China Fishery Group 'a model for future HK restructurings'


Bill Brandt, DSI

Bill Brandt, founder and executive chairman of DSI, is hopeful that the long drawn out restructuring of China Fishery Group, where he is bankruptcy trustee, is approaching a final settlement, with the prospect of a successful sale of the business in sight.

Despite the fact that talks have dragged on since debt repayments first became a problem for the Hong Kong-based business in 2014, Brandt said: "China Fishery isn't a one-off. Quite the reverse. It is a model for the future restructuring of companies with offshore debt in Hong Kong."

Analysts suggest he could get up to US$1.2 billion for the assets. Brandt declared: "It's been a long methodical slog, but now the Group is ready for sale."

Around ten parties have expressed serious interest in acquiring the group, said Brandt, a number that has recently been whittled down to five.

While China Fishery's history has been dominated by tensions between the founding Ng family in Hong Kong and the group's creditors (see below), Brandt now sees the biggest challenge to resolving the business's problems as political risk stemming from Peru.

Peru's political and judicial leadership has been in turmoil for the last eight months because of revelations of widespread corruption. This in turn has prompted bidders for China Fishery to take the view – "we like your business, but the political situation needs to get better."

The good news is that Peru's Ministry of Fisheries is about to announce its quotas which limit fleets on how large their catches can be, said Brandt, and it's expected to be a big number.

"So buyers need to move before this causes the price to rise," said Brandt.

China Fishery – a brief history

A first flashpoint over the family-run China Fishery Group came in 2015 when representatives of some of Asia's biggest banks met with the then CEO, Ng Joo Siang.

They wanted to know what had happened to a US$650 million loan, extended in March 2014, to various units of the world's twelfth-largest fishery company, a Hong Kong-based business controlled by the Ng family, amid concerns that they would never be repaid.

The creditors ranged from HSBC and Standard Chartered to Maybank, Malaysia's largest financial services group. The US$650 million had been borrowed to refinance the 2013 purchase of a Peruvian fisheries business – by far the group's most valuable asset.

Within minutes Ng was hurling abuse at the assembled audience as they grilled him on what happened to their money, according to three people present.

Two years later China Fishery took its Hong Kong creditors by surprise when it filed for Chapter 11 in the US Bankruptcy Court for the Southern District of New York before Judge James Garrity.

An Ng family spokesperson said they chose to file for Chapter 11 "because the US courts are more debtor friendly."

In its bankruptcy docket China Fishery said it had US$2.6 billion in assets and US$2.5 billion in debt.

In a US court filing, some of those creditors raised concerns regarding the Ng family over "questionable transactions totalling more than US$1 billion and suspicions of substantial overstatements of revenues and receivables/prepayments" made by the group.

They asked the court to appoint a trustee, William Brandt, founder of Development Specialists, Inc (DSI), who since then has shuttled between South America, New York, Singapore and Hong Kong trying to sell assets including the Peruvian business.

Brandt is represented by Skadden, led by Jay Goffman and Lisa Laukitis in New York.

A separate investigation into the group's finances by FTI raised questions about the ultimate destination of some of the money the creditors lent. Brandt is investigating this aspect of the case.

Meanwhile, the Ngs and at least one of the lawyers who represent the family, Bertie Mehigan of the Mehigan law firm in Hong Kong, strongly deny that the family has done anything wrong.

Meanwhile the banks including China Citic, Singapore's DBS and Standard Chartered have sold much of their debt in China Fishery to hedge funds.

Simple business, complex structure

The Ng family sits at the top of a relatively straightforward industrial fishing business.

Launched in the late 1980s China Fishery ships trawl the oceans from off the coast of Chile to the cold waters around Vladivostok. Its factories — most are in China but it has one floating facility — turn the catch into fishmeal, and frozen fish fingers.

Its corporate structure by contrast is complex. At the top of the group sits the privately held, British Virgin Islands-registered, NS Hong Investment, the controlling shareholder in Pacific Andes International Holdings or PAIH, which listed in Hong Kong in 1994.

Two years later the family listed Pacific Andes Resources Development (PARD), in which PAIH held a 66.5 per cent stake as of 2016, in Singapore.

PARD controls China Fishery Group's most valuable asset, its Peruvian operation Copeinca, for which it paid US$800 million in 2013.

The group has dozens of other entities. A total of 16 filed for Chapter 11 bankruptcy in New York in 2016. Since then another 21 have also filed.

Shares in the Hong Kong and Singapore listed groups have been suspended since November 2015.

Since 2017, buyout groups including Boyu Capital, KKR and PAG have tried to put a value on the company but they say they find the money trail too complicated to follow, the controlling family difficult to deal with and the process too messy.

Family members meanwhile say the poor PAIH figures reflect the disruption to the Peruvian operations caused by El Niño and insist that the prepayments — the exact identity of who received the monies is not spelt out in the accounts — were legitimate advances to Russian suppliers.

Creditors of PAIH, the Hong Kong entity, have submitted claims for US$1.7 billion via the New York court, more than the probable value of China Fishery's assets.