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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 SUBSCRIPTION OF SHARES IN NEWOCEAN DEVELOPMENT

SUBSCRIPTION OF SHARES IN NEWOCEAN DEVELOPMENT

On 21 August 2009, (i) NewOcean Hong Kong, (ii) the Subscriber and (iii) NewOcean Development entered into the Subscription Agreement pursuant to which the Subscriber has conditionally agreed to subscribe for the Subscription Shares at the subscription price of HK\$100,000,000 payable to NewOcean Development in cash. The Subscription Shares represent 25% of the issued share capital of NewOcean Development as enlarged by the Subscription.

Under the Subscription Agreement, during the Exercise Periods, the Subscriber has the right to require NewOcean Development to repurchase, or to procure the purchase of, the Subscription Shares in accordance with the conditions in the Subscription Agreement. In the event of exercise of the Put-Back Option, the Subscription Shares will be repurchased by NewOcean Development at a repurchase consideration equal to the Subscription Price.

LISTING RULES IMPLICATIONS

The Subscription constitutes 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 contemplated under the Subscription Agreement constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription will be conditional upon the approval of the Independent Shareholders.

* for identification purposes only

Since no Shareholder is interest in the Subscription Agreement, 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 the Stock Exchange for a waiver pursuant to Rule 14A.43 of the Listing Rules under which written independent shareholders' approval may be accepted in lieu of holding a general meeting.

As at the date of this announcement, the Company has obtained written approval of the Subscription from Uniocean 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.

An independent board committee of the Company has been 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 Subscription Agreement.

A circular containing, among other things, further details of the Subscription Agreement, together with the recommendations of the independent board committee of the Company, the advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders will be despatched to the Shareholders as soon as practicable.

1. THE SUBSCRIPTION AGREEMENT

1.1 Date

21 August 2009

1.2 Parties

- (i) NewOcean Hong Kong, a wholly-owned subsidiary of the Company which currently 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 wholly-owned subsidiary of the Company as the holding company of the LPG retail business of the Group, which comprises the Retailing Companies.

1.3 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 group companies 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 as described in sub-paragraph 1.6 “Capitalisation of Shareholder’s Loan” below.

1.4 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.

1.5 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 at the date of this announcement, the Company has obtained written approval of the Subscription from Uniocan which is an Independent Shareholder holding 490,779,280 Shares, representing approximately 50.94% of the existing issued share capital of the Company.

1.6 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 1.8 (c) below.

1.7 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.

1.8 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 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 capitalization 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.
- (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 1.7 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 the shares issued by NewOcean Development or any of its subsidiaries or holding companies in exchange for 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, 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) 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.

2. 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 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 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, each with its own business focus and possessing an appropriate degree of independence in its management.

3. 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 2 “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 with 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 years 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	As at
	31 December 2008	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

4. USE OF PROCEEDS OF SUBSCRIPTION

Under the Subscription Agreement, the proceeds from the Subscription will be applied exclusively for 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.

5. REASONS AND BENEFITS FOR THE SUBSCRIPTION

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. As a large part of these investments were funded by bank borrowings, the Directors consider it prudent to employ other means to finance the expansion of the LPG retail business, and the Subscription is considered to be a cost efficient method to fund the expansion of the LPG retail business as an alternative to long term bank borrowings. The Subscription will provide the funding for key expansion projects in the LPG retail business.

Based on the net asset value of NewOcean Development 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 25% reduction in the Group's attributable interest in the net assets of NewOcean Development. However, side by side with this gain, the Subscription Agreement would give rise to outgoings for the Group in relation to the capitalization of the Shareholder's Loan as described in sub-paragraph 1.6 "Capitalisation of Shareholder's Loan" above. Under the Subscription Agreement, NewOcean Hong Kong is required to maintain the Subscriber's 25% proportional shareholding interest in NewOcean Development. Therefore during the process of capitalization, 25% of the capitalisation shares in NewOcean Development will be allocated to the Subscriber. As a result, depending on the timing for the capitalization, outgoings of HK\$50,000,000 in total (being 25% of HK\$200,000,000) will appear in the accounts of the Company.

The Directors believe that the terms of the Subscription Agreement are fair and reasonable and in the interests of the Shareholders as a whole. In the event that NewOcean Development is obliged to repurchase the Subscription Shares under the Put-Back Option, the Repurchase Consideration will be funded partly by bank borrowings and partly by internal resources of the Group. NewOcean Development will continue to be an indirectly owned subsidiary of the Company following the Subscription.

6. 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.

7. LISTING RULES IMPLICATIONS

The Subscription constitutes 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 contemplated under the Subscription Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription will be conditional upon the approval of the Independent Shareholders.

Since no Shareholder is interest in the Subscription Agreement, 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 the Stock Exchange for a waiver pursuant to Rule 14A.43 of the Listing Rules under which written independent shareholders' approval may be accepted in lieu of holding a general meeting.

As at the date of this announcement, the Company has obtained written approval of the Subscription from Uniocean which has no interest in the Subscription other than its interests as a Shareholder holding 490,779,280 Shares, representing approximately 50.94% of the existing issued share capital of the Company.

An independent board committee of the Company has been formed comprising all the independent non-executive Directors, none of whom has a material interest in the relevant transactions, 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 Subscription.

8. 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 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”	means the audited consolidated financial statements of NewOcean Development 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;
“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, the Second Exercise Period and the Third Exercise Period;
“First Exercise Period”	means 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”	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 Subscription;
“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 holds the Retailing Companies;
“NewOcean Hong Kong”	means 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;

“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 Development to repurchase, or procure the repurchase of, the Subscription Shares;
“Retailing Companies”	means the indirect subsidiaries and a jointly controlled entity of the NewOcean Development engaged in LPG retail business;
“Repurchase Consideration”	means 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”	means 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”	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;
“Subscription”	means subscription of the Subscription Shares by the Subscriber;
“Subscription Price”	means HK\$100,000,000 payable in cash under the Subscription;
“Subscription Shares”	means 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”	means 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” means Uniocean Investments Limited, the controlling shareholder of the Company;

“US\$” means United States Dollars, the lawful currency of the United States of America.

By Order of the Board
Shum Siu Hung
Chairman

Hong Kong, 25 August 2009

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.