



Neutral Citation Number: [2026] CIGC (FSD) 56

Cause No: FSD 2026-0049 (JAJ)

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

IN THE MATTER OF SECTIONS 92 AND 94 OF THE COMPANIES ACT (2026 REVISION)
AND IN THE MATTER OF HYALROUTE COMMUNICATION GROUP LIMITED

BETWEEN

CHINA EXPORT & CREDIT INSURANCE CORPORATION

Petitioner

-and-

HYALROUTE COMMUNICATION GROUP LIMITED

Respondent

Appearances: **Mr Peter Kendall and Ms Florence Allan of Walkers (Cayman) LLP for the Petitioner**

Mr Spencer Vickers and Ms Sean-Anna Thompson of Conyers Dill & Pearman LLP for the Respondent

Before: **The Honourable Justice Jalil Asif**

Heard: **On the papers**

Decision and brief reasons: **29 June 2026**

Judgment: **9 July 2026**

Costs—dismissal of winding-up petition bona fide disputed on substantial grounds—appropriate order for costs

Costs—recovery of fees of foreign lawyers—whether GCR O.62, r.18(1) applies—whether fees recoverable as disbursement

JUDGMENT

A. Introduction

1. I gave judgment on the trial of the winding-up petition in this matter on 19 May 2026. The Respondent resisted the petition on the basis that the debt in question was disputed *bona fide* on substantial grounds. I concluded that the Respondent's defence to the petition succeeded for the reasons set out in that judgment and that the petition should be dismissed: *China Export & Credit Insurance Corp v Hyalroute Communication Group Ltd (No.2)* [2026] CIGC (FSD) 37. This is my judgment on the issue of costs following the dismissal of the petition. It addresses three points of dispute between the parties: (a) whether this is an exceptional case such that the Petitioner should not be required to pay the Respondent's costs of the petition; (b) what is the proper treatment of the fees incurred by foreign lawyers involved in the matter; and (c) should the Petitioner be ordered to pay interest on the Respondent's costs. The second of these issues raises a point of general application within the Cayman Islands.
2. By agreement of the parties, I have dealt with these issues on the papers, having received helpful written submissions from the attorneys on each side.

B. The relevant facts

3. I can summarise the relevant factual background to the costs issues as follows:
 - 3.1 The dispute arose out of financing arrangements entered into in 2015 by a subsidiary of the Respondent, Cambodia Fibre Optic Communication Network Co. Ltd ("CFO"). CFO obtained three loan facilities from China Development Bank ("CDB") totalling US \$40 million, governed by PRC law and subject to CIETAC arbitration. On the same date, the Respondent guaranteed

those facilities, and CDB obtained insurance from the Petitioner covering repayment of the loans and payment of the guarantees.

- 3.2 In early 2021, CFO defaulted on its repayment obligations. CDB gave notice of default to CFO and the Respondent and called on the guarantees, but neither made any payment. In August 2021, CDB accelerated the loans, making the full sums immediately due and triggering the Respondent's liability under the guarantees.
- 3.3 CDB commenced a CIETAC arbitration in September 2021 and obtained an award in its favour in November 2022.
- 3.4 The Petitioner, having indemnified CDB under the insurance policies, sought to recover its outlay from the Respondent by way of a subrogated claim on the guarantees.
- 3.5 On or about 6 October 2025 the Petitioner served a statutory demand on the Respondent claiming approximately US \$26 million, including principal and interest.
- 3.6 By letter dated 19 October 2025, the Respondent's PRC lawyers wrote a lengthy letter to the Petitioner, within the 21-day period for responding to the statutory demand, challenging the Petitioner's standing to make its claim and asserting various points about rights of subrogation under PRC law.
- 3.7 On 17 November 2025, King & Wood Mallesons, the Petitioner's PRC lawyers, responded disputing the Respondent's position and setting out the Petitioner's contentions as to why it was entitled under PRC law to exercise rights of subrogation and to pursue the debt that it sought from the Respondent. The Respondent did not reply.
- 3.8 On 20 February 2026, the Petitioner filed its winding-up petition relying on the debt claimed by the statutory demand.
- 3.9 On 11 March 2026, the Respondent wrote to the Petitioner's attorneys complaining that the petition and supporting evidence did not adequately demonstrate the existence of the debt and sought an adjournment of the petition to a date after 30 June 2026. The Petitioner did not agree.

3.10 On 16 April 2026, I heard and dismissed the Respondent's summons seeking an adjournment of the petition to a date after 30 June 2026.

3.11 From 21 April 2026 onwards, the Respondent filed its evidence, which ultimately persuaded me to dismiss the petition.

C. The incidence of costs between the parties

4. The parties are agreed that the winding-up petition is not caught by one of the specific costs rules within CWR O.24, r.8. Accordingly, they agree that GCR O.62 applies to the determination of costs in this matter: see the explanation provided by Kawaley J in Re Oakrun Precious Metals Funds Ltd (unreported, 30/04/19) at paragraph 45:

"45. The effect of these parallel provisions is that GCR Order 62 applies to winding-up proceedings save to the extent that special costs rules under the CWR are engaged. Even where Order 62 does apply, the way in which the Court's discretion is exercised may be shaped by any distinctive characteristics of the winding-up context."

5. The Respondent invites me to order that the Petitioner should pay the Respondent's costs of the petition, to be taxed on the standard basis if not agreed. The Respondent contends that it was the successful party and that costs should follow the event, applying GCR O.62, r.4. It submits that there are no reasons to make some other order. It argues that if the Court were not to award the Respondent its costs, that would undermine the deterrent effect of the costs regime in winding-up proceedings and could encourage parties to bring unmeritorious and speculative winding-up petitions on disputed debts with no cost consequences if they are unsuccessful. It says that the usual question for the court on the dismissal of a winding-up petition is whether the costs should be paid on the standard basis or the indemnity basis, not whether they should be payable at all. It relies on the English case of Re Fernforest Ltd [1990] BCLC 693 and the Court of Appeal's decision in Aramid Entertainment Fund Ltd v KBC Investments Ltd [2014] 1 CILR 455 to support its stance.
6. On the other hand, the Petitioner argues that I should make no order for costs. Its position is that this is an exceptional case, where the normal approach to costs should not apply, relying on the English case of In Re Sykes & Sons Ltd [2012] EWHC 1005 (Ch). It says that it acted reasonably at all

times in presenting and prosecuting the petition; the Respondent did not articulate the basis of its dispute as to the debt until a very late stage, after the petition was filed and after the Respondent's application for an adjournment was refused; the basis on which the court held that there was a dispute was highly technical and could not reasonably have been anticipated by the Petitioner; and the Respondent's conduct throughout was unreasonable, obstructive and contributed materially to the costs incurred. The gist of the Petitioner's position is that it could not reasonably have known the nature of the dispute as to the debt put forward by the Respondent until 21 April 2026, very shortly before the hearing of the petition, and could not therefore take a view on whether to continue to pursue the winding-up petition. The Petitioner disputes that Re Fernforest should apply, arguing that the principle to be derived from that case presupposes that (a) a *bona fide* dispute has been articulated to the creditor; and (b) the creditor nonetheless elects to pursue a winding-up petition rather than first establishing its claim.

7. In my judgment, this is a case where costs should follow the event, applying Re Fernforest Ltd [1990] BCLC 693 and Re Aramid Entertainment Fund Ltd [2014] 1 CILR 455. This is not an exceptional case that justifies a departure from the application of the general rule, as in Re Sykes & Sons Ltd [2012] EWHC 1005 (Ch).
8. In Re Fernforest Ltd at 695d-f, Warner J said:

“[...] in my view as a matter of general approach to this type of case a claimant against a company who chooses to take the short cut of a statutory demand followed by a winding-up petition instead of the procedure of first issuing a writ to establish his claim, does so at his own risk that the claim will be disputed and that the petition will be dismissed or will have to be abandoned. It is no part of the duty of a person against whom a claim is made to formulate in detail, before proceedings are taken against him to enforce the claim, what his defence to those proceedings may be. [...] if in every case of the withdrawal or dismissal of a winding-up petition the court is to go into the whole history of the case to assess whose conduct at which stage was reasonable and whose unreasonable, an enormous amount of the court's time and consequent costs will be spent on disputes of this kind. I think the principle should be adhered to that unless there be exceptional circumstances a petitioner whose petition fails on the ground that the debt is bona fide disputed on substantial grounds should pay the costs of that failure.” (emphasis added)

9. Warner J made clear that a respondent is not required to identify or state its defence to a winding-up petition before the petition is presented. The Court of Appeal in Re Aramid Entertainment Fund Ltd helpfully explained this aspect of his judgment in paragraphs 20 and 21:

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“20. [...] a winding-up petition was presented on August 2nd, 1989. On August 17th, 1989, the company obtained an injunction restraining advertisement of the petition. The injunction was granted on the basis of affidavits filed on behalf of the company which, as Warner, J. put it ‘put forward in slightly more detail the company’s defence to the claim.’ The petition came before the court inter partes on September 7th, 1989 and was dismissed by consent. [...]”

21. Warner, J. explained that it was said on behalf of the petitioners that it was not until they were served with an affidavit sworn by a director of the company on August 31st, 1989 that the petitioners could see what the case for the company really was and that it raised a dispute which could not be determined in the winding-up proceedings. In those circumstances, it was submitted that it would be unfair to the petitioners that they should be ordered to pay the costs of their abortive winding-up proceedings; the appropriate course would be to order that the costs thrown away in the winding-up proceedings should be costs in an action to establish the debt which had, subsequently, been commenced by the petitioners against the company by writ issued on October 24th, 1989. Warner, J. rejected those submissions. [...]” (emphasis added)

I therefore reject the Petitioner’s submission that Re Fernforest depends upon the company having articulated the nature of the dispute to the creditor before the winding-up petition is filed, which is directly contradicted by the passages I have set out.

10. Further, for the reasons set out by Warner J in the passage from Re Fernforest that I have already set out, whether or not the petitioner has behaved reasonably in filing and pursuing the winding-up petition is irrelevant to the question of costs. This was confirmed by the Court of Appeal in Re Aramid Entertainment Fund Ltd at paragraph 28:

“Save in an exceptional case (of which In re Sykes & Sons Ltd provides an example), the reasonableness, or otherwise, of the petitioners’ conduct, in a case where the debt is known to be disputed at the time when the petition is disputed [sic], is not a matter for enquiry. In a disputed debt case, the petitioner presents his petition at his own risk.”

The applicable principle is that a petitioner who takes the shortcut of presenting a winding-up petition takes with that decision the costs risk that the respondent successfully puts forward a dispute regarding the debt in question.

11. This is not a wholly exceptional case that justifies a departure from the application of the general rule, as in Re Sykes & Sons Ltd [2012] EWHC 1005 (Ch). In that case, decided by Mr Richard Snowden QC, as he then was, sitting as a Deputy Judge of the High Court, there was a real question regarding the authenticity of the documents belatedly produced by the debtor company to found the dispute as to the debt in question, and the judge found that the company had made untruthful statements at earlier stages regarding its liability for the debt. Referring to the judgment of Blackburne J in

GlaxoSmithKline Export Ltd v UK (Aid) Ltd [2003] EWHC 1383 (Ch), where Blackburne J had endorsed Re Fernforest, Mr Snowden said at paragraph 25:

“25. But I do not think that Blackburne J can have meant that a petitioner who presents a winding-up petition must necessarily be taken to have assumed the risk that the company may, after presentation of the petition, raise a false defence supported by fabricated documents. The law turns its face against the use of fabricated documents in litigation, and I cannot see how the policy of the Companies Court in discouraging the misuse of winding-up petitions would be advanced by rewarding companies which resort to lying to avoid paying their debts, and penalising petitioners who are belatedly met by false defences that they could not have evaluated prior to presenting their petition.”

It was to guard against this risk of rewarding the company by a costs order on the winding-up proceedings in the event that it was held that the documents on which it relied were not genuine that Mr Snowden decided that in order to do justice between the parties he would adjourn the determination of the costs issue to await the outcome of the proceedings between the parties to determine whether the debt was truly payable or not. The facts of this case do not come anywhere close to the situation in Re Sykes & Sons.

D. Costs of foreign attorneys

12. GCR O.62, r.18 states:

“18. (1) Work done by foreign lawyers may be recovered on taxation under these rules on the standard basis provided that —

(a) the foreign lawyer has been temporarily admitted as an attorney; and

(b) the work was done after the foreign lawyer was admitted.

(2) Work done by foreign lawyers who are temporarily admitted must be fully itemised in the bill of costs and may not be treated as a disbursement.

(3) Whenever a claim is made for work done by foreign lawyers, the taxing officer will investigate whether it has resulted in a duplication or increase in the cost of the proceedings and any such increase shall be disallowed.

(4) Work done by local attorneys for the purpose of instructing foreign lawyers and vice versa shall be disallowed.

(5) The taxing officer shall disallow any item which appears to have been incurred, or the costs of which appears to have been increased, because the successful party has engaged both local attorneys and foreign attorneys.

(6) Time spent and disbursements incurred in respect of written and oral communication between foreign lawyers and local attorneys will be disallowed.

(7) The overriding principle is that a paying party should not be required to pay more because the successful party has engaged a foreign lawyer than the paying party would have been required to pay if the successful party had employed only local attorneys.”

13. The Respondent submits that it was required to engage foreign lawyers in the PRC to advise on specific issues of PRC law regarding subrogation rights, insurance, notice requirements and limitation of actions, and it then relied upon their opinions before me at the hearing of the petition. Those lawyers were not admitted temporarily as attorneys in the Cayman Islands for the purpose of this matter. The Respondent therefore asks for a dispensation from the application of GCR O.62, r.18 to allow it to recover the fees of the PRC lawyers notwithstanding that it is only seeking its costs on the standard basis. The Respondent relies on the decision of Parker J in Re Grand State Investments Limited (unreported, 17/03/23) as indicating that the Court has power to do so. At paragraphs 42 to 44, Parker J said:

“42. GCR O. 62, r.18(1) provides that work done by foreign lawyers may be recovered on taxation on the standard basis provided that the foreign lawyer has been temporarily admitted in the Cayman Islands and the work was done after he or she was admitted. Where the foreign lawyer has not been admitted their fees cannot be recovered on taxation on the standard basis unless a dispensation is given.

43. In the circumstances of this case, the Court is satisfied that such a dispensation is appropriate since as can be seen from the Judgment, in order to properly defend the Petition, the Company was required to engage foreign attorneys to advise on the following issues:

(a) the interpretation of the terms of the SHA (which is governed by Hong Kong law) and whether the Company could have been said to be in breach of its terms;

(b) the ability of the Company to call for distribution from and/or to have access to the assets of the certain group companies in the PRC (which was governed, in part, by PRC law);

(c) whether the Petitioner waived and/or was estopped from enforcing its redemption rights in circumstances where the Petitioner represented to the Company that it would be seeking to sell its shares instead of redeeming them (a matter governed by Hong Kong law); and d) the impact of the Arbitration Agreement, including whether that Agreement covered the same subject matter as the Petition.

44. The Court accepts the Company's case that the purpose of the prohibitions as to the recoverability of foreign lawyers' fees is to avoid duplication, it was necessary to the Company's ability in this case to prepare its case to engage foreign counsel and this was a matter of which the Petitioner would have been aware. In all the circumstances a dispensation is appropriate and will be granted.”

14. The Petitioner disputes that the Court has power to grant any dispensation from GCR O.62.r.18 where costs are awarded on the standard basis, relying on the recent Court of Appeal decision in

Al Jomaih Power Limited v IGCF SPV 21 Limited [2026] CICA (Civ) 9. In that case, the Court of Appeal concluded that there is no such power. Sir Richard Field JA, giving the judgment of the Court, said:

“36. I respectfully agree with Birt JA’s analysis of Ritchie Capital Management LLC v Lancelot Investors Fund Limited; Re Grand State Investments Limited and Re Principal Investing Fund I Limited which demonstrates that none of those decisions are good authority for the proposition that the sub-rule can be dispensed with by the court.

[...]

40. In my judgment, when construed in accordance with paragraph 2.2 of the Preamble, the words used in the sub-rule must be given their ordinary and natural meaning having regard to the wording of O.62, r.18 as a whole and the manifest purpose of the rule which is to protect attorneys admitted to practice in the Cayman Islands from competition posed by non-admitted foreign lawyers. So construed, the effect of the sub-rule in my opinion is that it prohibits the inclusion within an award of costs on the standard basis [of] the costs of work done by a foreign lawyer when he or she was not admitted as an attorney in Cayman, subject only to there being an express rule within the GCR or contained in a statute that allows for the sub-rule to be in dispensed with in defined circumstances.

41. Neither side has cited a power to dispense provided by statute or other regulation passed by the Legislature and I am unaware of any such power. If there had been such a power, it would for certain have been cited to the Court. There is also no such power conferred by a rule within the GCR. In so stating, I make it clear that it is plain in my opinion that GCR O.2, r.1 (‘Noncompliance with rules’) does not qualify as a power to dispense with the sub-rule since O.2 applies only to failures to comply with procedural requirements of the GCR and the sub-rule manifestly does not require compliance with a procedural rule.”

15. The Petitioner also disputes recovery of the fees of the PRC lawyers engaged by the Respondent on the basis that those fees are not costs of and incidental to the petition. The Petitioner argues that the Respondent only obtained the advice in question from the PRC lawyers after the petition was served for the purpose of ascertaining whether the Respondent had a legitimate defence and the costs should not therefore be recoverable from the petitioner. I do not see why this makes a difference, and the fact that the views of the PRC lawyers were obtained after the petition was served tends, if anything, to reinforce that their fees are directedly related to the petition.
16. When I reviewed the parties’ written submissions on this topic, I considered that their arguments proceeded on a flawed interpretation of GCR O.62, r.18 in that it is aimed at foreign lawyers providing legal services as if they were admitted as Cayman attorneys at law and not as foreign lawyers dealing with issues of foreign law. I informed the parties of my provisional view regarding the proper interpretation and scope of GCR O.62, r.18 and invited them to make supplemental submissions on this point, which they both did. The Respondent relies on paragraph 6.4 of Practice Direction 1 of

2001 to argue that fees of the PRC lawyers are recoverable as a disbursement in respect of an expert witness on the conventional basis, i.e. that they are considered reasonable on taxation. Paragraph 6.4 of the Practice Direction states:

“Legal fees paid to foreign lawyers cannot be claimed as disbursements unless the foreign lawyer is engaged to give an opinion on a point of foreign law which is in issue in the proceedings.”

In this case, the PRC lawyers gave evidence on certain points of PRC law that were in issue on the petition.

17. The Petitioner contends that the PRC lawyers do not satisfy the requirements of paragraph 6.4 of the Practice Direction. It says that paragraph 6.4 only applies where a foreign lawyer is formally engaged as an expert to give an opinion on a discrete point of foreign law already in issue in the proceedings. It argues that the Respondent’s PRC lawyers were not engaged for that purpose but instead were engaged to advise the Respondent whether it had a defence to the winding-up petition. In any event, the Petitioner asks that I do not make any decision whether or not the fees of the Respondent’s PRC lawyers are recoverable, and that I leave that question to be determined by the taxing officer in due course.
18. In my view, GCR O.62, r.18 is plainly intended to address the position of foreign lawyers working as if they are Cayman admitted attorneys when they are not, i.e. where those attorneys are dealing with Cayman law issues or work that would usually be done by a Cayman Islands attorney. This is why GCR O.62, r.18 is framed in terms of the non-admission in the Cayman Islands of the foreign lawyer, and why the rule is directed at avoiding duplication of work or costs and ensuring that the paying party does not have to bear any increase in costs because the work has been done by non-Cayman admitted lawyers rather than by local attorneys. It is also why Sir Richard Field JA described the purpose of the rule as being to protect attorneys at law admitted in the Cayman Islands from competition by non-admitted foreign lawyers.
19. The PRC lawyers engaged by the Respondent in this case were addressing issues of PRC law, effectively as expert witnesses – I say effectively because the Respondent had not sought or obtained formal permission to rely on expert evidence, but that cannot change the nature of the work done by the PRC lawyers. The PCR lawyers were not doing work that would otherwise be done by a local

attorney in the Cayman Islands. Nothing in GCR O.62, r.18 and nothing that was said by the Court of Appeal in Al Jomaih Power Limited v IGC SPV 21 Limited prevents the costs of foreign lawyers from being recovered on a taxation of costs on the standard basis where those lawyers have been engaged to deal with matters of foreign law. This is particularly the case where the foreign lawyer is providing expert evidence on foreign law. If that were not so, then no litigant would ever be able to recover such costs in any case unless an order for indemnity costs were to be made, and even though they could recover fees for other kinds of experts on a standard basis taxation. That cannot conceivably be the correct position.

20. The proper characterisation of the foreign lawyers' fees, i.e. whether they should be treated as within GCR O.62, r.18 or as disbursements does not appear to have been argued or considered by the Court in Re Grand State Investments Limited. In my view, that case was wrongly decided on this point as a result, albeit the judge reached the right conclusion that the costs of the foreign lawyers in that case should be recoverable on taxation because they were addressing issues dependent on foreign law, namely: the interpretation of a shareholders agreement under Hong Kong law; the ability to seek distributions, which was governed at least in part by PRC law; and whether the petitioner was estopped from enforcing redemption rights, which was a question governed by Hong Kong law.
21. I do not consider that paragraph 6.4 of Practice Direction 1 of 2001 should be read as narrowly as the Petitioner contends. In my view, whether or not leave to rely on expert evidence had been formally obtained, the PRC lawyers engaged by the Respondent were clearly giving expert evidence on PRC law that was relevant to an issue on the hearing of the petition, namely whether there were arguable defences under PRC law to the claimed debt.
22. But, in any event, it is well established in English law that the costs of foreign lawyers who have dealt with the foreign aspects of a case may be recoverable as part of the costs of the action and claimed as disbursements. In Wentworth v Lloyd (No.2) (1865) 34 Beavan 455; 55 E.R. 711, a bill had been dismissed with costs. A large sum had been incurred by the examination and cross-examination of witnesses in Australia under a commission. The taxation of the costs proceeded in England without

any suggestion that the fees of the Australian lawyers were not recoverable in the English proceedings. The issue giving rise to the report of the case was how the taxing master should proceed to tax the costs, given that the scale of allowances in Australia was higher than in England. It was suggested by counsel that the taxing master should send the taxation to a taxing master in Australia, and that suggestion was firmly rejected by Sir John Romilly MR. Similarly, in Slingsby v Attorney General [1918] P 236, an appeal to the English Court of Appeal in respect of a taxation of costs, the Court of Appeal did not express any concern that a large part of the bill to be taxed by the English taxing master concerned fees incurred by American lawyers in the examination of witnesses in California.

23. In my view, the same principle applies in the Cayman Islands, that the costs of foreign lawyers who have dealt with the foreign aspects of a case may be recoverable as part of the costs of the action and claimed as disbursements, subject to taxation in the normal way.
24. Accordingly, I consider that the Respondent's costs of the PRC lawyers who provided evidence on PRC law are in principle recoverable as disbursements. It will be for the taxing officer to determine at the taxation whether such fees should be allowed in whole or in part.

E. Interest on costs

25. The Respondent seeks interest to be paid on its costs from the date when they were incurred, pursuant to GCR O. 62, r 4(7)(g). GCR O. 62, r 4(7)(g) provides that:

“(7) The orders which the Court may make under this rule include an order that a party must pay—

[...]

(g) interest on costs (at the prescribed rate for Cayman Islands dollars) from or until a certain date, including a date before judgment;”

However, the Respondent has not made any detailed submissions to support its claim for this relief, for example to demonstrate that it has had to borrow money or has been unable to deploy its funds in some other profitable venture.

26. The Petitioner argues against any order for interest. It points out that GCR O. 62, r 4(7)(g) is permissive only, not mandatory. It says that there is no evidential basis for the court to exercise its discretion in the Respondent's favour. It submits that the purpose for awarding interest is to compensate the receiving party where there is a significant delay between the costs being incurred and ultimate payment. In this case, the period in question is relatively short and there are no aspects of the parties' conduct that would justify the court making an order for interest to be paid.
27. In the absence of any detailed argument from the Respondent to explain and justify why an order should be made in its favour, there is no material on which it would be proper for me to make an order for interest on the Respondent's costs. I therefore decline to do so.

Dated 9 July 2026



THE HONOURABLE JUSTICE JALIL ASIF
JUDGE OF THE GRAND COURT