

CHINA FISHERY GROUP LIMITED
(Incorporated in the Cayman Islands)

Update on Chapter 11 and 15 Proceedings, and Operational and Financial Information

The board of directors (the “**Board**”) of China Fishery Group Limited (the “**Company**”) wishes to provide an update on Chapter 11 and 15 proceedings announced by the Company on 1 July 2016, and currently before the United States Bankruptcy Court in the Southern District of New York, in addition to providing operational and financial information in relation to certain major subsidiaries.

Update on Chapter 11 and 15 Proceedings

As announced previously, in relation to those entities included in US Chapter 11 and 15 proceedings, a motion for the appointment of a Chapter 11 trustee was filed in the New York Bankruptcy Court on 9 August 2016. At the time of filing, the motion was expressed to be made by four of the club lenders, Coöperatieve Rabobank U.A., Standard Chartered Bank (Hong Kong) Limited (Standard Chartered), China CITIC Bank International Limited (CITIC), and DBS Bank (Hong Kong), Limited. However, CITIC wrote to the New York Judge confirming that they did not support the trustee motion, but were in favour of the appointment of a chief restructuring officer and DLA Piper LLP (US) filed to motion to cease its representation of CITIC. Agricultural Bank of China, Industrial and Commercial Bank of China, Huaxia Bank and Bank of Communications have also written to the Court to state that they do not support the trustee motion.

On 12 August 2016, joinder motions were filed in support of the trustee motion, by Bank of America, N.A., Malayan Banking Berhad (Maybank), an Ad Hoc Committee of CFG Bondholders (representing approximately 29% of the CFG bonds) and the Pickenpack Insolvency Administrator. Between 18 and 23 August 2016, there was a discovery process that was undertaken in the context of the trustee motion, and witnesses of the movants (including representatives from Standard Chartered and Bank of America) and witnesses of the Company gave depositions in New York.

The evidentiary hearing of the trustee motion was held in the New York Bankruptcy Court on 29 and 30 August 2016. The Company strongly made its case before the Court that the appointment of a trustee would result in the immediate and severe destruction of value for all of the stakeholders across the Group. The Company has previously experienced the value destruction which took place as a result of the previous imposition of the joint provisional liquidators in November 2015 (which have been discharged). The Company believes that there will be a similar adverse reaction in Peru and globally to any appointment of a trustee which will result in severe destruction of value for all stakeholders across the Group. In addition, the bank lenders who are advocating the appointment of a trustee have made it clear that they are in favour of a quick sale of the Peruvian fishmeal business which would not be in the best interests of all creditors and other stakeholders.

The Court will deliver its decision on the motion at a date to be determined.

There has been no progress in relation to the restructuring proceedings in Peru up to this point. The Peruvian tribunal, INDECOPI, is yet to formally announce the commencement of the proceedings.

Operational and Financial Update for Certain Major Subsidiaries

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 currently available to the Board, 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 Company's operations in Peru and Namibia have been continuing. In Peru, the total allowable catch for 2015 B fishing season in the major North/Centre fishery was 1.11 million tonnes, lower than average for that fishery. The Group fully utilized its quota entitlement in that season. The 2016 A fishing season in the North/Centre fishery was impacted by warm water conditions caused by El Nino. As a result, the season, which would have normally commenced in April, did not commence until 18 June, and the Peruvian Government granted a much-reduced total allowable catch of 1.80 million tonnes. The Government concluded the season on 27 July 2016 and, as a consequence of the shortened season, the industry was only able to utilize 51% of the total allowable catch. In the smaller South fishery, the Government allocated a total allowable catch of 382,000 tonnes for both the A and B season. The Group utilized 72% of its quota in the A season and fishing continues in the B season in the South.

Fishing operations and sales of Horse Mackerel continued in Namibia with similar catch and sales volume as per previous seasons.

The Group was not able to obtain sufficient funding for working capital in Peru over this period and needed to seek working capital at a higher than normal cost due to the continuing adverse sentiment on the part of lenders caused by the imposition of joint provisional liquidators who were dismissed in January 2016. For this reason, fishmeal produced had to be sold to local customers in order to provide funding for fishing and fishmeal and fish oil production which has impacted margins. Accordingly, based on the unaudited management accounts, during the nine months ended 28 June 2016, Corporacion Pesquera Inca SAC and CFG Investment SAC, the principal subsidiaries engaged in Peruvian fishmeal and fish oil business, recorded a combined turnover of US\$285 million, which represents an increase of 150% over US\$114 million for the same period ended 28 June 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. Combined profit before tax for the nine months ended 28 June 2016 was US\$5.8 million, which reversed a loss before tax of US\$7.6 million for the same period ended 28 June 2015.

The Company will continue to update the market as material developments arise.

By Order of the Board

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

9 September 2016