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NewOcean Energy Holdings Limited

(新海能源集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 342)

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

INSIDE INFORMATION

This announcement is made by NewOcean Energy Holdings Limited (the “**Company**” and together with its subsidiaries the “**Group**”) pursuant to Rule 13.19 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (the “**SFO**”), Chapter 571 of the Laws of Hong Kong.

Grant of Order to Convene Meeting of Scheme Creditors

Reference is made to the Interim Results Announcement of the Company dated 31 August 2020, in particular Note 2 to the Condensed Consolidated Financial Statements headed “Significant Events and Transactions in the Current Interim Period and Basis of Preparation”, and the announcement of the Company dated 1 September 2020. As stated in these announcements, the directors of the Company (“**Directors**”) took active measures to mitigate the liquidity pressure and the financial position of the Group by, among other things, the refinancing of loans advanced to the Group by banks and financial institutions.

The Directors are pleased to announce that applications have been made by the Company to (i) the High Court of Hong Kong Special Administrative Region (the “**Hong Kong Court**”) and (ii) the Supreme Court of Bermuda (the “**Bermuda Court**”, and together with the Hong Kong Court, the “**Courts**”) for the Company to convene meetings of the Scheme Creditors (as defined in paragraph headed “**Key Features of the Court Scheme**” below) for the purpose of considering and, if thought fit, approving the NOE Scheme and the SA Scheme (both as defined in paragraph headed “**Key Features of the Court Scheme**” below). On 10 December 2020, an order to convene meetings of the Scheme Creditors was granted by the Hong Kong Court. The application to the Bermuda Court will be heard on 11 December 2020 (Bermuda time) and the outcome of the application will be announced by the Company in a further announcement.

The Scheme Creditors’ meetings to be convened at the direction of the Hong Kong Court and the Bermuda Court, if the relevant order is granted, are scheduled to be held on 18 January 2021. A composite document which contains, among other things, the NOE Scheme and the SA Scheme will be dispatched or made available to Scheme Creditors as directed by the orders of the Courts. Notices of the Scheme Creditors’ meetings will be published in newspapers in Hong Kong and posted on the website of the Company at <http://www.newoceanhk.com>.

Background of the Court Scheme

In the last week of April 2020, it was reported in the news media that a major oil trader in Singapore, Hin Leong Trading (Pte.) Ltd (“**Hin Leong**”), was placed under judicial management by the Singapore courts. Out of concern that there could be further defaults by oil traders as oil prices drop, banks in the region having a business in bulk commodities trade began to take a very negative view on the oil trading business.

The Hin Leong incident came about at a time when world oil prices were driven down as a result of oil price disagreements between OPEC and Russia, and the COVID-19 pandemic starting early 2020 magnified the price fall. The impact of the broad dive in oil prices on the oil trading industry combined with concerns brought out by the Hin Leong incident led to banks and financial institutions which had been providing trade lines and financings to operators abruptly reducing their exposure to the industry or to exit the commodity financing industry completely.

A result of the situation highlighted above was that a certain number of banks which have been providing credit lines and financing to the Group expressed their own concerns and began to withdraw credit lines and financing. Whilst a small number of banks remained supportive of the Group (and the Directors hereby express their gratitude towards these banks), six of the Group’s principal trade banks began to withdraw facilities in or around April 2020. All of this imposed heavy strain on the Group’s liquidity. The slump in oil prices and the COVID-19 pandemic also led to various adverse situations affecting the Group as reported in Note 2 to the Condensed Consolidated Financial Statements in the Interim Results Announcement of the Company dated 31 August 2020, which include the gross profit margin derived from oil bunkering business and electronic business being substantially reduced or turned into gross loss margin, additional potential impairment losses on trade receivables, and additional allowance for inventories were recorded in the Group’s accounts. Given that the Group incurred a net loss for the six months period ended 30 June 2020, the Group could not fulfil certain bank covenants relating to certain bank loans.

September Term Sheet

Following discussions with banks together representing approximately over 58% of the Group’s off-shore loans (the “**Bank Group**”, which included banks and financial institutions joining the bank group from time to time), the Company and the Bank Group mapped out the foundation of a debt restructuring plan aiming at a global arrangement between the Group and all off-shore lenders of the Group (the “**Debt Restructuring**”). In a non-binding debt restructuring term sheet signed by the Bank Group and the Company in September 2020 which set out their respective intentions in the Debt Restructuring (the “**September Term Sheet**”), it was provided that the Debt Restructuring would proceed by one or more scheme(s) of arrangement to be approved by the relevant courts (the “**Court Scheme**”), or by a debt restructuring agreement (the “**DRA**”). It was the common intention of the Bank Group and the Company as provided in the September Term Sheet that the Debt Restructuring will be achieved through approval of the scheme(s) of arrangement by the relevant Courts, or if earlier by all existing off-shore lenders of the Group executing the DRA. As banks in Mainland China continued business as usual with the Group, onshore facilities are not going to be affected by the terms of the Court Scheme or the DRA.

Since September 2020, the Bank Group and the Company conducted protracted discussions and negotiations for the preparation of the DRA, which included discussions on a formal standstill agreement aiming at preventing hostile actions being taken against the Company by individual lenders before the DRA can be finalised (the “**Standstill Agreement**”). For reason that 100% participation by the off-shore lenders is required for the Debt Restructuring to be achieved by way of the DRA, and that the possibility of individual bank(s) taking hostile actions exists, the Company also embarked on the work of preparing for the Court Scheme in order that the Debt Restructuring has a better chance of success.

As at the date of this announcement, the Bank Group and the Company have not yet reached complete consensus on the detailed terms and conditions of the Standstill Agreement, and discussion on the DRA has not started. However a legal team led by senior counsel completed all preparation and legal documents for the Court Scheme and applications were made to the Hong Kong Court and the Bermuda Court on 2 December 2020 and 4 December 2020 respectively for the holding of the Scheme Creditors’ meeting(s).

Key Features of the Court Scheme

Based on the structure of off-shore loans of the Group and for reason of jurisdiction, the Court Scheme comprises two parallel schemes of arrangement:

- (a) a scheme of arrangement under Bermuda law which caters for creditors (“**NOE Scheme Creditors**”) of the Company (the “**NOE Scheme**”); and
- (b) a scheme of arrangement under Hong Kong law which caters for creditors (“**SA Scheme Creditors**” and together with NOE Scheme Creditors, the “**Scheme Creditors**”) of Sound Agents Limited (“**Sound Agents**”) (the “**SA Scheme**”).

Sound Agents is the principal trading arm of the Group. Once the Court Scheme becomes effective, it will bind the Company and Sound Agents on one hand and all respective NOE Scheme Creditors and SA Scheme Creditors on the other. The NOE Scheme and the SA Scheme are essentially identical in structure. In essence the adoption of the NOE Scheme and the SA Scheme enables the Company and Sound Agents to jointly carry out the Debt Restructuring contemplated under the September Term Sheet.

Under the Court Scheme all pecuniary claims of the NOE Scheme Creditors and SA Scheme Creditors arising out of facility agreements entered into with, or guaranteed by, the Company and Sound Agents (“**Scheme Claims**”) will be admissible in the Court Scheme, with the following exceptions which will be dealt with separately in accordance of the provisions of the Court Scheme:

- (a) the value of any mortgage, charge or other security interest (except security interest over certain pledge oil product vessels); and
- (b) any cash balance of any member of the Group maintained with the Scheme Creditors (provided that the relevant Scheme Creditors may surrender their right to the security and participate in the Court Scheme as unsecured creditors).

Upon the Court Scheme coming into effect, all Scheme Claims will be unconditionally released and discharged by the Scheme Creditors, and scheme funds will be provided by the Company and Sound Agents for payment to the Scheme Creditors by way of Dividends (as defined below) to settle the Scheme Claims which have been admitted by the Scheme Administrators (as defined below) ("**Admitted Claims**") in accordance with the Court Scheme. Under the Court Scheme, each Scheme Creditor can receive 100% of its Scheme Claim (subject to admission into the Court Scheme) together with interest. Administrators (the "**Scheme Administrators**") will be appointed under the Court Scheme whose duties include the making of payments and distributions which are necessary or incidental to the Scheme Administrators' performance of their functions under the Court Scheme, including the payment of the Dividends.

As soon as practicable after the Court Scheme becomes effective, the Scheme Administrator will establish a Hong Kong company ("**Scheme Co**") and such other subsidiaries for the purpose of implementing the Court Scheme. Further, Scheme Trust Accounts will be opened in the name of the Scheme Co which account will be controlled by the Scheme Administrators. All monies from time to time credited to the Scheme Trust Accounts (being principally funds provided by the Company and Sound Agents) will be held for the benefit of the Scheme Creditors under the Court Scheme. The Scheme Administrator will allocate the scheme funds among Scheme Creditors on a pari passu basis and will have the power for the purpose of and for the respective benefit of those entitled under the NOE Scheme and the SA Scheme, to make interim distributions of aggregate sums as provided under the Court Scheme ("**Dividends**") to the Scheme Creditors.

After the Admitted Claims, together with all interest accrued thereon, are fully paid to all Scheme Creditors, the Scheme Administrator will liquidate the Scheme Co and such other subsidiaries of the Scheme Co provided that any remaining amount of the funds under the Court Scheme has been returned to the Company and any pledged assets of the Group has been released and discharged.

Effectiveness of the Court Scheme

The Court Scheme will become effective upon fulfillment of the following:

- (a) approval by a majority in number representing at least 75% in value of each class of the NOE Scheme Creditors present and voting, in person or by proxy, at the meeting convened for the NOE Scheme;
- (b) approval by a majority in number representing at least 75% in value of each class of the SA Scheme Creditors present and voting, in person or by proxy, at the meeting convened for the SA Scheme;
- (c) the Hong Kong Court sanctions the Court Scheme and the official copies of the orders of the Hong Kong Court sanctioning the Court Scheme is delivered to the Companies Registry in Hong Kong for registration; and
- (d) the Bermuda Court sanctions the NOE Scheme and an official copy of the order of the Bermuda Court sanctioning the NOE Scheme is delivered to the Registrar of Companies in Bermuda for registration.

Termination of the Court Scheme

Upon the occurrence of certain events the Scheme Administrators may give notice to terminate the Court Scheme, unless the event is remedied or within 30 days of the notices or a grace period is obtained from Scheme Creditors holding two-thirds of the Scheme Claims. These events include:

- (a) the Company and/or Sound Agents failing to give or to procure the giving of security over the assets of the Group as required under the terms of the Court Scheme;
- (b) the Company and/or Sound Agents failing to make, or procure companies in the Group to make scheduled payments and interest payments as provided under the Court Scheme;
- (c) the Company and/or Sound Agents failing to meet payment milestones as provided under the Court Scheme; and
- (d) any material adverse finding on the consolidated business, operations, property, condition (financial or otherwise) or prospects of the Group taken as a whole.

On termination of the Court Scheme, Scheme Creditors may be entitled to pursue the Company and/or Sound Agents in respect of the Scheme Claims in such ways as if the Court Scheme had never been effective and binding upon them, save that credit has to be given to any Dividends and interest received by the relevant Scheme Creditors.

Further Announcement

The Company will make further announcement if and when there is material development in relation to the Court Scheme, or otherwise as required under the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

The release of this announcement does not necessarily mean that the Court Scheme will be approved, or successfully implemented and completed.

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

Hong Kong, 10 December 2020

As at the date of this announcement, the Board of the Company comprises Mr. Shum Siu Hung, Mr. Shum Chun, Lawrence, Mr. Cen Ziniu being the executive directors, Mr. Cheung Kwan Hung, Anthony, Mr. Chan Yuk Wai, Benedict and Dr. Xu Mingshe, being the independent non-executive directors.

** for identification purposes only*