floating charges over certain assets of NewOcean Development and the Retailing Companies in support of certain banking facilities available to the Group will be released within 12 months from the date of the Subscription Agreement.

2.8 Put-Back Option

Pursuant to the Subscription Agreement, the Subscriber has the right to require NewOcean Development to repurchase, or to procure the purchase of, all (but not part) of the Subscription Shares at any time during the Exercise Periods as follows:

- (a) The Subscriber may (but is not obliged to) exercise the Put-Back Option at any time during the First Exercise Period if:
 - (i) the 2009 Accounts has not been provided to the Subscriber on or before 15 May 2010; or
 - (ii) in the 2009 Accounts:
 - (aa) the consolidated net asset value of NewOcean Development and the Retailing Companies (adjusted so as not to take into account the Subscription or any capitalisation of the Shareholder Loan) is less than the consolidated net asset value of NewOcean Development and the Retailing Companies as shown in the 2008 Accounts; or;

LETTER FROM THE BOARD

- (bb) the consolidated net profit after tax of NewOcean Development and the Retailing Companies is less than 110% of the consolidated net profit after tax of the NewOcean Development and the Retailing Companies as shown in the 2008 Accounts.
- (b) The Subscriber may (but is not obliged to) exercise the Put-Back Option at any time during the Second Exercise Period if the undertaking as set out in sub-paragraph 2.6 above has not been fulfilled.
- (c) The Subscriber may exercise the Put-Back Option at any time during the Third Exercise Period if the shares of NewOcean Development (or shares issued by NewOcean Development or any of its subsidiaries or holding companies in exchange for the shares of NewOcean Development pursuant to a reorganization) are not listed on the main board of the Stock Exchange on or before 1 July 2012.
- (d) The Repurchase Consideration, being an amount equal to the Subscription Price (or if the Subscription Price has not been fully paid at the time of exercise of the Put-Back Option, the amount actually paid by the Subscriber) and payable in cash:
- (i) as to one-fourth of the Repurchase Consideration within fifteen business days from the service of the notice of the exercise of the Put-Back Option; and
 - (ii) the remaining balance payable by three equal instalments at the end of the 4th, 8th and 12th month from the service of the notice of the exercise of the Put-Back Option, with interest at 5% per annum to accrue during the period from the exercise of the Put-Back Option to the date of receipt of the relevant instalment by the Subscriber.

LETTER FROM THE BOARD

3. INFORMATION ON THE GROUP AND ITS LPG BUSINESSES

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.

The LPG businesses of the Group initially involved only the retail sales of bottled LPG to domestic users in the PRC. In 2004, the Group acquired the NewOcean Sea Terminal in Zhuhai, the PRC through the acquisition of the entire registered capital of 新海能源(珠海)有限公司 (NewOcean Energy (Zhuhai) Company Limited). Using the NewOcean Sea Terminal as storage depot and the logistics centre, the Group established a LPG wholesale business which involves the import, distribution and re-export of LPG. Through organic expansion and a series of business acquisitions made by the Group, both the LPG retail business and the LPG wholesale business have grown significantly since their establishment. Currently the retail network of the Group covers 8 cities in the Guangdong and Guangxi region. As a LPG importer, exporter and wholesaler, the NewOcean Sea Terminal now ranks number one in the PRC in terms of the through-put volume.

In light of the growth in its LPG wholesale and retail businesses, the Company has since 2006 been reorganizing the equity holding relationship between companies in the Group. Currently, the LPG wholesale and retail businesses are being carried out under two different subsidiaries of the Company, each with its own business focus and possessing an appropriate degree of independence in its management.

LETTER FROM THE BOARD

4. INFORMATION ON NEWOCEAN DEVELOPMENT

NewOcean Development was incorporated in the British Virgin Islands on 28 April 2006 as part of the reorganization of the Group described in paragraph 3 headed “Information on the Group and its LPG Businesses” above. Through the Retailing Companies, NewOcean Development owns and operates, or owns the operating rights of, 13 local LPG depots in Guangdong and Guangxi, each depot having its own chain of retail outlets. The consolidated financial highlights and operating results of NewOcean Development and the Retailing Company for the year ended 31 December 2008 and 2007 are as follows:

	12 months ended 31 December 2008	12 months ended 31 December 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Turnover	1,043,001	381,089
Net profit before tax	19,647	31,378
Net profit after tax	20,940	30,022
	As at 31 December 2008	As at 31 December 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Total Assets	325,639	325,039
Total Liabilities	260,610	272,149
Net Assets	65,029	52,890
Minority Interests	(1,531)	(10,713)
Equity Attributable to Equity Holders	63,498	42,177

LETTER FROM THE BOARD

5. 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 the petroleum industry.

6. USE OF PROCEEDS FROM THE SUBSCRIPTION

Under the Subscription Agreement, the proceeds from the Subscription will be applied exclusively for the business expansion of NewOcean Development, and shall include (i) the setting up of bottled LPG operations in Hong Kong, including the acquisition/leasing of LPG depot site(s) and related facilities; (ii) the setting up of bottled LPG operations in Macau; and (iii) the acquisition of additional stock and equipment.

7. REASONS AND BENEFITS OF THE SUBSCRIPTION AGREEMENT

During the last few years, the Group has made substantial investments in connection with its infrastructural development, namely, expansion of the NewOcean Sea Terminal and acquisition of local depots and retail chains. A large part of these investments were funded by long-term bank borrowings secured by assets of the Group, with interest rates pegged to inter-bank lending rate. Despite the Group's past success in funding its expansion through these bank borrowings, the Directors consider it prudent to adopt a different funding strategy for investing in the key LPG retail projects now underway in the Group. The Subscription provides an opportunity for the Group to expand its LPG retail business without additional bank borrowings, thereby avoiding the need for further encumbering the Group's assets. Further, although in the past the Group has benefited from a generally low level of bank lending interest rates, the lending market is liable to changes. Through the Subscription, the risk of a negative impact on the Group's profitability will be mitigated should lending interest rates rise in future. As a whole, the Directors consider the Subscription to be an efficient method to fund the expansion of the LPG retail business as an alternative to long term bank borrowings. Since the Subscription does not require guarantees or other forms of financial assistance from other members of the Group, it is consistent with the Group's plan that the LPG retail business should have a distinctive business focus of its own, and be operationally independent of other members of the Group.

NewOcean Development will continue to be an indirect subsidiary of the Company following the Subscription.

LETTER FROM THE BOARD

8. POSSIBLE FINANCIAL EFFECTS OF THE SUBSCRIPTION

Based on the consolidated net asset value of NewOcean Development and the Retailing Companies as shown in the 2008 Accounts, the Subscription, if taken alone, is expected to result in a gain of approximately HK\$84,125,000 for the Group, being the difference between the Subscription Price and the Group's 25% attributable interest in the net assets of New Ocean Development and the Retailing Companies. Side by side with this gain, the Subscription Agreement is expected to give rise to cost and outgoings associated with (i) the capitalisation of the Shareholder's Loan as referred to in sub-paragraph 2.6 headed "Capitalisation of Shareholder's Loan" above; and (ii) the Put-Back Option as referred to in sub-paragraph 2.8 headed "Put-Back Option" above. Depending on accounting treatment, the relevant cost item(s) may need to be recognized together with (and netted off against) the aforesaid gain of approximately HK\$84,125,000.

In relation to the capitalisation of the Shareholder's Loan, under the Subscription Agreement an amount of HK\$100,000,000 of Shareholder's Loan will be capitalised within 3 months of the date of Subscription Agreement. Also under the Subscription Agreement NewOcean Hong Kong is required to maintain the Subscriber's 25% proportional shareholding interest in NewOcean Development. As a result of the above, depending on the method adopted to give effect to the capitalisation and assuming there is no material change in the consolidated net asset value of NewOcean Development and the Retailing Companies, an amount up to a maximum of HK\$25,000,000 would be deducted from the Group's profit in its financial results for the year ending 31 December 2009 as being profit attributed to the minority shareholder of NewOcean Development. Similarly for the remaining HK\$100,000,000 of Shareholder's Loan to be capitalised, depending on the timing of the capitalization and the accounting treatment, a further amount up to a maximum of HK\$25,000,000 would be deducted from the Group's profit for the appropriate accounting period.

In relation to the Put-Back Option, the Directors intend to conduct an independent valuation of its fair value at initial recognition. The fair value of the Put-Back Option is a financial liability to the Group and will be charged to the consolidated profit and loss account of the Company commencing from the current year to the earlier of the year when the last Exercise Period expires and the year when the Put-Back Option is exercised.

LETTER FROM THE BOARD

It is presently intended that, in the event the Put-Back Option is exercised by the Subscriber and NewOcean Development is obliged to repurchase the Subscription Shares, the Repurchase Consideration will be funded partly by bank borrowings and partly by internal resources of the Group.

9. LISTING RULES IMPLICATIONS

As the applicable percentage ratios exceed 5% but are less than 25%, the transactions under the Subscription Agreement constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

Also, in view of the obligation of NewOcean Development to repurchase the Subscription Shares in the event the Subscriber exercises its rights under the Put-Back Option, the transactions under the Subscription Agreement constitute a connected transaction of the Company under Rule 14A.13 of the Listing Rules. As the applicable percentage ratios exceed 2.5% and the total consideration is more than HK\$10,000,000, these transactions will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the extent the Directors are aware having made all reasonable enquiries, the Subscriber and its associates do not own any Shares. Since no Shareholder is interested in the Subscription Agreement, none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for approval of the Subscription. The Company has obtained written approval of the Subscription from Uniocean which holds approximately 50.94% of the issued share capital of the Company as at the Latest Practicable Date. The Company has also obtained from the Stock Exchange a waiver pursuant to Rule 14A.43 of the Listing Rules from its obligation to convene a general meeting for the purpose of independent shareholders' approval.

LETTER FROM THE BOARD

10. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all three independent non-executive Directors, namely Mr. Cheung Kwan Hung, Anthony, Mr. Chan Yuk Wai, Benedict and Dr. Xu Mingshe, has been established to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions thereunder. Your attention is drawn to the letter from the Independent Board Committee set out on page 16 of this circular.

CIMB has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions thereunder. Your attention is drawn to the letter of CIMB as set out on pages 18 to 31 of this circular.

11. RECOMMENDATION

The Directors (including the independent non-executive Directors whose views are stated in the letter from the Independent Board Committee included in this circular) are of the view that the terms of the Subscription Agreement are of normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Subscription is in the interests of the Company and the Shareholders as a whole.

12. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
By Order of the Board
NewOcean Energy Holdings Limited
Shum Siu Hung
Chairman



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>

15 September 2009

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSABLE AND CONNECTED TRANSACTION SUBSCRIPTION OF SHARES IN NEWOCEAN DEVELOPMENT LIMITED

We refer to the circular dated 15 September 2009 issued by NewOcean Energy Holdings Limited of which this letter forms part. Terms used in this letter shall have the same respective meanings as those defined in this circular, unless the context otherwise requires. We have been appointed by the Board as the Independent Board Committee to give you a recommendation in respect of the terms of the Subscription Agreements and the transactions thereunder.

We wish to draw your attention to the letter from the Board as set out on pages 5 to 15 of the circular which sets out, among other things, information relating to the Subscription Agreement, and the letter from CIMB to the Independent Board Committee and the Independent Shareholders as set out on pages 18 to 31 of the circular which contains its advice to us and to you in relation to the Subscription Agreement.

Having considered the terms of the Subscription Agreement and taken into account the advice of CIMB, we consider that the terms of the Subscription Agreement are in the interests of the Group and the Independent Shareholders as a whole and are fair and reasonable so far as the Group and the Independent Shareholders are concerned. As

* *for identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

such, we would recommend the Independent Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder if the Company were to convene a general meeting for the approval of the Subscription.

Yours faithfully,
Independent Board Committee

Cheung Kwan Hung, Anthony

Independent

non-executive Director

Chan Yuk Wai, Benedict

Independent

non-executive Director

Xu Mingshe

Independent

non-executive Director



CIMB Securities (HK) Limited

25th Floor, Central Tower
28 Queen's Road Central
Hong Kong

15 September 2009

*To the Independent Board Committee and the Independent Shareholders of
NewOcean Energy Holdings Limited*

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION
SUBSCRIPTION OF SHARES IN
NEWOCEAN DEVELOPMENT LIMITED**

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Subscription, details of which are contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 15 September 2009, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 21 August 2009, NewOcean Hong Kong, the Subscriber and NewOcean Development entered into the Subscription Agreement pursuant to which the Subscriber has conditionally agreed to subscribe for the Subscription Shares, representing 25% of the issued share capital of NewOcean Development as enlarged by the Subscription, at the Subscription Price of HK\$100,000,000 payable in cash. In view of the obligation of NewOcean Development to repurchase, or procure the repurchase of, the Subscription Shares in the event that the Subscriber exercises its rights under the Put-Back Option, the Subscription constitutes a connected transaction for the Company under the Listing Rules and is subject to the announcement, reporting and the Independent Shareholders’ approval requirements under 14A of the Listing Rules. As no Shareholder is interested

LETTER FROM CIMB

in the Subscription Agreement and none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the Subscription, the Company has applied to and obtained approval from the Stock Exchange for a waiver under which written Independent Shareholders' approval may be accepted in lieu of holding a general meeting. The Company has obtained written approval of the Subscription from Uniocan which has no interest in the Subscription other than its interest as a Shareholder holding 490,779,280 Shares, representing approximately 50.94% of the existing issued share capital of the Company as at the Latest Practicable Date. Accordingly, no general meeting of the Shareholders will be held to consider and approve the transactions contemplated under the Subscription Agreement.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Cheung Kwan Hung, Anthony, Mr. Chan Yuk Wai, Benedict and Dr. Xu Mingshe, has been formed to advise the Independent Shareholders in relation to the Subscription.

Our role, as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription, is to provide an independent opinion to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Subscription Agreement.

BASIS OF OUR OPINION

In formulating our opinion, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules including the notes thereto to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the information and facts contained or referred to in the Circular, the information provided by the Company and our review of the relevant public information. We have also assumed that the information, facts and representations contained or referred to in the Circular were true and accurate at the time they were made and will continue to be true and accurate up to the date of the Circular. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, the Subscriber or any of their respective subsidiaries or associates. We have no reason to doubt the truth, accuracy and completeness of the information, facts and representations provided and represented to us by the Company. We have also been advised by the Company and believe that no material facts have been omitted from the Circular.

LETTER FROM CIMB

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion, we have considered the following principal factors and reasons:

(I) Background and reasons for the Subscription

(i) *Background*

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. The LPG business of the Group involves retail sales of bottled LPG to domestic users in the PRC and LPG wholesale business including import, distribution and re-export of LPG. We note from the letter from the Board (the “**Letter from the Board**”) of the Circular that as a LPG importer, exporter and wholesaler, the Group’s NewOcean Sea Terminal in Zhuhai ranks number one in the PRC in terms of through-put volume. As noted from the annual report of the Company for the year ended 31 December 2008 (“**2008 Annual Report**”), the NewOcean Sea Terminal accomplished a through-put volume of more than 1,000,000 tons, contributing about 25.23% of China’s LPG import volume and 38.21% of China’s LPG export volume, in 2008.

As stated in the 2008 Annual Report, the total sales volume of the Group’s LPG business was about 795,000 tons, representing 22.3% growth comparing with that of 650,000 tons in 2007. LPG turnover surged to approximately HK\$5,702 million, representing 92.6% of the Group’s total turnover and an increase of 55.2% comparing with that of about HK\$3,674 million in 2007. The turnover increase of 55.2% was significantly higher than the sales volume growth of 22.3%, which was mainly attributable to the increase in LPG price during 2008. We also note that the LPG business of the Group mainly focuses on the market of Guangdong province and its neighbouring areas and the Group has made substantial efforts in expanding its LPG business in 2008 with its market share in Guangdong province increased from 8.91% in 2007 to 11.68% in 2008.

Originally, both the LPG wholesale and retail businesses were operated under NewOcean Development. In light of the growth in its LPG wholesale and retail businesses, the Group has since 2006 been reorganizing the equity holding relationship between companies within the Group. Currently, the LPG wholesale and retail businesses are being carried out under two different subsidiaries of the Group. NewOcean Development is the intermediate holding company for the LPG retail business.

LETTER FROM CIMB

(ii) Reasons for the Subscription

We have discussed with the management of the Company and understand that during the past few years, the Group has made substantial investments in connection with its infrastructural development, namely, expansion of the NewOcean Sea Terminal and acquisition of local depots and retail chains. It is also part of the Group's strategic plan to invest in Hong Kong and Macau LPG retail business to streamline the downstream distribution channels.

As noted from the Letter from the Board, a large part of the investments the Company made in the past years was funded by long-term bank borrowings secured by assets of the Group, with interest rates pegged to inter-bank lending rate. Despite the Group's past success in funding its expansion through these bank borrowings, the Directors consider it prudent to adopt a different funding strategy for investing in the key LPG retail projects of the Group now underway. As stated in the Letter from the Board, the proceeds from the Subscription will be applied exclusively for business expansion of NewOcean Development, which shall include (i) the setting up of bottled LPG operations in Hong Kong, including the acquisition/leasing of LPG depot site(s) and related facilities; (ii) the setting up of bottled LPG operations in Macau; and (iii) the purchase of additional stock and equipment (together, the "**Future Plan**"). The Directors consider that the Subscription represents a cost efficient method to fund the expansion of the Group's LPG retail business as an alternative to bank borrowings.

Our view

Considering that (i) the investments in Hong Kong and Macau are part of the Group's business development and strategic plans; and (ii) the Subscription is an alternative funding method to fund the Group's investment in the Hong Kong and Macau LPG retail business without increasing the overall gearing and interest burden of the Group, we concur with the view of the management of the Company that the Subscription is in line with the Group's long term business development and strategic plans and allows the Group to expand its downstream distribution channels.

LETTER FROM CIMB

(II) Information on NewOcean Development and the Subscriber

(i) *NewOcean Development*

NewOcean Development is an indirect wholly-owned subsidiary of the Company. Through the Retailing Companies, NewOcean Development owns and operates, or owns the operating rights of, 13 LPG depots in Guangdong and Guangxi with each depot having its own chain of retail outlets.

As noted from the Letter from the Board, the unaudited combined financial highlights and operating results of NewOcean Development and the Retailing Companies for the year ended 31 December 2007 and 2008 are as follows:

	Year ended 31 December	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Turnover	1,043,001	381,089
Net profit before tax	19,647	31,378
Net profit after tax	<u>20,940</u>	<u>30,022</u>
	As at 31 December	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Total assets	325,639	325,039
Net assets	65,029	52,890
Equity attributable to equity holders of the Company	<u>63,498</u>	<u>42,177</u>

LETTER FROM CIMB

As advised by the Directors, the increase in the unaudited combined turnover of NewOcean Development and the Retailing Companies from 2007 to 2008 was mainly attributable to (i) the inclusion of the results of Zhuhai NewOcean Energy Technology Co. Ltd. (“**NewOcean Technology**”), a company incorporated by the Group in May 2008 to carry out, through its subsidiaries, LPG retail business in the Guangdong province and as the Group’s centralized LPG purchaser, and Guangzhou Menghua Gas Co. Ltd. (“**Menghua**”); and (ii) the substantial increase of LPG price in 2008. The acquisition of Menghua, which is principally engaged in LPG retail business in the Guangdong province, was completed in July 2007.

We understand from the management of the Company that the decrease of net profit in 2008 was mainly attributable to (i) the fact that following the Group’s takeover of the operation of Menghua in 2008, the Group ceased to receive the income in relation to the subcontracting arrangement from Menghua, which it used to receive in 2007; and (ii) the increase in distribution cost and operating cost as the Group continued to expand its distribution channels.

(ii) Subscriber

As stated in the Letter from the Board, 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.

(III) Principal terms of the Subscription Agreement

(i) Subscription Price

The Subscription Agreement stipulates that the Subscription Price for the Subscription of HK\$100,000,000 shall be payable in cash to NewOcean Development by the Subscriber. Of the total consideration, HK\$20,000,000 (the “**First Installment**”) shall be paid on completion of the Subscription (the “**Completion**”), and the remaining HK\$80,000,000 shall be paid over a period of up to 12 months in separate sums after the receipt by the Subscriber of calls for such sums made by NewOcean Development.

LETTER FROM CIMB

(ii) Capitalisation of Shareholders' Loan (the "Capitalisation")

The Subscription Agreement stipulates that out of the total amount of HK\$200,000,000 Shareholder's Loan, HK\$100,000,000 will be capitalized and converted into paid-up shares of NewOcean Development within 3 months from the date of the Subscription Agreement, and the remaining HK\$100,000,000 will be capitalized before the listing of NewOcean Development on the main board of the Stock Exchange.

(iii) Put-Back Option

The Subscription Agreement stipulates that the Subscriber has the right to require NewOcean Development to repurchase, or to procure the purchase of, all (but not part) of the Subscription Shares at any time during the Exercise Periods with the occurrence of the triggering events (the "**Triggering Events**") as set out below:

- (a) The Subscriber may (but is not obliged to) exercise the Put-Back Option at any time during the First Exercise Period if:
- (i) the 2009 Accounts has not been provided to the Subscriber on or before 15th May 2010; or
 - (ii) in the 2009 Accounts:
 - (aa) the consolidated net asset value of NewOcean Development and the Retailing Companies (adjusted so as not to take into account the Subscription or any capitalisation of the Shareholder Loan) is less than the consolidated net asset value of NewOcean Development and the Retailing Companies as shown in the 2008 Accounts; or;
 - (bb) the consolidated net profit after tax of NewOcean Development and the Retailing Companies is less than 110% of the consolidated net profit after tax of the NewOcean Development and the Retailing Companies as shown in the 2008 Accounts.

LETTER FROM CIMB

- (b) The Subscriber may (but is not obliged to) exercise the Put-Back Option at any time during the Second Exercise Period if the undertaking as set out in the paragraph headed “(iv) Others” below has not been fulfilled.
 - (c) The Subscriber may exercise the Put-Back Option at any time during the Third Exercise Period if the shares of NewOcean Development (or shares issued by NewOcean Development or any of its subsidiaries or holding companies in exchange for the shares of NewOcean Development pursuant to a reorganization) are not listed on the main board of the Stock Exchange on or before 1st July 2012.
 - (d) The Repurchase Consideration, being an amount equal to the Subscription Price (or if the Subscription Price has not been fully paid at the time of exercise of the Put-Back Option, the amount actually paid by the Subscriber) and payable in cash:
 - (i) as to one-fourth of the Repurchase Consideration within fifteen business days from the service of the notice of the exercise of the Put-Back Option; and
 - (ii) the remaining balance payable by three equal instalments at the end of the 4th, 8th and 12th month from the service of the notice of the exercise of the Put-Back Option, with interest at 5% per annum to accrue during the period from the exercise of the Put-Back Option to the date of receipt of the relevant instalment by the Subscriber.
- (iv) Others**

Pursuant to the Subscription Agreement, NewOcean Hong Kong and NewOcean Development undertake that the floating charges over certain assets of NewOcean Development and the Retailing Companies in support of certain banking facilities available to the Group will be released within 12 months from the date of the Subscription Agreement.

LETTER FROM CIMB

(IV) Subscription Price

As stated in the Letter from the Board, the Subscription Price was arrived at after arms length negotiation between NewOcean Development and the Subscriber by making reference to the consolidated net asset value of NewOcean Development and the Retailing Companies of approximately HK\$63,498,000 and the HK\$200,000,000 Shareholder's Loan as shown in the 2008 Accounts.

In assessing the fairness and reasonableness of the Subscription Price, we have performed the following analyses:

(a) *Comparable Companies Analysis*

We have, on a best effort basis, conducted a search of all companies listed on the Stock Exchange, where sales of bottled LPG and related business represent a significant percentage to their respective total turnover. Based on the above criteria, we have, to the best of our knowledge, identified Chinese People Holdings Company Limited (the “**Comparable Company**”) and the Company as the only companies whose business fits into the above description. We have compared their respective valuation multiples, including price earning ratio (“**PER**”) and price to book multiple (“**P/B**”), with the implied PER and the implied P/B under the Subscription Price. Table A below sets out the details of the comparison:

Table A

Comparable Companies	Stock code	Principal business	Market capitalisation (HK\$' million) (Note 1)	PER (times) (Note 2)	P/B (times) (Note 2)
Chinese People Holdings Company Limited (“CPH”)	681	Sale of natural gas and LPG	963.4	26.8	1.4
The Company	342	Sale of LPG and sale of electronic products	606.9	7.4	0.9
Average				17.1	1.2
The Subscription			100	19.1	1.5 (Note 3)

Source: Bloomberg and the annual reports issued by the Comparable Companies

LETTER FROM CIMB

Notes:

1. Data regarding the market capitalization of the Comparable Company and the Company are sourced from Bloomberg as at 21 August 2009, being the date of the Subscription Agreement
2. Calculated based on the aforesaid market capitalisation and the respective latest published annual reports of the Comparable Company and the Company
3. After adjusting for the full effect of the Capitalisation

As shown above, the PER of the Comparable Company and the Company are approximately 26.8 times and 7.4 times respectively whereas the P/B of the Comparable Company and the Company are approximately 1.4 times and 0.9 times.

We note that the PER of the Comparable Company is higher than the implied PER of the Subscription, but the implied PER is higher than the PER of the Company. In terms of P/B, the implied P/B of the Subscription is higher than that of the Comparable Company and the Company.

(b) Comparable Transaction Analysis

We have also, on a best effort basis, conducted a search on Stock Exchange's website of all transactions ("**Comparable Transaction**") in relation to disposal of LPG business, during the period commencing 22 August 2008, being one year prior to the date of Subscription Agreement. The table ("**Table B**") below sets out the comparison between the Subscription and the Comparable Transaction:

Table B

Company	Stock code	Date of announcement	Transaction detail	Consideration (HK\$' million)	Implied PER	Implied PB
Towngas China Company Limited ("Towngas")	1083	2 April 2009	Disposal of bottled LPG business in the PRC	419	10.5	1.1
The Subscription		21 August 2009		100	19.1	1.5 <i>(Note)</i>

Source: Circular dated 23 April 2009 issued by Towngas

LETTER FROM CIMB

Note: After adjusting for the full effect of the Capitalisation

As shown above, the implied PER and the implied P/B under the Subscription are higher than that of the Comparable Transaction.

Our view

Having considered the above, we are of the view that the Subscription Price is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(V) Payment Terms

Pursuant to the Subscription Agreement, of the total consideration, the First Installment shall be paid on Completion, and the remaining HK\$80,000,000 shall be paid over a period of up to 12 months in separate sums after the receipt by the Subscriber of calls for such sums made by NewOcean Development in respect of the Future Plan. Against payment of the First Installment, the Company shall cause the Subscription Shares to be issued and allotted in the name of the Subscriber (or its nominee). During the period from the date of allotment to the date of receipt by the Company of full payment of the Subscription Price, the Subscription Shares shall entitle the Subscriber to dividends and other distributions (the “**Subscriber’s Entitlement**”), if declared by the Company, calculated as follows:

$$\begin{array}{rcccl} \text{Subscriber's} & & & & \text{Aggregate amount(s) paid} \\ \text{Entitlement} & = & \text{Per Share} & \times & \text{up for the Subscription} \\ & & \text{amount of} & \text{Number of} & \text{Shares as at the date of} \\ & & \text{dividends and} & \text{Subscription} & \text{declaration of dividends} \\ & & \text{distributions} & \text{Shares} & \text{and distributions} \\ & & \text{declared} & & \text{and distributions} \\ & & & & \text{HK\$100,000,000} \end{array}$$

As explained by management of the Company, the Subscriber will be entitled to full voting rights of the Subscription Shares upon Completion despite the fact that only part of the Subscription Price will be paid upon Completion. Management of the Company further advises that pursuant to the articles of NewOcean Development, the directors of NewOcean Development have the discretion not to register any transfer of the Subscription Shares if they are not satisfied. The Directors have further advised that the directors of NewOcean Development will not register any transfer of the Subscription Shares if the Subscription Price has not been fully paid by the Subscriber.

LETTER FROM CIMB

Taking into account that (i) the Subscriber's Entitlement is on a pro rata basis in respect of the aggregate amount(s) paid up for the Subscription Shares; (ii) the remaining HK\$80,000,000 shall be paid over a period of not more than 12 months in separate sums after the receipt by the Subscriber of calls for such sums made by NewOcean Development in respect of the Future Plan; and (iii) the right of NewOcean Development to reject the register of the transfer of the Subscription Shares before full payment of the Subscription Price by the Subscriber, we are of the view that the payment terms are acceptable.

(VI) Put-Back Option

Under the Put-Back Option, subject to the occurrence of the Triggering Events, the Subscriber has the right to require NewOcean Development to repurchase, or to procure the purchase of, all (but not part) of the Subscription Shares at any time during the Exercise Periods at the Repurchase Consideration, which shall be an amount equal to the Subscription Price (or if the Subscription Price has not been fully paid at the time of exercise of the Put-Back Option, the amount actually paid by the Subscriber), payable in cash in four equal installments:

- (a) one fourth of the Repurchase Consideration within fifteen business days from the service of the notice of the exercise of the Put-Back Option; and
- (b) the remaining balance payable by three equal installments at the end of the 4th, 8th and 12th month from the service of the notice of the exercise of the Put-Back Option, with interest at 5% per annum (which is the same as the prevailing Hong Kong prime lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited, being 5% per annum (the "**Prime Rate**")) to accrue during the period from the exercise of the Put-Back Option to the date of receipt of the relevant installment by the Subscriber.

In the event that the Triggering Events occur and the Subscriber exercises the Put-Back Option, the Subscription can be viewed as a term loan provided by the Subscriber at an interest rate equals to the dividend payout of the Subscription Shares. We note that under the terms of the Subscription Agreement, NewOcean Development is only obliged to pay dividends of not less than 10% of its after-tax profit of the relevant financial year. For illustrative purpose, based on the unaudited net profit of NewOcean Development of approximately HK\$20,900,000 for the year ended 31 December 2008, the dividend yield of the Subscription Shares shall be substantially lower than the Prime Rate.

LETTER FROM CIMB

Considering the above, we are of the view that the terms of the Put-Back Option, which is part and parcel of the terms of the Subscription Agreement, are acceptable.

Our view

Considering the above, we are of the view that the principal terms as described in sections (III) to (VI) above of the Subscription and the Subscription Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

(VII) Possible financial effects of the transactions as contemplated under the Subscription Agreement

(i) Possible financial effects immediately upon Completion

As noted from the Letter from the Board, based on the unaudited combined net assets value of NewOcean Development and the Retailing Companies as shown in the 2008 Accounts, the Subscription, if taken alone, is expected to result in a gain of approximately HK\$84,125,000 for the Group, being the difference between the Subscription Price and the Group's 25% attributable interest in the net assets of New Ocean Development and the Retailing Companies. Depending on accounting treatment, the relevant item(s), including financial effect of the Capitalisation as set out below, may need to be recognized together with (and netted off against) the aforesaid gain of approximately HK\$84,125,000.

Given that NewOcean Hong Kong is required to maintain the Subscriber's 25% proportional shareholding interest in NewOcean Development following the Capitalisation, depending on the method adopted to give effect to the Capitalisation and assuming there is no material change in the net assets value of NewOcean Development and the Retailing Companies, an amount up to a maximum of HK\$25,000,000 would be deducted from the Group's profit in its financial results for the year ending 31 December 2009 as being profit attributed to the minority shareholder of NewOcean Development (as an amount of HK\$100,000,000 of the Shareholder's Loan would be capitalised within 3 months of the date of Subscription Agreement), and a similar amount of up to a maximum of HK\$25,000,000 will also be deducted from the Group's profit for the year(s) during which the remaining HK\$100,000,000 of the Shareholder's Loan is capitalised.

LETTER FROM CIMB

(ii) *Accounting treatment for the Put-Back Option*

In relation to the Put-Back Option, as stated in the Letter from the Board, the Directors intend to conduct an independent valuation of its fair value at initial recognition. The fair value of the Put-Back Option is a financial liability to the Group and will be charged to the consolidated profit and loss account of the Company for each year commencing from the current year to the earlier of the year when the last Exercise Period expires and the year when the Put-Back Option is exercised.

(iii) *Working capital*

As the Subscription Price will be settled in cash, the working capital position of the Group will be improved as a result of the Subscription.

(iv) *Gearing Ratio*

Based on the above, there will be no immediate significant adverse change on the gearing ratio of the Group, calculated as total debts divided by total assets, as a result of the Subscription.

RECOMMENDATION

Having considered the principal factors and reasons referred to above so far as the Independent Shareholders are concerned, we consider that the terms of the Subscription are on normal commercial terms, fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

Accordingly, we advise (i) the Independent Board Committee to recommend the Independent Shareholders, and (ii) the Independent Shareholders, to approve the Subscription Agreement and the transactions contemplated thereunder if the Company were to convene a general meeting for the approval of the Subscription.

Yours faithfully,
For and on behalf of
CIMB Securities (HK) Limited

Heidi Cheng
Director

Anthony Ng
Senior Vice President

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTEREST IN SHARES AND RIGHTS TO ACQUIRE SHARES

As at the Latest Practicable Date, the interests of the Directors and chief executives and their associates in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

(a) Interests in Shares (Long Position)

Name of Director	Capacity	Number of issued Shares held	Percentage of the issued share capital of the Company
Shum Siu Hung	Family interest <i>(Note 1)</i>	490,779,280	50.94
Wu Hong Cho	Other <i>(Note 2)</i>	24,538,964	2.55
Cen Ziniu	Other <i>(Note 2)</i>	4,907,793	0.51
Shum Chun, Lawrence	Beneficial owner	44,933,558	4.66
	Other <i>(Note 2)</i>	73,616,892	7.64

Notes:

1. These represent the same block of 490,779,280 Shares held as corporate interest by Tong Shiu Ming, spouse of Shum Siu Hung, as referred to in paragraph 3(a), and were deemed to be the family interest of Shum Siu Hung.
2. These interests reflect the proportional interest in the 490,779,280 Shares held by Uniocean Investments Limited. Uniocean Investments Limited is owned as to 15% by Shum Chun, Lawrence and 15% by Shum Ho, Neo, both are the sons of Shum Siu Hung, 64% by Tong Shiu Ming, spouse of Shum Siu Hung, 5% by Wu Hong Cho and 1% by Cen Ziniu.

(b) Share options

Name of Director	Date of grant	Exercise price per Share (HK\$)	Exercise period	Number of underlying Shares	Outstanding Share Option as at Latest Practicable Date
Shum Siu Hung	16/6/2006	0.625	17/6/2006 – 31/12/2015	9,940,358	9,940,358
Chiu Sing Chung, Raymond	16/6/2006	0.625	17/6/2006 – 31/12/2015	6,626,905	6,626,905
Siu Ka Fai, Brian	15/5/2006	0.625	17/6/2006 – 31/12/2015	4,970,179	4,970,179
Cheung Kwan Hung, Anthony	16/6/2006	0.625	17/6/2006 – 31/12/2015	1,104,484	1,104,484

Save as disclosed above and other than the non-beneficial interests of Directors in the nominee shares in certain subsidiaries held by certain Directors subject to the terms of a written, valid and legally enforceable declaration of trust in favour of the Company, as at the Latest Practicable Date, no Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of

the SFO) or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, according to the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO and so far as is known to the Directors no person, other than Directors whose interests are disclosed above, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or, was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or had any option in respect of such capital:

(a) Interests in Shares (Long Position)

Name of Shareholder	Capacity	Number of issued Shares held	Percentage of the issued share capital of the Company
Tong Shiu Ming	Held by corporation (Note 1)	490,779,280	50.94
Yam Tak Cheung	Held by corporation (Note 2)	80,000,000	8.30

Notes:

- 490,779,280 shares of the Company are held by Uniocean Investments Limited which is owned as to 15% by Shum Chun, Lawrence, 15% by Shum Ho, Neo, 64% by Tong Shiu Ming, 5% by Wu Hong Cho and 1% by Cen Ziniu. The shares are deemed as family interest because Tong Shiu Ming is the spouse of Shum Siu Hung, and Shum Chun, Lawrence and Shum Ho, Neo are sons of Shum Siu Hung and Tong Shiu Ming.
- 80,000,000 shares of the Company are held by Integrated Asset Management (Asia) Limited ("Integrated Assets"). Yam Tak Cheung owns 100% of Integrated Asset and is deemed to be the controlling shareholder of Integrated Assets.

(b) Share options

Name of Director	Capacity	Exercise price per Share (HK\$)	Number of underlying Shares	Outstanding Share Option as at Latest Practicable Date
Tong Shiu Ming	Family interest	0.625	9,940,358	9,940,358

Note:

Share Option to subscribe 9,940,358 Shares are held by Shum Siu Hung, the spouse of Tong Shiu Ming as referred to in paragraph 2(a) above, and were deemed to be the family interest of Tong Shiu Ming.

4. SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN CONTRACTS ETC.

- (a) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting and was material in relation to the business of the Group.
- (b) As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in businesses, which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any litigation or claim of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened against the Company or any other member of the Group.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change to the business and trading position of the Group since 31 December 2008, being the date of the latest published audited financial statements of the Company.

8. CONSENT

As at the date of this circular, CIMB has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name and opinion in the form and context in which it appears in this circular.

As at the Latest Practical Date, CIMB did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe or to nominate persons to subscribe for securities in any member of the Group.

9. EXPERT'S QUALIFICATION AND INTERESTS IN THE GROUP'S ASSETS

The following is the qualification of the professional adviser who has given opinion or advice contained in this circular:

Name	Qualification
CIMB Securities (HK) Limited	A licensed corporation under the SFO which engages in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities.

10. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors, any proposed director or expert named in this circular had any direct or indirect interest in any assets which have been since 31 December 2008 (being the date to which the last published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

11. MISCELLANEOUS

- (a) The secretary of the Company is Mr. Wu Hong Cho, solicitor of the High Court of Hong Kong.
- (b) The principal share registrar and transfer office of the Company is Butterfield Fund Services (Bermuda) Limited at Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.
- (c) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours at the Company's principal place of business in Hong Kong at 20th Floor, Times Tower, 393 Jaffe Road, Wanchai, Hong Kong up to and including 6 October, 2009:

- (a) the Subscription Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 16 and 17 of this circular; and
- (c) the letter from CIMB the text of which is set out on pages 18 to 31 of this circular.