

ORIENT POWER

BACKGROUND

The Orient Power Group (“the Group”) was a Hong Kong listed electronics manufacturer, operating 8 factories across China, principally with respect to home entertainment and audio products.

The Group entered into restructuring discussions with its lenders which it owed over HKD1.2B in mid 2005, following the commencement of litigation for breach of intellectual property rights against it.

The restructuring was not successful and following far worse than expected financial results for the Group in early 2006, we were appointed by the bank group as Receivers and Managers with a mandate to seek to extract value for the secured creditors.

OUR CORPORATE RECOVERY SERVICE

Our team focused on maintaining stability in the highly distressed group whilst seeking to determine the options available. What became apparent that the financial advisors previously engaged were unable to ascertain in over 9 months was that the Group’s financial position was far more severe than was previously understood, in part due to substantial financial irregularities that had previously been undetected by others.

Our work in assessing the true position of the business so quickly enabled us to take urgent measures to seek to save parts of the business. We negotiated strongly with suppliers to maintain support to the business and obtained a funding line whilst we sought investors for the business.

GETTING RESULTS

We were able to negotiate and sign a term sheet with an investor to take over the Group. However, on the night before the term sheet was to be presented to the bank group, the investor withdrew its support due to uncertainty as a result of the financial irregularities.

Our team then took steps to wind down what parts of the business it could and sold certain factory sites to recover some value in China.

Whilst only a part of the business was able to be saved, our strategy resulted in:

- Providing clarity to lenders of the true state of the Group;
- Obtaining substantial control of the factory operations in China from the commencement of the appointment, a notoriously difficult task in similar situations;
- Negotiations with suppliers enabling the highly distressed operations to remain operating for 6 months whilst options to save the Group were pursued;
- Maximising value of certain assets, such as receivables and inventory, and minimising cash usage by focusing on value adding expenditure only; and
- The recovery of records from China that parties close to the Group sought to have disposed of to enable investigation and the commencement of legal action regarding the collapse of the Group and financial irregularities.

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