DEAL NEWS / MULTI-JURISDICTION

Sale of Peruvian assets to save China Fishery Group from liquidation

By **ALESSANDRO NOLET** *(anolet@cgsh.com)*

After an eventful two months, China Fishery Group Limited (the "Company")—a Hong Kong-based global integrated fishing company with operations in Peruvian, Russian and African waters—appears to have reached an agreement with its principal bank creditors, which will allow it to avoid the risk of complex cross-border winding-up and liquidation proceedings.

In November 2015, following a failure by the Company to repay a US$ 31 million principal installment under its US$ 650 million club loan facility, HSBC Holdings Plc filed an application with the High Court of Hong Kong seeking the appointment of provisional liquidators to the Company and petitioning for the Company's winding up. On November 25, the Court appointed three KPMG employees as Provisional Liquidators of the Company and set a hearing for the winding-up petition in January 2016. Similar filings were also made by HSBC with the Grand Court of Cayman Islands and the Court's decision was expected to be issued before the end of January 2016.

However, on January 25, 2016, Pacific Andes International Holdings Limited (PAIH) announced that on January 20, the Company (and other China Fisheries group members) entered into a deed of undertaking with their principal bank lenders (led by HSBC and Bank of America) which provides for the removal and termination of provisional liquidators in the Cayman Islands and Hong Kong. In particular, under the settlement, HSBC has agreed to apply to both the High Court of Hong Kong and the Grand Court of Cayman Islands for the dismissal of winding-up applications, in addition to terminating any appeal proceedings. It is understood that both applications have already been lodged.

KEY TERMS OF DEAL WITH CREDITORS

- Sale of the China Fisheries group's Peruvian business (the "Sale Process").
- Engagement of Grant Thornton to undertake an independent accounting review of the China Fisheries group.
- Appointment of Mr. Paul Brough as chief restructuring officer (CRO) with the power, among other things, to approve all material actions relating to the Sale Process.
- Replacement of two existing board members (Mr. Ng Joo Siang and Mr. Chan Tak Hei).
- Payment to KPMG of an amount of US$ 3.1 million on account of outstanding fees, costs and expenses.
- Repayment in full of all amounts owed to each of the China Fisheries group's bank lenders and bondholders under the relevant debt instruments.

According to certain recent news reports, **the China Fisheries group is rumored to have received offers for its Peruvian business of up to US$ 1.7 billion from two potential buyers**. It is believed that such a deal would significantly improve the recovery prospects for the Company and enable it to satisfy all of its outstanding loans and notes (which amount, in aggregate, to just under **US$ 870 million**).

In the meantime, CFG Peru Investments Pte. Ltd. (a wholly owned indirect subsidiary of the Company) has also filed an application with the High Court of Singapore seeking the appointment of judicial managers. The hearing has been set for March 21, 2016. It is unknown if these proceedings fall within the scope of the deed of undertaking described above.