

# A GLOBAL ASSET HUNT

## PIONEER IRON AND STEEL GROUP COMPANY LIMITED (IN LIQUIDATION)

**SITUATION: A SHARP DOWNTURN IN THE GLOBAL  
SHIPPING MARKET SINKS MAJOR TRADING COMPANY.**

Pioneer Iron and Steel Group Company Limited (“PISG”), a large, privately-owned, diversified iron ore and steel trading company based in China but registered in the British Virgin Islands, was involved in many aspects of the industry, including manufacturing, commodity trading, shipping and logistics.

The global recession that began in 2008 led to a sharp downturn in the shipping industry. As a result, PISG struggled to meet its obligations with some of its international vendors, and by 2010, the company had accumulated alleged debt in excess of \$500 million. The company’s sole shareholder, a high-profile Chinese billionaire living in Hong Kong, decided to place PISG into voluntary liquidation. FTI Consulting was appointed as liquidator with a mandate to locate and secure the company’s far-flung assets to maximize financial recovery for PISG’s creditors.

“Throughout the engagement, the team at FTI Consulting displayed exceptional professionalism and initiative to effectively manage numerous stakeholders, and to ultimately recover value for the creditors. The appointment, while extremely challenging, strengthened a much valued relationship between us and FTI Consulting.”

**DONNA WACKER,**  
Partner, Clifford Chance



## FTI CONSULTING'S ROLE: UNCOVERING ASSETS, TRACKING THEM DOWN

FTI Consulting immediately took control of a large number of PISG subsidiaries and the company's books and records. Preliminary investigations quickly uncovered substantial assets in Australia, Hong Kong and China that belonged to PISG.

Accordingly, FTI Consulting began taking steps to recover those assets such as placing a freeze/stop trade on shares of a listed Australian mining corporation and demanding that a Chilean mining company repay a \$7 million debt owed to PISG.

However, these recovery actions and others were contested fiercely by the company's sole shareholder, who argued that FTI Consulting had no right to attempt to recover those assets since PISG had relinquished its interest in them.

As a result of the findings uncovered during an investigation into PISG's dealings, FTI Consulting concluded that assets had been intentionally transferred from PISG to shield them from creditor claims and that this had contributed to the rapid deterioration of PISG's financial position. Accordingly, FTI Consulting began an asset tracing initiative with the support of an international team of consultants from the firm's Technology segment and the Global Risk & Investigations practice.

This investigation revealed that approximately \$1 billion in assets had been transferred from PISG. Foremost among those assets were shares in Inner Mongolia Baotou Steel Rare-Earth ("IMBSRE"), a mining company listed on the Shanghai Stock Exchange. Between 2008 and 2010, via a series of share transfers, ownership of IMBSRE was effectively removed from PISG and shifted directly to the sole shareholder of PISG and a family member. FTI Consulting asserted that the shares were grossly undervalued at the time of the deal and that the transfers themselves represented a breach of fiduciary trust.

## OUTCOME: GLOBAL SETTLEMENT REACHED, CREDITORS RECEIVE SUBSTANTIAL DIVIDEND

Throughout the engagement, the company provided the bare minimum in terms of information, documentation or records of its business affairs.

Nonetheless, FTI Consulting was able to build a solid case against PISG's shareholder by relying on external sources and the capabilities of Ringtail®, FTI Consulting's proprietary e-discovery and document review software. Ringtail® played a critical role in analyzing documents related to transactions among the complex web of subsidiaries that the shareholder had created to conceal assets from creditors through share transfers and the creation of trusts.

Facing expensive and prolonged legal challenges, FTI Consulting obtained external funding from a London-based specialist litigation funder. This ensured that the team had the financial capacity to meet the legal challenges presented by the case, and as a result a settlement was eventually reached.

That global agreement entailed a significant cash settlement and the dismissal of all ongoing legal action. PISG's unsecured creditors received a substantial dividend in the range of 34 cents to 40 cents to the dollar, and steps are being undertaken to finalize the wind-up of the company.



### ABOUT FTI CONSULTING

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organizations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. FTI Consulting professionals, who are located in all major business centers throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management and restructuring. More information can be found at [www.fticonsulting.com](http://www.fticonsulting.com).

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