



COURT OF THE CAYMAN ISLANDS
VICES DIVISION

CAUSE NO. FSD. 360 OF 2023 (IKJ)

IN THE MATTER OF THE COMPANIES ACT (2023 REVISION)
AND IN THE MATTER OF BO RUN SPC
AND IN THE MATTER OF CHINA REAL ESTATE STABLE INCOME FUND SP19

PETITION

TO: The Grand Court of the Cayman Islands

THE HUMBLE PETITION of Bo Run SPC, of 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands (the "**Petitioner**" or the "**SPC**") shows that:

A. INTRODUCTION

1. The SPC seeks the appointment of Ms. LAU Wing Yi of Perun Consultants Limited and Ms. Nicola Cowan of FFP (Cayman) Limited as joint and several receivers over China Real Estate Stable Income Fund SP19 (the "**Fund**") pursuant to section 224 of the Companies Act (2023 Revision) (the "**Act**") on the grounds that:
 - 1.1 the directors of the SPC have reached the conclusion that the assets attributable to the Fund are insufficient to discharge the claims of creditors in respect of the Fund;
 - 1.2 the appointment of receivers will enable the orderly closing down of the business of the Fund and the distribution of the assets of the Fund to those persons entitled to have recourse thereto;
 - 1.3 the SPC also seeks an order for the appointment of receivers over eight of its other

This **Petition** was presented by Campbells LLP of Floor 4, Willow House, Cricket Square, George Town, Grand Cayman KY1-9010, Cayman Islands, Attorneys at Law for the Petitioner, whose address for service is that of their attorneys. (Ref: SRF/ELA/00786-42170)

segregated portfolios (which are also insolvent); and

- 1.4 the SPC operates five other segregated portfolios that are not insolvent and the directors of the SPC are therefore of the view that it is undesirable that the SPC, as a whole, be wound up.

B. BACKGROUND

2. The SPC was incorporated in the Cayman Islands on 8 March 2018 as an exempted company registered as a segregated portfolio company with limited liability. The registration number of the SPC is 334145 and it is registered with the Cayman Islands Monetary Authority (“**CIMA**”) under section 4(3) of the Mutual Funds Act (as amended) with registration number 1630031.
3. The SPC’s registered office is at Ogier Global (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands.
4. The SPC has a number of segregated portfolios including the Fund. The Fund is governed by the terms of the SPC’s Amended and Restated Articles of Association dated 19 May 2022 (the “**Articles**”) as well as its Private Placement Memorandum dated May 2020 together with the Appendix in relation to the Fund.
5. As of the date of this Petition:
 - 5.1 the directors of the SPC are FENG Legeng and GUO Ning (the “**Directors**”);
 - 5.2 the manager of the Fund is Brimstone Asset Management Company Limited (“**Manager**”);
 - 5.3 the administrator of the Fund is Apex Fund Services Ltd. (“**Apex**”).
6. The main business of the SPC is investment in corporate bonds, convertible bonds and equities issued by companies in Greater China for the purposes of pursuing stable income as well as capital appreciation for the Fund.
7. The Manager conducts and manages the business of the Fund with the aim of achieving attractive absolute return for the Fund within acceptable risk limits, through a flexible combination of sub-strategies and implementation of effective investment processes including research, trading, risk

management and operations.

8. In addition to management shares issued to Bo Run Company Limited, the Fund issued redeemable participating shares to the investors.

C. INVESTMENTS OF THE FUND

9. The SPC has a master-feeder fund structure. The Fund is a feeder fund that invest all its assets into a master fund with substantially similar investment objectives, strategies, and restrictions as those of the Fund.
10. Accordingly, the Fund had invested in China Stable Income Fund SP2 ("**Brimstone SP2**"), which was managed by the Manager and have directors in common with the SPC. The investments of Brimstone SP2 were predominantly bonds and equities in companies exposed to the Greater China real estate industry. Due to the poor market conditions and the continuing deterioration of the Greater China real estate industry, Brimstone SP2 became insolvent and was put into receivership on 12 December 2022.
11. As Brimstone SP2 was in a significant net liability position, the Fund redeemed its participating shares of Brimstone SP2 at a redemption amount of US\$61,003,039 during the year ended 31 December 2022. It received partial payment of US\$8,160,400 but Brimstone SP2 was unable to settle the remaining outstanding redemption amount of US\$52,842,639 and such redemption receivable was fully written off.
12. In addition to the investment in Brimstone SP2, the Fund had also invested in Brimstone Hung Sing Stable Return Fund SP3 ("**Brimstone SP3**"), which was managed by the Manager and have directors in common with the SPC. Brimstone SP3 had one single investment in Prelude Structured Alt Master Fund LP., a Delaware registered fund, which is a manager of managers fund that has multiple sub-accounts, each of which is sub-delegated to a manager to manage and invest in different regions and/or asset classes with different strategies. The Fund redeemed all its redeemable participating shares of Brimstone SP3 at a redemption amount of US\$848,796 during the year ended 31 December 2022 of which US\$645,000 was paid and the remaining outstanding redemption receivable of US\$203,796 was fully written off as Brimstone SP3 was in a net liability position at 31 December 2022 and was unable to pay.

13. Subsequent to the redemptions of the investments by the Fund as mentioned above, the Fund has not made any further investments due to the lack of funds and the market conditions.
14. In the circumstances, on 30 June 2023, pursuant to Article 11.12 of the Articles, the Directors resolved to compulsorily redeem all the issued participating shares. On 25 July 2023, notice of compulsory redemption was issued to the participating shareholder of the Fund notifying it that all its participating shares would be redeemed on 3 July 2023 or such other date as the Directors may determine, by reference to the net asset value of the participating shares as of 30 June 2023.
15. On 3 July 2023, all the participating shares of the Fund were redeemed at zero redemption value in view of the negative net asset value of the Fund as of 30 June 2023.
16. Accordingly, as of the date of this Petition, all the issued participating shares of the Fund have been redeemed. Pursuant to the SPC's Articles of Association, the holders of the redeemed participating shares ceased to be a member of the SPC in respect of such participating shares and would have the right to receive as a creditor payment of any redemption proceeds.
17. On 30 June 2023, the Directors resolved that the Fund shall not make any further investment and shall cease operations immediately and be closed down as soon as possible and that the Fund shall be put into receivership in the event that it has become insolvent.
18. With effect on and from 31 August 2023, the investment agreement with respect to the Fund was terminated and the Manager was released.

D. THE FACTUAL GROUNDS SUPPORTING THE APPOINTMENT OF RECEIVERS

19. The balance sheet of the Fund shows that as at 31 December 2022, the assets attributable to the Fund are insufficient to discharge the claims of creditors in respect of the Fund. A summary of the financial position of the Fund as at 31 December 2022 is as follows:

<u>Assets</u>	<u>Liabilities</u>	<u>Net Liabilities</u>	<u>Adjusted Net Liabilities⁴</u>
US\$686,656	US\$753,344	US\$66,688	US\$43,568
(a) financial assets at fair value through profit or loss in the amount of US\$371,932	(a) management fees payable in the amount of US\$688,716 ¹		
(b) amounts due from a broker in the amount of US\$202,759	(b) administration fees payable in the amount of US\$6,528 ²		
(c) cash and cash equivalents in the amount of US\$111,965	(c) accrued expenses and other payables in the amount of US\$58,100 ³		

Notes:

1. The Manager is entitled to management fees pursuant to the management agreement in relation to the Fund.
2. The administrator is entitled to administration fees pursuant to the administration agreement in relation to the Fund.
3. The accrued expenses and other payables include (1) estimated termination fees to be paid to the fund administrator, (2) auditor's fees, (3) lawyer's fees, (4) CIMA fees and (5) estimated receivers' and lawyer's fees for the receivership.
4. The financial statements prepared by the auditor of the Fund was prepared on a break up basis. Accordingly, the Fund's assets have been valued at estimated net realisable values and its liabilities are presented at their estimated settlement amounts. This explains why estimated receivers' and lawyer's fees for the receivership have been included. The adjusted net liabilities exclude those fees in relation to the receivership. The Fund is still insolvent.

20. As at the date of this Petition, the financial position of the Fund has not been improved and the Fund remains insolvent (the assets attributable to the Fund are insufficient to discharge the claims of creditors in respect of the Fund). Further, the SPC has no general assets. In the circumstances, and by reference to the Fund's significant negative asset value, the Fund is no longer able to meet

its financial obligations and is insolvent within the meaning of section 224(1)(a) of the Act.

E. THE APPOINTMENT OF RECEIVERS

21. Given that there are other segregated portfolios under the SPC which are solvent and could continue their operations, it is undesirable that the SPC, as a whole, be wound up.
22. As the assets attributable to the Fund are insufficient to discharge its liabilities, the SPC respectfully requests that this Honourable Court make an order appointing receivers over the Fund pursuant to section 224 of the Act in order to manage the business and assets of the Fund for the purposes of (a) the orderly closing down of the business of or attributable to the Fund and (b) thereafter, the distribution of the assets of the Fund to those entitled to have recourse to those assets.

YOUR PETITIONER THEREFORE HUMBL Y PRAYS AS FOLLOWS:

1. Pursuant to section 224 of the Act, a receivership order be made in relation to the Fund.
2. That Ms. LAU Wing Yi (also known as Connie Lau) of Perun Consultants Limited and Ms. Nicola Cowan of FFP (Cayman) Limited (the “**Receivers**”) be appointed jointly and severally as receivers of the Fund.
3. That the business and segregated portfolio assets of the Fund shall be managed by the Receivers for the purposes specified in section 224(3) of the Act.
4. That the Receivers be authorised, in accordance with section 226(1) of the Act, to do all such things as may be necessary for the purposes of:
 - a. the orderly closing down of the business of or attributable to the Fund; and
 - b. the distribution of segregated portfolio assets attributable to the Fund to those entitled to have recourse thereto,

and in so doing, the Receivers shall have all the functions and powers of directors in respect of the business and segregated portfolio assets of or attributable to the Fund.

5. That the Receivers' fees and expenses be payable out of the segregated assets of the Fund pursuant to section 228 of the Act in priority to all other claims.
6. That no suit, action or other proceeding may be instituted against the SPC in relation to the Fund except with the leave of the Court pursuant to section 226(5) of the Act.
7. That any act required or authorised to be done by the Receivers may be done by any one of them.
8. That the Receivers be at liberty to apply for further directions pursuant to section 226(2) of the Act and generally.
9. That the Petitioner's costs of this Petition be paid out of the segregated assets of the Fund, and shall be paid in priority to all other claims save for the Receivers' fees and expenses properly incurred.
10. That the filing fee paid in the amount of CI\$5,000 in respect of this Petition be refunded to the Petitioner.
11. That such other order may be made as the Court thinks fit.

Dated the 29th day of November 2023.



Campbells LLP

This petition and the verifying affirmation of FENG Legeng are intended to be served on:

- (1) The Cayman Islands Monetary Authority
- (2) The known creditors of the Fund, including the redeemed investors

NOTICE OF HEARING

TAKE NOTICE THAT the hearing of this Petition will take place at the Law Courts, George Town, Grand Cayman, on _____ at _____ am/pm.

Any correspondence or communication with the Court relating to the hearing of this Petition should be addressed to the Registrar of the Financial Services Division of the Grand Court at PO Box 495, Grand Cayman, KY1-1106, telephone (345) 949 4296.