

# **PwC leads Successful Restructuring of Mongolian Mining Corporation's US\$900m Debt**



Successful multi-jurisdiction debt restructuring of circa **US\$900m** debt for Mongolian Mining Corporation, a Cayman incorporated company listed in Hong Kong. New notes, shares and perpetual notes were issued as consideration.



Following enforcement action by one of the creditors and failure to achieve consensus amongst stakeholders, the company petitioned for the appointment of Joint Provisional Liquidators to lead the debt restructuring and partners from PwC were appointed in July 2016.



The appointment of the JPLs was on a “soft touch” basis leaving management in charge of daily operations with supervision by the JPLs, pursuant to a protocol arrangement approved by the court.



Following robust negotiations led by PwC, a consensus was reached among stakeholders including bondholders, banks and others. A non-binding commercial term sheet was agreed and subsequently, Restructuring Support Agreements (“RSA”) were implemented and sanctioned by the court.



A single class Scheme of Arrangement was launched and at the Scheme Meetings in April 2017, over 96% (nominal value) of bondholders voted in favour of the Scheme, with none against. Bilateral arrangements were entered into with other stakeholders, inter-conditional on the Scheme.



The Scheme was sanctioned in April 2017 in Cayman and Hong Kong Courts and Chapter 15 recognition in the US was obtained. **The restructuring became effective on 4 May 2017, within 10 months of the appointment of the JPLs.**



Throughout the restructuring, the management of Mongolian Mining Corporation maintained ongoing operations. Additionally, the listing was maintained and both shares and notes continued to be traded.

## **1. Company Profile**

- Mongolian Mining Corporation (MMC) is a HK listed company primarily engaged in mining, processing, transportation and sale of coal. MMC is the largest producer and exporter of washed hard coking coal in Mongolia and owns and operates two open-pit coking coal mines, both of which are located in the Southern Gobi province of Mongolia.

## **2. Initial Situation**

- In China, crude steel output fell in 2015 for the first time since 1981, amid a wider slowdown in the country's economy and reduced infrastructure investment. Coal indexes decreased, sale prices and volumes plummeted. As a result of general market conditions, MMC was unable to service its debts, primarily comprised of: a US\$600m high yield bond listed on the Singapore Stock Exchange, a US\$93m syndicated loan granted by overseas banks and a US\$72m promissory note.

## **3. Restructuring**

- The Company filed an application with the Grand Court of the Cayman Islands for the appointment of Joint Provisional Liquidators (JPLs) after it was unable to agree terms with its key creditors, despite strenuous rounds of negotiation over 6 months. Positions had become entrenched and events of default had been triggered on both the syndicated loan and the bonds.

Christopher So and Simon Conway of PwC were appointed as "soft touch" JPLs by the Cayman court on 19 July 2016. The JPLs produced a report comparing outcomes in a restructuring and liquidation scenario, concluding that there was a real opportunity for MMC to return to profitable trading as a going concern notwithstanding the issues facing the coal sector as a whole. PwC managed the negotiation process with all stakeholders successfully achieving consensus amongst the disparate groups within 3 months of appointment. This led to a non-binding commercial term sheet. Subsequently, bilateral legally binding Restructuring Support Agreements (RSA) were entered into with the creditors, which were subsequently sanctioned by the Cayman and Hong Kong courts.

PwC launched the single class Scheme of Arrangement and coordinated the solicitation process to seek noteholders' consent and support for the RSA. The Scheme was sanctioned in April 2017 and Chapter 15 recognition was obtained in the US.

- The JPLs will apply to be released from office in June 2017.**

## **PwC contacts**

### **Hong Kong**

#### **Christopher So**

Partner

+852 2289 2577

christopher.mc.so@hk.pwc.com

#### **Ted Osborn**

Partner

+852 2289 2299

t.osborn@hk.pwc.com

#### **Marie Rowbotham**

Director

+852 2289 2504

marie.rowbotham@hk.pwc.com

### **Cayman Islands**

#### **Simon Conway**

Partner

+1 (345) 914 8688

simon.r.conway@ky.pwc.com

### **China**

#### **Victor Jong**

Partner

+86 (21) 2323 3650

victor.yk.jong@cn.pwc.com

#### **Tim Guo**

Director

+86 (21) 2323 2610

tim.guo@cn.pwc.com