

CHINA FISHERY GROUP LIMITED
(Incorporated in the Cayman Islands)

Update on Chapter 11 proceedings, and Operational and Financial Information

China Fishery Group Limited (the “Company”) wishes to provide an update on Chapter 11 proceedings currently before the United States Bankruptcy Court in the Southern District of New York (the “NY Court”), in addition to providing operational and financial information in relation to certain major subsidiaries.

Update on Chapter 11 Proceedings

As previously announced, the NY Court approved an order presented by the Chapter 11 trustee for CFG Peru Investments (Singapore) Limited on 28 November 2016 to assist with the goal of stabilising the fishmeal and fish oil operations in Peru. Since that time, the claims before the Peruvian restructuring tribunal, INDECOPI, have been either satisfied or withdrawn. As a consequence, the Chapter 15 recognition proceedings have been withdrawn from the NY Court.

The goal of stabilising the Peruvian operations is aligned with the Company’s view that, once normalised, those operations will have the ability to generate considerable revenue and profit, creating enhanced value for all creditors and other stakeholders of the Company. Accordingly, development of the Company’s plan of reorganisation was placed on hold for some time as requested by the trustee while fishing in Peru normalised. Discussions and development of the plan resumed after the trustee clarified his position with respect to planning for the Peruvian operations.

On 24 April 2017, the trustee filed his Status Report with the NY Court. The report covered considerable operational information on the Peruvian fishmeal and fish oil business, business results, a recap of the trustee’s activities, and the approach he is taking to the case and certain issues. In particular, the report outlined the three potential outcomes that may arise from the trustee’s appointment over the Peruvian operating entities. The first is to see if management and ownership of Pacific Andes can engineer a successful refinancing and restructuring of the business. The second alternative would be for management of the Peruvian operating companies to locate and align themselves with a “white knight”. Should either of the first two alternatives come to pass, the third possible alternative would be an outright sale of the Peruvian operating companies to a third party.

The NY Court approved an order on 24 April 2017 enabling the trustee to sell certain non-core, non-debtor assets comprising vessels and certain real estate in Peru, and for the trustee to take all necessary corporate governance actions in connection with those sales. The NY Court also approved the trustee’s motion enabling him to initiate recognition proceedings in the Singapore Supreme Court in relation to the Chapter 11 proceedings and his appointment as trustee.

The period during which the Company has the exclusive right to file with the NY Court a plan of reorganization currently extends to 17 May 2017 when there will be a hearing of a request to have the exclusivity period extended until 31 December 2017. Bank creditors have objected to the exclusivity period being extended up to that date.

As recently announced, the Company keeps under the review the entities which should appropriately file with the NY Court for protection under Chapter 11. As a result of a recent review, the Company voluntarily filed on 3 May 2017 petitions under Chapter 11 for fourteen additional indirect subsidiaries. The Company will continue to engage and work closely with all creditors, including bondholders, to achieve the best possible consensual restructuring for all interested parties, and will continue to provide updates on any material developments.

Operational and Financial Update for Certain Major Subsidiaries

(i) Current Operations

The second 2016 fishing season in the North/Centre region of Peru concluded on 27 January 2017. The Peruvian operations successfully utilized 100% of their quota for the season which equated to a total catch of 339,453 tonnes of anchovy. In addition, 108,232 tonnes were purchased from third parties for processing. 101,856 tonnes of fishmeal and 16,947 tonnes of fish oil were produced. This was the strongest second fishing season in the North/Centre region for three years in terms of catch volume and percentage utilization of quota.

On 20 April 2017, the Ministry of Production in Peru announced a very favourable Total Allowable Catch (the "TAC") of 2.8 million tonnes for the first 2017 season in the North/Centre region. Exploratory fishing commenced on 22 April, with the season officially commencing on 26 April. This is the largest TAC for five years and a 55% increase on the TAC for the corresponding season in 2016. Encouragingly, the assessment by the Peruvian Marine Institute, IMARPE, found a biomass in the North/Centre region of 7.78 million tonnes.

Since the commencement of the North/Centre fishing season, the Peruvian operations have caught 116,525 tonnes of anchovy and have purchased 28,323 tonnes from third parties up to 9 May 2017. This is a very strong start to this important fishing season, and represents 24.6% of the group's quota after only approximately three weeks' fishing. 30,117 tonnes of fishmeal and 3,816 tonnes of fish oil have been produced since the season commenced.

In the smaller South region's first fishing season, the Peruvian operations have caught 21,956 tonnes of anchovy and purchased 17,888 tonnes from third parties, which represents 28.9% of the group's quota. 8,790 tonnes of fishmeal and 543 tonnes of fish oil have been produced since the season commenced on 17 January 2017.

(ii) Financial Update for the financial year ended 28 September 2016, and the First Quarter ended 28 December, 2016

The Company wishes to provide an update on the operational and financial results of certain major subsidiaries. Such financial information is based on the management accounts, which information has not been audited or reviewed by the auditors of the Company and may, therefore, be subject to change, and in no way represents the consolidated financial performance of the Company.

The key driver of the financial performance for year ended 28 September 2016 was the first 2016 fishing season in Peru's North/Centre region. Due to the residual effects of El Nino, the season commenced late on 1 July 2016, and lasted for only a short period, concluding on 27 July 2016. In view of the shortened season, the industry was only able to utilise 51% of the 1.8 million tonne Total Allowable Catch. The Company's Peruvian operations caught 143,132 tonnes of anchovy and purchased 45,374 tonnes from third parties during the season. We produced 45,272 tonnes of fishmeal and 6,054 tonnes of fish oil.

Accordingly, based on the unaudited management accounts, Corporacion Pesquera Inca S.A.C. and CFG Investment S.A.C., the principal subsidiaries engaged in Peruvian fishmeal and fish oil business recorded a combined turnover of US\$331.2 million for the year ended 28 September 2016, which represents an increase of 37% over US\$241.0 million for the year ended 28 September 2015. The increase in revenue was mainly attributable to no catch being allowed in 2014 B fishing season in the Peruvian North/Centre fishery which caused a reduction in revenue in the previous year. With this increase in revenue, the combined loss before tax for the year ended 28 September 2016 was US\$41.0 million as compared to the loss of US\$59.4 million for year ended 28 September 2015. This was mainly due to lower selling prices of fishmeal and fish oil.

In the first quarter ended 28 December 2016, Corporacion Pesquera Inca S.A.C. and CFG Investment S.A.C. recorded a combined turnover of US\$60.9 million, which represented a significant decrease of 59% over US\$148.7 million for the same period ended 28 December 2015. The decrease in revenue was mainly attributable the residual impact of the poor first 2016 fishing season given that the second fishing season for 2016 did not commence until December. Therefore, there was less fishmeal and fish oil available for sale in the first quarter ended 28 December 2016. Combined loss before tax for the first quarter ended 28 December 2016 was US\$10.9 million as compared to the profit before tax of US\$7.5 million for the same period ended 28 December 2015 due to lower revenue.

Progress on the RSM Forensic Review

The board of directors of the Company (the “Board”) has been advised by RSM Corporate Advisory (Hong Kong) Limited (“RSM”) that substantial progress on the forensic review has been made in recent month. As at the date of this announcement, the forensic review is on-going.

As the forensic review is being conducted independently, the timing of the release of a report from RSM is not within the control of the Company. We are advised that RSM is working to complete the review expeditiously and expect that the draft report will be available to Company expeditiously.

The Company will announce further updates as material developments arise.

By Order of the Board

Ng Puay Yee (Jessie)
Executive Director and Chief Executive Officer

12 May 2017