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

If you have sold all your shares in NewOcean Green Energy Holdings Limited, you should hand this circular at once to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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NewOcean Green Energy Holdings Limited
(新海環保能源集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 342)

DISCLOSEABLE TRANSACTION

In respect of the Acquisition of an equity interest in

Qingxin Yong Long Gas and Chemical Company Limited

1st February, 2005

* for identification purposes only

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:

“Acquisition”	means the acquisition by Bai Fu Yang Petrochem of an 80% equity interest in Yong Long Gas pursuant to the Agreement
“Agreement”	means the agreement dated 7th January, 2005 entered into between Bai Fu Yang Petrochem and the Vendor in relation to the Acquisition
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Bai Fu Yang Petrochem” or “Purchaser”	means Qingxin Bai Fu Yang Petrol Chemical Company Limited (「清新縣百富洋石油化工有限公司」)
“Company”	means NewOcean Green Energy Holdings Limited, a company incorporated in Bermuda with limited liability and which Shares are listed on the Stock Exchange
“Completion”	means completion of the Agreement
“Consideration”	means Renminbi Thirty-three Million Six Hundred Thousand (RMB33,600,000)
“Directors” or “Board”	means the board of directors of the Company, including the independent non-executive directors
“Group”	means the Company and its subsidiaries
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	means Hong Kong Financial Reporting Standards
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Latest Practical Date”	means 28th January, 2005, being the latest practical date before the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“LPG”	means liquefied petroleum gas
“PRC”	means The People’s Republic of China
“RMB”	means Renminbi, the lawful currency of the PRC
“Securities and Futures Ordinance”	means the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	means registered holder(s) of shares of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Vendor”	means Madam Zie Lijun, a PRC resident
“Yong Long Gas”	means Qingxin Yong Long Gas and Chemical Company Limited (清新縣永龍燃化有限公司)
“%”	per cent.

Note: In this circular, the exchange rate of HK\$1.00 to RMB1.06 have been used for reference only.

LETTER FROM THE BOARD



NewOcean Green Energy Holdings Limited
(新海環保能源集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 342)

Board of Directors:

Executive Directors:

Shum Siu Mau (*Chairman*)

Wu Hong Cho (*Managing Director*)

Cen Ziniu

Cheng Wai Leung

Chiu Sing Chung, Raymond

Shum Chun, Lawrence

Independent non-executive Directors:

Cheung Kwan Hung, Anthony

Young Wing Chun, Michael Frederick

Koo Ming Yan, Charles (*Doctor*)

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Head office and principal

place of business:

20th Floor, Times Tower

393 Jaffe Road, Wanchai

Hong Kong

1st February, 2005

To the Shareholder and, for information only
holders of share options of the Company

DISCLOSEABLE TRANSACTION

1. INTRODUCTION

The Company announced on 10th January, 2005 that it has, through one of its wholly-owned subsidiaries, Bai Fu Yang Petrochem, entered into the Agreement with the Vendor on 7th January, 2005. Pursuant to the Agreement Bai Fu Yang Petrochem, as Purchaser, agreed to purchase and the Vendor agreed to sell an 80% interest in Yong Long Gas for a cash consideration of RMB33,600,000 (or approximately HK\$31,700,000).

The purpose of this circular is to provide you with further information relating to the Acquisition.

* *for identification purposes only*

LETTER FROM THE BOARD

2. THE AGREEMENT DATED 7TH JANUARY, 2005

Parties

- (i) Vendor: Madam Xie Lijun who, to the best of the directors' knowledge, information and belief having made all reasonable enquiry is a third party independent of the Company and connected persons of the Company (as defined in the Listing Rules); and
- (ii) Purchaser: Bai Fu Yang Petrochem, a company incorporated in the PRC and is a wholly-owned subsidiary of the Company.

Assets to be acquired

80% interest in Yong Long Gas

Consideration

RMB33,600,000 (or approximately HK\$31,700,000) to be satisfied wholly in cash. The Consideration was funded by internal resources of the Group.

The Consideration was arrived at after arm's length negotiation and was agreed on normal commercial terms between the Vendor and the Purchaser with reference to an independent valuation conducted on the business of Yong Long Gas. The business of Yong Long Gas was valued by Norton Appraisals Limited, an independent professional valuer appointed by the Company at HK\$39,600,000 (or approximately RMB42,000,000) as at 29th December, 2004. Such valuation was made using the Discounted Cash Flow method and assuming there will be no major changes in the current taxation, legal and relevant licensing system in the PRC and no material changes in the unit purchase price and unit selling price of LPG from the existing level. The Consideration equals the valuation after pro rata adjustment for the 80% equity interest to be acquired.

Terms of Payment

The consideration of RMB33,600,000 was deposited with a firm of PRC Lawyers approved by the Vendor and the Purchaser, to be paid to the Vendor on Completion. If for whatever reason the Acquisition could proceed (otherwise by reason of default on the part of the Purchase), the said sum shall be returned in full to the Purchaser.

LETTER FROM THE BOARD

Conditions

Completion of the Agreement is subject to the following conditions:

1. all shareholders of Yong Long Gas consenting to the Acquisition and the board of Yong Long Gas approving the Acquisition; and
2. the Purchaser having completed to its satisfaction a due diligence review on the legal, financial, existing business and future prospects of Yong Long Gas.

3. COMPLETION OF THE AGREEMENT

Completion of the Agreement took place on 10th January, 2005, on which date all the conditions of the Agreement have been fulfilled.

4. INFORMATION ON YONG LONG GAS

Yong Long Gas is a company incorporated with limited liability under the laws of the PRC in 1995 and currently has a paid up capital comprising cash contribution of RMB4,280,000, 80% of which is beneficially owned by the Vendor. The remaining 20% is held by an existing shareholder of Yong Long Gas who is a third party independent of the Company and connected persons of the Company. It is principally engaged in the sales of LPG pressurised in bottled cylinders to residential, commercial and industrial customers in Qingyuan, Guangdong, PRC. Yong Long Gas operates 29 outlets for sales of LPG in Qingyuan, which, in the opinion of the directors provide a solid retail customer base. Yong Long Gas has been granted the necessary business licences and permissions for the sale of bottled LPG, which include a Certificate of Competency of Urban Gas Enterprise (城市燃氣企業資質證書) from the Qingyuan Municipal Board of Construction (清遠市建設局) granted on 11th September, 2002 and valid until 11th September, 2007.

Unaudited turnover and net loss of Yong Long Gas for the year ended 31st December, 2002 were respectively RMB8,496,616 (or approximately HK\$8,015,703) and RMB329,380 (or approximately HK\$310,736), and unaudited turnover and net loss for the year ended 31st December, 2003 were respectively RMB9,157,994 (or approximately HK\$8,639,616) and RMB48,368 (or approximately HK\$45,630). The unaudited total assets and net asset value of Yong Long Gas as at 30th September, 2004 were RMB4,669,400 (or approximately HK\$4,405,094) and RMB4,069,731 (or approximately HK\$3,839,369) and the unaudited turnover and net loss for the 9 months ended 30th September, 2004 were respectively RMB7,493,245 (or approximately HK\$7,069,099) and RMB36,319 (or approximately HK\$34,263). No profits tax has been charged on Yong Long Gas, and the unaudited net losses for Yong Long Gas quoted above represented the unaudited net losses after tax for Yong Long Gas for the periods cited.

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5. REASONS AND EFFECTS OF THE ACQUISITION

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

After the acquisition of the Gaolan Harbour Terminal in Zhuhai in 2004 as announced by the Company on 16th December, 2003, the Group capitalise on the capability of the Terminal to handle and process imported LPG to achieve a rapid increase in its wholesale business. During the year, wholesale business surpassed retail business and became the main component of the Group's turnover. With the expansion of the Gaolan Harbour Terminal expected to be under way in the near future, the Group's capacity to import and wholesale LPG will see another significant increase. To achieve a balanced business portfolio, and mindful of the generally higher profit margin for retail business, the management has been canvassing opportunities to expand retail operation.

Yong Long Gas is located in Qingyuan, Guangdong, a region suitably sited for the Group's LPG business and hence one of the target markets of the Group. The region is connected to Zhuhai by convenient highway links. Since 2003, the Group has endeavoured to develop its retail operations in the region. The Acquisition will significantly increase the Group's market share in Qingyuan, making the Group one of the largest LPG operators in the region. Of equal importance, the Acquisition will add to the supply channels and enhance the logistic network of the Group. The Directors consider the Acquisition to be of strategic significance, and believe that the Acquisition represents an excellent opportunity for the Group to expand its retail business and logistic capabilities.

After the Acquisition, the Group will hold an 80% equity interest in Yong Long Gas. The Group's consolidated non-current assets will increase by a amount of HK\$10,114,200, being the full amount of the property, plant and equipment of Yong Long Gas at the valuation dated 29th December, 2004 by Norton Appraisals Limited, an independent firm of professional property valuer, as at that date. Resulting from the Acquisition, the Group's goodwill will increase by a total amount of HK\$25,402,975, being (i) a sum of HK\$23,606,753 representing the difference between the Consideration and a sum of HK\$8,091,360, being the contribution to the property, plant and equipment of the Group from its 80% interest in Yong Long Gas, and (ii) a sum of HK\$1,796,222, being 80% of the deferred taxation required to be provided for in the accounts of Yong Long Gas under HKFRS. Other than the above, there will be no material change in the Group's assets and liabilities resulting from the Acquisition.

The Acquisition is expected to enlarge the profit base of the Group. Given that the previous net losses of Yong Long Gas were, in the opinion of the Directors, occasioned by the high sales costs which mainly comprised commission payments in the sales

LETTER FROM THE BOARD

team, the Directors are confident to turnaround the business of Yong Long Gas into profits by carrying out corporate reorganisation, business re-engineering aiming at better efficiency, and by achieving economy of scale.

6. GENERAL

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

Yours faithfully
For and on behalf of the Board
NewOcean Green Energy Holdings Limited
Shum Siu Mau
Chairman

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. DIRECTORS' 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 and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance), as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests and short positions which they are deemed or taken to have under such provisions of the Securities and Futures Ordinance), were as follows:

(i) Long Position of ordinary shares of HK\$0.10 each of the Company

Name of director	Capacity	Number of Issued ordinary shares held	Percentage of the issued share capital of the Company
Wu Hong Cho	Other <i>(note)</i>	8,160,631	1.69%
Cen Ziniu	Other <i>(note)</i>	1,632,126	0.34%
Shum Chun, Lawrence	Other <i>(note)</i>	24,481,893	5.08%
Cheng Wai Leung	Beneficial Owner	12,000	—

Note: These interests reflect the interests in the 163,212,621 shares of the Company held by Uniocean Investments Limited (“Uniocean”). Uniocean is owned as to 15% by Shum Chun, Lawrence (“SCL”), 15% by a brother of SCL, 64% by Tong Shiu Ming, mother of SCL, 5% by Wu Hong Cho and 1% by Cen Ziniu.

(ii) Share Options

Name of directors	Capacity	Subscription price per share (HK\$)	Number of Underlying shares	Outstanding at Latest Practicable Date
Cen Ziniu	Beneficial owner	1.80	3,000,000	3,000,000
		1.30	3,000,000	3,000,000
Wu Hong Cho	Beneficial owner	1.80	1,500,000	1,500,000
		1.00	1,000,000	1,000,000
Cheng Wai Leung	Beneficial owner	1.00	4,000,000	4,000,000

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 and 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 Securities and Futures Ordinance (including interests and short positions which they are deemed or taken to have under such provisions of the Securities and Futures Ordinance) or which were required, pursuant to section 352 of the Securities and Futures Ordinance 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.

(iii) Interests in contracts or arrangement

As at the Latest Practicable Date, none of the Directors was materially interested in any contracts or arrangement to which any member of the Group was a party and which are significant to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any interests, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group since 1st January, 2004 (being the date to which the latest published audited accounts of the Company were made up).

(iv) Interests in service contracts

None of the Directors has entered or is proposing to enter into any service contract with any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation other than statutory compensation).

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 Securities and Futures Ordinance 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 the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, 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:

(i) Long Position of ordinary shares of HK\$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Tong Shiu Ming	Held by corporation (note 1)	163,212,621	33.88%
	Family interest (note 2)	20,811,779	4.32%
Value Partners Limited ("Value Partners")	Investment Manager (note 3)	53,799,000	11.17%
Integrated Asset Management (Asia) Limited	Beneficial Owner	30,000,000	6.23%

Notes:

- 163,212,621 shares of the Company were held by Uniocean Investments Limited ("Uniocean"). Tong Shiu Ming owned 64% of Uniocean and was deemed to be the controlling shareholder of Uniocean.
- 20,811,779 shares of the Company were held by the spouse of Tong Shiu Ming, and were deemed to be the family interest of Tong Shiu Ming.
- 35,124,000 shares of the Company were held by Value Partners A Fund, a fund managed by Value Partners, and 18,675,000 shares of the Company were held by Value Partners.

(ii) Share Options

Name of shareholder	Capacity	Subscription price per share (HK\$)	Number of Underlying shares	Outstanding at Latest Practicable Date
Tong Shiu Ming	Beneficial owner	1.00	3,500,000	3,500,000
	Family interest	1.80	3,500,000	3,500,000
	(note)	1.30	3,000,000	3,000,000

Note: Options to subscribe for 6,500,000 shares of the Company were held by the spouse of Tong Shiu Ming, and were deemed to be the family interest of Tong Shiu Ming.

4. LITIGATION

Neither the Company nor any other member of the Group is engaged in any litigation or arbitration of material importance and so far as the Directors are aware no litigation, arbitration or claim of material importance is pending or threatened by or against the Company or any member of the Group.

5. GENERAL

- (a) Norton Appraisals Limited has given and has not withdrawn its written consent to the issue of this circular with references to its name in the form and context in which it appears.
- (b) The secretary of the Company is Mr. Wu Hong Cho, who had over ten years experience practicing as a solicitor in Hong Kong.
- (c) The qualified accountant of the Company is Ms. Lee Kin Man, FCCA, CPA.
- (d) The principal share registrar and transfer office of the Company is Butterfield Fund Services (Bermuda) Limited at Rosebank Center, 11 Bermudiana Road, Pembroke, Bermuda.
- (e) The Hong Kong branch registrar and transfer office of the Company is Secretaries Limited at G/F, Bank of East Asia Harbour Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (f) The English text of this circular shall prevail over the Chinese text.