

**EXPLANATORY STATEMENT IN RELATION TO THE SCHEME OF ARRANGEMENT**

**BETWEEN**

**YESTAR HEALTHCARE HOLDINGS COMPANY LIMITED**

**(巨星醫療控股有限公司)**

**(AN EXEMPTED COMPANY INCORPORATED IN THE CAYMAN ISLANDS WITH  
LIMITED LIABILITY)**

**AND**

**THE SCHEME CREDITORS**

**(AS DEFINED IN THIS EXPLANATORY STATEMENT)**

**IN THE GRAND COURT OF THE CAYMAN ISLANDS UNDER SECTION 86 OF  
THE CAYMAN ISLANDS COMPANIES ACT (2023 REVISION)**

The Scheme Meeting, at which the Scheme Creditors will consider and vote on the Scheme, will be held at the office of Dechert, 31/F, Jardine House, One Connaught Place, Central, Hong Kong, with any adjournment as may be appropriate, at 7:00 a.m. (Cayman Islands time) / 8:00 p.m. (Hong Kong time) on 19 February 2024.

Scheme Creditors will be able to attend the Scheme Meeting either in person, by a duly authorised representative (if a corporation) or by proxy. Scheme Creditors will also be able to attend the Scheme Meeting by way of a live video conference link or via telephone conference facilities. A notice convening the Scheme Meeting is set out in Appendix 3 (*Notice of Scheme Meeting*).

It is expected that the hearing before the Court to determine whether or not the Court will sanction the Scheme will take place on or about 28 February 2024 (Cayman Islands time). Scheme Creditors will have the right to attend and be heard at this hearing.

**Instructions about actions to be taken by the Scheme Creditors before the Scheme Meeting are set out in Section 6 (*Scheme Creditors and Actions to be Taken*). It is important that you read this Explanatory Statement carefully as a whole for information about the Scheme and the Restructuring, and that you complete and return the documents that accompany it at Appendix 4 (*Solicitation Packet*) which includes the Account Holder Letter for Noteholders; and the Blocked Scheme Creditor Voting Form for Blocked Scheme Creditors in accordance with the instructions and guidance for Scheme Creditors, Account Holders and Intermediaries as to how to complete those documents. You are recommended to seek your own independent investment, accounting, financial, legal and/or tax advice immediately from your investment, accounting, financial, legal and/or tax advisor with respect to the contents of this Explanatory Statement or the documents that accompany it or what action you should take (or refrain from taking).**

If you are a Scheme Creditor and not a Blocked Scheme Creditor, further copies of this Explanatory Statement can be obtained from the Transaction Website at <https://projects.morrowsodali.com/yestar>. Scheme Creditors (who are not Blocked Scheme Creditors) with queries in relation to this Explanatory Statement or the completion of the Account Holder Letter may contact the Information Agent on +852 2319 4130 (Hong Kong) or +44 20 4513 6933 (London) or by email at [yestar@investor.morrowsodali.com](mailto:yestar@investor.morrowsodali.com).

Blocked Scheme Creditors should contact the Company at [bond@yesstarnet.com.cn](mailto:bond@yesstarnet.com.cn) for any further copies of the Explanatory Statement.

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## 1. EXPECTED TIMETABLE OF PRINCIPAL EVENTS<sup>1</sup>

Event	Expected Date	Cayman Islands Time	Hong Kong Time
Custody Instruction Deadline <sup>2</sup>	12 February 2024	7:00 a.m.	8:00 p.m.
Voting Instruction Deadline <sup>3</sup>	15 February 2024	7:00 a.m.	8:00 p.m.
Record Time <sup>4</sup>	Following the close of business and cessation of trading of the Clearing Systems on 15 February 2024.		
Scheme Meeting <sup>5</sup>	19 February 2024	7:00 a.m.	8:00 p.m.

<sup>1</sup> The dates in this timetable and mentioned throughout this Explanatory Statement are based on current expectations and assume that none of the court hearings or the Scheme Meeting are adjourned or delayed. It is also possible that the filing of the Sanction Order may be delayed or denied if any person appeals the order or opposes the Scheme. If there is any change to the date or time listed in this timetable, the revised date or time will be announced on the Transaction Website at <https://projects.morrowsodali.com/yestar> as soon as practicable when it is known to the Company.

<sup>2</sup> The Custody Instruction Deadline is the latest date and time for delivery of Custody Instructions to the relevant Clearing System for blocking the Notes for Scheme Creditors who are not Blocked Scheme Creditors to be eligible to vote at the Scheme Meeting. Scheme Creditors are advised to confirm as early as possible relevant deadlines with your custodian and/or Clearing System as they may impose their own earlier deadlines.

<sup>3</sup> Each Scheme Creditor (other than Blocked Scheme Creditors) must instruct the relevant Account Holder as to voting at the Scheme Meeting. The Voting Instruction Deadline is the latest date and time for delivery of a validly completed Account Holder Letter to vote at the Scheme Meeting.

Each Scheme Creditor must ensure that (i) in the case of Scheme Creditors who are not Blocked Scheme Creditors, a Custody Instruction and a validly completed Account Holder Letter have been received by the Information Agent or (ii) in the case of Blocked Scheme Creditors, a Blocked Scheme Creditor Voting Form has been received by the Company, in each case on or prior to the relevant deadlines set out in Appendix 4 (*Solicitation Packet*) to the Explanatory Statement in order for such Scheme Creditor's voting instructions to be taken into account for the purposes of the Scheme Meeting.

Scheme Creditors who are not Blocked Scheme Creditors should confirm as early as possible with their Account Holders whether there are any applicable deadlines to ensure that their validly completed Account Holder Letter is returned online via the Scheme AHL Portal to the Information Agent prior to the Voting Instruction Deadline in order to vote.

<sup>4</sup> All Scheme Claims for voting purposes are determined as at the Record Time. The Company will be entitled to exercise discretion as to whether it recognises any assignment or transfer of Scheme Claims after the Record Time.

<sup>5</sup> The Scheme Meeting will commence at the time stated. Any Scheme Creditor that wishes to attend the Scheme Meeting should produce a duplicate copy of the Account Holder Letter that was executed and delivered on their behalf, or the Blocked Scheme Creditor Voting Form that it completed (as the case may be), evidence of personal identity (for example, a passport or other picture identification) and, in the case of a corporation, evidence of corporate authority (for example, a valid power of attorney and/or board minutes) at the registration desk, or in the case of a virtual attendance, the virtual registration desk by no later than 30 minutes before the scheduled time of the Scheme Meeting.

Scheme Creditors will also be able to attend the Scheme Meeting by live video conference via Zoom or by telephone, using details which may be obtained on request from the Information Agent (if you are a Scheme Creditor who is not a Blocked Scheme Creditor) or the Company (if you are a Blocked Scheme Creditor), in each case at least two (2) Business Days prior to the Scheme Meeting. Scheme Creditors who elect to attend the Scheme Meeting by video conference and have submitted the required Account Holder Letter or Blocked Scheme Creditor Voting Form (as applicable) will be able to vote (and to change their vote, if they so wish) at the Scheme Meeting.

Scheme Creditors attending the Scheme Meeting via telephone conference facilities may listen in to the Scheme Meeting and ask questions (but they may not cast any vote).

<b>Event</b>	<b>Expected Date</b>	<b>Cayman Islands Time</b>	<b>Hong Kong Time</b>
Sanction Hearing <sup>6</sup>	28 February 2024		
Scheme Effective Date <sup>7</sup>	The Business Day on which all of the Scheme Conditions are satisfied, and the Scheme becomes effective.		
Restructuring Effective Date <sup>8</sup>	The date to be specified by the Company in a notice which shall be a Business Day and as soon as practicable, and in any event within ten (10) Business Days, after the date on which all the Restructuring Conditions have been satisfied or waived.		
Longstop Date <sup>9</sup>	30 May 2024		
Bar Time	7:00 a.m. (Cayman Islands time) / 8:00 p.m. (Hong Kong time) on the date falling three (3) business days before the Holding Period Expiry Date.		
Holding Period Expiry Date <sup>10</sup>	The last date of the Holding Period.		

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<sup>6</sup> The Court will hear the application to sanction the Scheme. The date for this hearing is expected to take place on or about 28 February 2024. Any Scheme Creditor is entitled (but not obliged) to attend the hearing to support or oppose the sanction of the Scheme. The sanction hearing date is an expected date and is subject to change. If this date changes, the dates of all subsequent steps, including (but not limited to) the Scheme Effective Date and the Restructuring Effective Date may be affected.

<sup>7</sup> The Scheme Effective Date is the date on which the Scheme becomes effective in accordance with the terms of the Scheme. The Scheme Effective Date shall be the first Business Day on which the Sanction Order is filed with the Cayman Companies Registrar and will be announced by the Company on or prior to the following Business Day.

<sup>8</sup> The Restructuring Effective Date is the date on which the arrangement and compromise provided for in the Scheme (including, but not limited to, the cancellation and discharge of the Notes and distribution of the Consent Fee) will be implemented and the conditions to the Restructuring Effective Date (including, but not limited to, payment of the Redemption Amount under the Indenture) have been satisfied or waived. The Restructuring Effective Date is an expected date and is subject to change.

<sup>9</sup> The Longstop Date is the date by which the Restructuring Effective Date must occur. If the Restructuring Effective Date does not occur (and therefore, the Scheme is not implemented) on or before the Longstop Date, the Scheme will terminate. The Longstop Date is Thursday, 30 May 2024 at 11:59 p.m. (Cayman Islands time), unless extended pursuant to the terms of the Scheme provided that such later date is no later than Friday, 30 August 2024, being the date falling nine months after the date of the RSA.

<sup>10</sup> The Holding Period Expiry Date is the last day of the Holding Period, being, with respect to an Eligible Creditor who is a Blocked Scheme Creditor, the earlier of (i) the date falling 150 years after the Restructuring Effective Date; (ii) that Eligible Creditor ceasing to be affected by applicable Sanctions; or (iii) a release or distribution of the Trust Assets is otherwise permitted pursuant to the terms of the Holding Period Trust Deed. On the Holding Period Expiry Date all remaining and/or unclaimed Trust Assets will be distributed to the Company in accordance with the terms of the Holding Period Trust Deed. Following such distribution, the Holding Period Trust will be wound up.

## **2. IMPORTANT NOTICE TO SCHEME CREDITORS**

### **2.1 Defined Terms**

Unless defined in Appendix 1 (*Definitions and Interpretation*) or otherwise indicated, all capitalised terms used in this Explanatory Statement shall have the meanings assigned to those terms in the RSA.

### **2.2 Information**

- (a) This Explanatory Statement has been prepared in connection with the Scheme under section 86 of the Companies Act between the Company and the Scheme Creditors and has been prepared solely for the purpose of providing information to the Scheme Creditors in relation to the Scheme.
- (b) The Company does not assume any duty of care or obligations to any party seeking to rely on this Explanatory Document for any other purpose.
- (c) Nothing in this Explanatory Statement or any other document issued with or appended to it should be relied on for any purpose other than for the Scheme Creditors in their capacity as creditors of the Company to make a decision whether or not to approve the Scheme. In particular and without limitation, nothing in this Explanatory Statement should be relied on in connection with any investment decision in relation to the assets, debt, securities, or any other financial interest of the Company or any other member of the Group, including any decision to purchase or sell any Scheme Claim or any other financial instruments, securities, assets or liabilities of the Company or any other member of the Group. Any parties making such investment decisions should rely on their own enquiries prior to making such decisions.
- (d) Nothing contained in this Explanatory Statement constitutes a recommendation, or the giving of advice, by the Company or any other member of the Group to take a particular course of action or to exercise any right conferred by the Notes in relation to, buying, selling, subscribing for, exchanging, redeeming, holding, underwriting, disposing of, or converting the Notes or any other financial instruments, securities, assets or liabilities of the Company or any other member of the Group.
- (e) By accepting this Explanatory Statement, you acknowledge that certain financial information and cash flow forecast information contained in this Explanatory Statement is only provided to you in your capacity as a Scheme Creditor and not otherwise, and you may not in any way disseminate, disclose or reproduce such information to any other person. You further acknowledge that you are aware, and that you will advise your representatives, that certain securities laws prohibit any person who has received material non-public or price sensitive information (“**MNPI**”) from dealing in securities, or from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such other person is likely to deal in such securities, and that certain financial information and other information provided in this Explanatory Statement may constitute MNPI with respect to the Company or any member of the Group. You represent and agree (i) that you and your representatives will handle any MNPI only in accordance with applicable securities laws and stock exchange rules; (ii) that any use of this information by you or your representatives other than in accordance with applicable securities laws and stock exchange rules may constitute a violation of the laws or regulations, including in relation to insider dealing/trading; and (iii) that you or your representatives are solely responsible for any consequences arising from any such violation.

## 2.3 Scheme Creditors

- (a) This Explanatory Statement is to be distributed to persons who it is believed are or may be Scheme Creditors at the date of this Explanatory Statement.
- (b) If you have assigned, sold or otherwise transferred your interests as a Scheme Creditor before the Record Time, you must immediately forward this Explanatory Statement and the accompanying documents to the Person or Persons to whom you have assigned, sold or otherwise transferred your interests as a Scheme Creditor.
- (c) Information on the actions that the Scheme Creditors are required to take under the Scheme is set out in Section 6 (*Scheme Creditors and Actions to be Taken*) of this Explanatory Statement.

## 2.4 Blocked Scheme Creditors

- (a) There are certain applicable Sanctions imposed with respect to Russia,<sup>11</sup> which for the purposes of the Scheme, affect Scheme Creditors who (a) are not entitled, able or permitted (whether directly or through a custodian) to submit instructions or settle through the Clearing Systems as a result of Sanctions affecting the Scheme Creditor or its custodian as determined by the Clearing Systems, or (b) are Russian Persons; but in either case are not Sanctioned Scheme Creditors. Such Scheme Creditors are referred to as the Blocked Scheme Creditors because either the Clearing Systems have suspended and blocked settlement services with accounts held by certain Russian banks and financial intermediaries, including the National Settlement Depository, or the Information Agent will not process instructions from Scheme Creditors that are Russian Persons.
- (b) Blocked Scheme Creditors will not be entitled, able or permitted to (i) submit voting instructions through the Clearing Systems and/or to the Information Agent on the Scheme or (ii) to receive their share of the Redemption Amount and/or the Consent Fee (if applicable) on or prior to the Restructuring Effective Date, unless they cease to be affected by applicable Sanctions.
- (c) Blocked Scheme Creditors are invited to complete and submit the Blocked Scheme Creditor Voting Form by email to the Company at [bond@yesstarnet.com.cn](mailto:bond@yesstarnet.com.cn) by the Voting Instruction Deadline in order to vote on the Scheme. The Voting Instruction Deadline will be 7:00 a.m. (Cayman Islands time) on 15 February 2024, the equivalent time being 8:00 p.m. (Hong Kong time) on 15 February 2024.
- (d) A Blocked Scheme Creditor that submits a Blocked Scheme Creditor Voting Form must provide sufficient supporting evidence to allow the Company to reliably establish that Blocked Scheme Creditor's identity, its status as a Noteholder and the principal amount of its holding. The Company will review each Blocked Scheme Creditor Voting Form and the accompanying evidence submitted by the Voting Instruction Deadline to assess whether the form has been completed correctly and whether there is sufficient evidence to reliably establish the Blocked Scheme Creditor's identity, its status as a Noteholder and the principal amount of its holding. Blocked Scheme Creditors should submit (or procure the submission of, as

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<sup>11</sup> Including, but not limited to, Executive Orders 14066, 14068 and 14071 of the United States, the Russia (Sanctions) (EU Exit) Regulations 2019 of the United Kingdom (as amended by the Russia (Sanctions) (EU Exit) (Amendment) (No. 17) Regulations 2022 and Council Regulation (EU) 833/2014 of the European Union) and as those regulations are extended to the Cayman Islands pursuant to The Russia (Sanctions) (Overseas Territories) Order 2020 (as amended).

applicable) to the Company, as soon as it is possible for them to do so, all documentation and other evidence as may be reasonably required by the Company.

- (e) None of the Clearing Systems, the Notes Trustee or the Information Agent will assist the Company with the review of this evidence and therefore the Company will be entirely reliant upon the evidence provided by the Blocked Scheme Creditor to ascertain its identity, its status as a Noteholder and the principal amount of its holding.
- (f) Blocked Scheme Creditors' share of the Consent Fee (if applicable) will be held on trust by the Holding Period Trustee under the terms of the Holding Period Trust Deed until (i) the expiry of the Perpetuity Period, ii) the Blocked Scheme Creditors ceasing to be affected by applicable Sanctions, or (iii) a release or distribution is otherwise permitted pursuant to the terms of the Holding Period Trust Deed, with the Blocked Scheme Creditors being given a reasonable period of time thereafter to recover their entitlement to the Consent Fee in accordance with the terms of the Holding Period Trust Deed. The Company will publish information relating to the method for Blocked Scheme Creditors to claim their entitlements on the Company's website and/or through other such public medium as may be appropriate at that time. Any Trust Assets that remain unclaimed at the end of the Holding Period will be distributed by the Holding Period Trustee to the Company.
- (g) The Blocked Scheme Creditors' share of the Redemption Amount will be settled through the Clearing Systems and be processed according to the then applicable laws, procedures, regulations and/or policies. A Blocked Scheme Creditor may not immediately receive their share of the Redemption Amount on the Restructuring Effective Date. If applicable Sanctions are still in place and continue to affect any Blocked Scheme Creditor, such Blocked Scheme Creditor's share of the Redemption Amount may be held in a suspense account or otherwise by the Clearing System and/or its Intermediaries and participants until applicable laws, regulations and/or government licences permit distribution of that share to that Blocked Scheme Creditor.
- (h) Consenting Creditors who are Blocked Scheme Creditors cannot submit an Account Holder Letter and/or Accession Letter and therefore cannot satisfy certain obligations, conditions and/or requirements under the RSA to the extent such obligations, conditions and/or requirements command the submission of an Account Holder Letter and/or Accession Letter. As a result, the Company waives all obligations, conditions and/or requirements under the RSA for Blocked Scheme Creditors to submit an Account Holder Letter, and any reference to an Account Holder Letter in the RSA in relation to Blocked Scheme Creditors shall be deemed to be a reference to a Blocked Scheme Creditor Voting Form.
- (i) In addition, Consenting Creditors who vote in favour of the Scheme will be treated as having: (i) waived the requirement for Blocked Scheme Creditors to submit an Account Holder Letter and/or Accession Letter in their compliance with any obligation, condition and/or requirement under the RSA to submit the same; and (ii) agreed to the Company, at its discretion, waiving any other obligation, condition and requirement for Blocked Scheme Creditors under any other Restructuring Document to submit an Account Holder Letter and/or Accession Letter.
- (j) While the Blocked Scheme Creditors are unable to receive their share of the Consent Fee (if applicable) until they cease to be affected by applicable Sanctions, this is due to their own personal circumstances rather than their rights as Scheme Creditors under the Scheme. The rights conferred under the Scheme remain substantially the

same as those conferred on other Scheme Creditors. The fact that the Blocked Scheme Creditors cannot receive their share of the Consent Fee (if applicable) at this point in time is due to the current regulatory environment and is not connected to their treatment under the Scheme or their rights against the Company.

- (k) For further details about the arrangements for the Blocked Scheme Creditors, please read this Explanatory Statement carefully as a whole, in particular Section 5 (*Overview of the Scheme*) and Section 6 (*Scheme Creditors and Actions to be Taken*) of this Explanatory Statement.

## 2.5 **Notice to Scheme Creditors**

- (a) Without prejudice to any representations and warranties to be given by the Company in the Restructuring Documents, nothing contained in this Explanatory Statement shall constitute a warranty, undertaking or guarantee of any kind, express or implied, nor any admission of any fact or liability on the part of the Company with respect to any asset to which it may be entitled or any claim against it. Without prejudice to the generality of the foregoing, nothing in this Explanatory Statement or the distribution thereof evidences to any person, or constitutes any admission by the Company, that a liability is owed to any person in respect of any claim (including without limitation any Scheme Claim) or that any person is or may be a Scheme Creditor. The failure to distribute this Explanatory Statement to any Scheme Creditor shall not constitute an admission by the Company that such person is not a Scheme Creditor.
- (b) No person has been authorised by the Company to give any information or make any representation concerning the Scheme, which is inconsistent with this Explanatory Statement and, if made, no such representation shall be relied upon as having been so authorised.
- (c) The information contained in this Explanatory Statement has been prepared based on information available to the Company prior to the date of this Explanatory Statement. The delivery of this Explanatory Statement does not imply that the information herein is correct as at any time subsequent to the date hereof. To the best of the Company's knowledge, information and belief, the information contained in this Explanatory Statement is in accordance with the facts and does not omit anything likely to affect the import of such information, each in a material respect. The Company has taken all reasonable steps to ensure that this Explanatory Statement contains the information reasonably necessary and material to enable Scheme Creditors to make an informed decision about how the Restructuring affects them.
- (d) None of the Scheme Creditors has authorised the content of the Scheme Document or any part of it, neither do they accept responsibility for the accuracy, completeness or reasonableness of the statements contained within it.
- (e) Neither the Company's advisors nor the Notes Trustee, the Security Agent or any of their respective directors, employees, officers, agents, advisors, or Affiliates have verified that the information contained in this Explanatory Statement is in accordance with facts and does not omit anything likely to affect the import of such information and each of those persons expressly disclaims responsibility for such information.
- (f) This Explanatory Statement has not been reviewed, verified or approved by any rating agency or any regulatory authority. Without prejudice to any representations and warranties to be given by the Company in the Restructuring Documents, to the



fullest extent permitted by law, the Company will have no tortious, contractual or any other liability to any person in connection with the use of this Explanatory Statement, and the Company will not accept any liability whatsoever to any person, regardless of the form of action, for any lost profits or lost opportunity, or for any indirect, special, consequential, incidental or punitive damages arising from any use of this Explanatory Statement, its contents or preparation or otherwise in connection with it, even if the Company has been advised of the possibility of such damages.

- (g) The Information Agent is the agent of the Company and owes no duty to any Scheme Creditor, express or implied.
- (h) Neither the Notes Trustee nor any of its directors, employees, officers, agents, advisors, or Affiliates is acting for, or owes any duty to, any Noteholders, nor will any of them be responsible for providing any advice to any Noteholders in relation to the Scheme or the transactions contemplated thereunder. The Notes Trustee expresses no opinion on the merits of the Scheme. Accordingly, neither the Notes Trustee nor any of its directors, employees, officers, agents, advisors or Affiliates make any recommendations as to whether any Noteholder should take any of the actions contemplated in the Scheme.
- (i) The Notes Trustee shall not be responsible for calculating, verifying or paying any amounts payable in relation to the Scheme or any late interest payable (*i.e.*, the interest unpaid at maturity and the interest payable thereafter). The Notes Trustee shall not be required to take any steps to ascertain whether a Consenting Creditor is eligible to receive any Consent Fee.
- (j) The Notes Trustee shall not be responsible for monitoring the Scheme and shall not be required to take any steps to monitor or ascertain whether any event that triggers the termination of the Scheme, any of the Restructuring Documents or the RSA has occurred and will not be responsible to the Noteholders or any other person for any loss arising from any failure to do so.

## 2.6 Summary Only

- (a) The summary of the principal provisions of the Scheme contained in this Explanatory Statement is qualified in its entirety by reference to, and should be read together with, the binding terms of the Scheme and the other Restructuring Documents. The full text of the Scheme is set out in Appendix 2 (*The Scheme*) and the full text of certain other Restructuring Documents is set out in Appendices Appendix 8 (*General Deed of Release*) to Appendix 11 (*Holding Period Trust Deed*). Each Scheme Creditor is advised to read and consider carefully the text of the Scheme. This Explanatory Statement has been prepared solely to assist Scheme Creditors in respect of voting on the Scheme.
- (b) In the event of a conflict between the information and terms described in:
  - (i)
    - (A) this Explanatory Statement;
    - (B) the Scheme; and/or
    - (C) the Restructuring Documents (other than this Explanatory Statement and the Scheme),the terms of the Scheme shall prevail;

(ii)

- (A) this Explanatory Statement; and
- (B) the Restructuring Documents (other than this Explanatory Statement and the Scheme),

the terms of the relevant Restructuring Documents shall prevail; and

(iii)

- (A) the RSA; and
- (B) any other Restructuring Document (other than this Explanatory Statement and the Scheme),

the terms of the RSA shall prevail.

- (c) **Subject to the terms of the RSA and the Scheme and, if required, the consent of the Court, the Company shall be at liberty to modify the Scheme, or to propose a different scheme or schemes of arrangement, at any time prior to the sanctioning of the Scheme by the Court and the filing of the Sanction Order with the Companies Registrar. The Company shall enjoy such liberty notwithstanding any actions in reliance on the Scheme or this Explanatory Statement by a Scheme Creditor or any other person. The Court may also impose modifications, additions or conditions on the Scheme.**

**2.7 No representations, warranties, undertakings, guarantees, verifications, approvals, advice or monitoring regarding the Scheme and the Restructuring Documents**

- (a) Without prejudice to any representations and warranties to be given by the Company in the Restructuring Documents, nothing contained in this Explanatory Statement shall constitute a warranty, undertaking or guarantee of any kind, express or implied, and nothing contained in this Explanatory Statement shall constitute any admission of any fact or claim, allegation, cause or right of action, proceeding, suit or demand, on the part of the Company or its Directors. Without prejudice to the generality of the foregoing, nothing in this Explanatory Statement or the distribution thereof evidences to any person, or constitutes any admission by the Company or its Directors that a liability is owed to any person in respect of any claim, allegation, cause or right of action, proceeding, suit or demand (including, without limitation, any Scheme Claim) or that any person is or may be a Scheme Creditor. The failure to distribute this Explanatory Statement to any person shall not constitute an admission by the Company or its Directors that such person is not a Scheme Creditor.
- (b) The admission of any Scheme Claim (in whole or in part) by the Chairperson of the Scheme Meeting shall be an admission only for voting purposes at such Scheme Meeting.
- (c) No person has been authorised by the Company or its Directors to give any information or make any representation concerning the Restructuring Documents (including the Scheme) which is inconsistent with this Explanatory Statement and, if made, such representations shall not be relied upon as having been so authorised.
- (d) The information contained in this Explanatory Statement has been prepared based on information available to the Company prior to the date of this Explanatory

Statement, to the best knowledge and belief of the Company's directors. The delivery of this Explanatory Statement does not imply that the information herein is correct as at any time subsequent to the date hereof. To the best knowledge, information and belief of the Company's directors, the information contained in this Explanatory Statement is in accordance with the facts and does not omit anything likely to affect the import of such information, each in a material respect. The Company and its directors have taken all reasonable steps to ensure that this Explanatory Statement contains the information reasonably necessary and material to enable Scheme Creditors to make an informed decision about how the Restructuring affects them and whether or not they should vote in favour of approving the Scheme.

- (e) None of the advisors to the Company or their directors have verified that the information contained in this Explanatory Statement is materially in accordance with facts and does not omit anything likely to affect the import of such information in any material respect, and each of those advisors expressly disclaims responsibility for such information.
- (f) This Explanatory Statement has not been verified or approved by any rating agency or any regulatory authority. Without prejudice to any representations and warranties to be given by the Company in any Restructuring Document, to the fullest extent permitted by law, the Company, its directors and its and their advisors will have no tortious, contractual or any other liability to any person in connection with the use of this Explanatory Statement, and neither the Company nor any of its directors or its or their advisors will accept any liability whatsoever to any person, regardless of the form of action, for any lost profits or lost opportunity, or for any indirect, special, consequential, incidental or punitive damages arising from any use of this Explanatory Statement, its contents or preparation, or otherwise in connection with it, even if any of the Company, its directors and any of its or their advisors have been advised of the possibility of such damages.
- (g) None of the Notes Trustee, Security Agent, Depositary, Paying and Transfer Agent, Information Agent and RSA Agent expresses any view on the contents of this Explanatory Statement or the proposed Scheme. Neither the Notes Trustee, Security Agent, Depositary, Paying and Transfer Agent, Information Agent and RSA Agent nor any of their respective directors, employees, officers, agents, or Affiliates have not been involved in the negotiation or formulation of the terms of the proposed Scheme and make no representations or warranties in connection therewith, including the accuracy, adequacy or completeness of this Explanatory Statement, and none of them makes any representation that all information has been disclosed to Noteholders in this Explanatory Statement. None of the Notes Trustee, Security Agent, Depositary, Paying and Transfer Agent, Information Agent and RSA Agent accepts responsibility for any of the factual statements contained in this Explanatory Statement or the effect or effectiveness of the proposed Scheme.

## 2.8 **Forward-Looking Statements**

- (a) Nothing in this Explanatory Statement shall be deemed to be a forecast, projection or estimate of the future financial performance of the Company and/or any member of the Group except where otherwise specifically stated.
- (b) This Explanatory Statement contains statements, estimates, opinions and projections with respect to the Company and the Group and certain plans and objectives of the Company and the Group. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking

statements often use words such as “anticipate”, “target”, “expect”, “estimate”, “intend”, “plan”, “goal”, “believe”, “will”, “may”, “should”, “would”, “could” or other words of similar import. These statements are based on numerous assumptions and assessments made by the Company as appropriate in light of its experience and perception of historical trends, current conditions, expected future developments, and other factors that it believes appropriate. No assurance can be given that such expectations will prove to be correct. Forward-looking statements involve significant risks and uncertainties. Such forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. Such forward-looking statements only speak as at the date of this Explanatory Statement. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors and uncertainties set out in Section 8 (*Risk Factors*). Each Scheme Creditor is urged to make its own assessment of the validity of such forward-looking statements and their underlying assumptions, and no liability is accepted by the Company in respect of the achievement or failure of such forward-looking statements and assumptions. Without limiting the above, none of the Company, any other member of the Group or any director of the Company assumes any obligation to update or correct any forward-looking statements contained in this Explanatory Statement to reflect any change of expectations with respect thereto or any change in event, situation or circumstances on which any such forward-looking statement was based.

## 2.9 **Relevant Sanctions**

- (a) All activities, transactions and other dealings contemplated under and in relation to the Scheme shall be carried out in compliance with the applicable Sanctions. Nothing in this Explanatory Statement is intended to or shall contravene any applicable Sanctions.
- (b) By issuing this Explanatory Statement, the Company is not inviting, requesting, requiring nor directing that any person take any action which is prohibited or otherwise restricted by Sanctions or by any order or direction of any governmental or regulatory authority.

## 2.10 **Risk Factors**

- (a) Scheme Creditors’ attention is drawn to certain risks and uncertainties associated with the Restructuring that are set out in Section 8 (*Risk Factors*).
- (b) These important risk factors could cause the Group’s actual results and future prospects to differ materially from those expressed in this Explanatory Statement (including any forward-looking statements).
- (c) Each Scheme Creditor should carefully read and analyse such risk factors and uncertainties, and fully understand their impact, which may be material and adverse, on its financial condition and prospects. The statement of risk factors is not and is not intended to be an exhaustive statement of such factors or of all possible factors that might influence the decision of Scheme Creditors with respect to the Scheme.

## 2.11 **Recovery Analysis**

- (a) AMC Capital Advisory Services Limited (“AMC”) has been engaged by the Company in connection with the preparation of the Recovery Analysis. The full text of the Recovery Analysis is set out in Appendix 6 (*Recovery Analysis*). At the request of the Company, AMC has prepared a high-level Recovery Analysis of the

potential outcome for unsecured creditors and Scheme Creditors of the Company if the Restructuring is not completed on the terms contemplated by the Scheme and the Company enters into an insolvent liquidation. The Recovery Analysis is based on the Company's instructions.

- (b) The Recovery Analysis has been prepared by AMC solely for the use of the Company provided that it can be shared with the Scheme Creditors. AMC accepts no liability (whether in contract, tort, equity or otherwise) for the contents of the Recovery Analysis to any party other than its client, the Company.
- (c) The Recovery Analysis is based on information and explanations provided by the Company which have not been subject to independent verification or audit. Accordingly, AMC assumes no liability whatsoever and makes no representations or warranties, express or implied, in relation to the contents of the Recovery Analysis, including its accuracy, completeness or verification or for any other statement made or purported to be made by or on behalf of the Company or AMC.
- (d) The Recovery Analysis is based on a review of the unaudited financial position of the Company (and other Group companies) as at 30 June 2023. For the avoidance of doubt, the work AMC has been engaged to carry out does not constitute an audit of the Company's financial position and AMC is not in a position to provide an opinion as to the veracity of information received nor should any opinions of AMC be regarded as a substitute for an audit opinion which can only be provided by the Company's appointed auditors. Additionally, the Recovery Analysis has been prepared based on a number of assumptions clearly marked as such in various sections of the analysis.
- (e) The Company hopes that this information is of assistance to Scheme Creditors, but it is provided for illustrative purposes only, and Scheme Creditors' attention is drawn to the sections entitled "*Forward-Looking Statements*" and "*Risk Factors*" of the Explanatory Statement. Any person who is in any doubt about the subject matter of the Recovery Analysis should consult a duly authorised person. Nothing in the Recovery Analysis should be relied upon in connection with the purchase of any shares, debt participations or other assets.
- (f) The statements made in the Recovery Analysis based on the 30 June 2023 unaudited financial position are current as at the date of the Recovery Analysis, and delivery of this Explanatory Statement should not give rise to any implication that there has not been any change in the information in the Recovery Analysis which is set out in this Explanatory Statement.

## 2.12 **Legal, Tax and Financial Advice**

- (a) Without limiting any of the above, Scheme Creditors should not construe the contents of this Explanatory Statement as legal, tax or financial advice. Except as otherwise expressly stated in this Explanatory Statement, none of the Company, any member of the Group, the Notes Trustee, the Advisors or the Information Agent and their respective financial or legal advisors has expressed any opinion as to the merits of the Scheme or with respect to the effect of the Scheme.
- (b) This Explanatory Statement has been prepared without taking into account the objectives, financial situation or needs of any particular recipient of it, and consequently, the information contained in this Explanatory Statement may not be sufficient or appropriate for the purpose for which a recipient might use it. Each Scheme Creditor should conduct its own due diligence and consider the appropriateness of the information in this Explanatory Statement having regard to

its own objectives, financial situations and needs. Scheme Creditors are also recommended to consult their own professional advisors as to legal, tax, financial or other aspects relevant to any action Scheme Creditors might take in relation to the Scheme and the Restructuring, or the implications/ consequences of such action.

- (c) This Explanatory Statement is addressed to Scheme Creditors for their information only and no person should rely on it in formulating or reaching any investment decision. Scheme Creditors must rely on their own due diligence and their professional advisors in their decisions with respect to the Scheme and the Restructuring.

## **2.13 Restrictions**

- (a) The distribution of this Explanatory Statement to or in certain jurisdictions may be restricted by law or regulation, and persons into whose possession this Explanatory Statement comes are requested to inform themselves about, and to observe, any such restrictions. Failure to comply with any such restrictions could result in a violation of the laws of such jurisdictions.
- (b) The implications of the Restructuring for Scheme Creditors who are residents or citizens of jurisdictions other than the Cayman Islands may be affected by the laws of the relevant jurisdictions. Any person outside the Cayman Islands who is resident in, or who has a registered address in, or is a citizen of, an overseas jurisdiction should consult independent professional advisors and satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the Scheme and the Restructuring, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such jurisdiction.

## **2.14 The Notes Trustee**

The Notes Trustee makes no recommendation as to whether any Noteholder should take any of the actions contemplated in this Explanatory Statement. The Notes Trustee has not been involved in negotiating or determining the terms of the Scheme and makes no representation that all relevant information has been disclosed to the Noteholders in or pursuant to the Scheme. The Notes Trustee shall not be entitled to vote in respect of the Notes at the Scheme Meeting.

## **2.15 Professional Advice**

Noteholders are recommended to obtain professional advice in relation to the Scheme. Noteholders must rely on their own due diligence and their professional advisors in their decisions with respect to the Scheme. No person has been authorised to give any information or to make any representation about the Company or the Scheme other than as contained in this Explanatory Statement (including as incorporated by reference) and, if given or made, such information or representation must not be relied upon as having been authorised by the Notes Trustee. Each Noteholder acknowledges that it has relied only on the information contained or incorporated in this Explanatory Statement and that it has not relied on the Notes Trustee in connection with any investigation of the accuracy of any information contained in this Explanatory Statement or its investment decision (including any decision in connection with the Scheme).

## **2.16 Other Jurisdictions**

The implications of the Restructuring for Scheme Creditors who are residents or citizens of jurisdictions other than the Cayman Islands may be affected by the laws of the relevant

jurisdictions. Such overseas Scheme Creditors should inform themselves about and observe any applicable legal requirements in their respective jurisdictions. Any person outside the Cayman Islands who is resident in, or who has a registered address in, or is a citizen of, an overseas jurisdiction should consult independent professional advisors and satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the Scheme and the Restructuring, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such jurisdiction.

### 3. LETTER FROM THE BOARD TO THE SCHEME CREDITORS

19 January 2024

Dear Scheme Creditor,

#### *Introduction*

- 3.1 The Board writes to you in your capacity as a person who is, or appears to be, a holder of the 9.5% senior notes due 2026 (the “Notes”) pursuant to an indenture dated 30 December 2021, between, amongst others, the Company, the Subsidiary Guarantors, the Bank of New York Mellon, London Branch as trustee and The Bank of New York Mellon, Hong Kong Branch as security agent.
- 3.2 As a holder of the Notes, you are a Scheme Creditor and entitled to vote at the Scheme Meeting if you, (a) without double counting, hold an economic or beneficial interest as principal in the Notes held in global form or global restricted form through the Clearing Systems as at the Record Time and have a right, upon satisfaction of certain conditions, to be issued definitive registered notes in accordance with the terms of the Notes, and are entitled (whether directly or through a custodian) to submit instructions through the Clearing Systems and to the Information Agent, or (b) are a Blocked Scheme Creditor. The Notes Trustee and the Depositary have agreed not to exercise any voting rights they may have in respect of the Notes at the Scheme Meeting.
- 3.3 This letter forms part of the Explanatory Statement for the Scheme proposed by the Company as part of the Restructuring. This letter provides a brief explanation of the Scheme, and its effects, should it become effective.
- 3.4 Scheme Creditors should read the Explanatory Statement as a whole, in conjunction with the documents that accompany it (including, if you are a Scheme Creditor that is not a Blocked Scheme Creditor, the Account Holder Letter, and, if you are a Blocked Scheme Creditor, the Blocked Scheme Creditor Voting Form).
- 3.5 In considering the Scheme described below, you should not rely solely on this letter, but you should also consider the more detailed information contained in the remainder of this Explanatory Statement. If you are in any doubt as to what action you should take in connection with this Explanatory Statement, the proposals contained in it or the documents that accompany it, the Company recommends that you consult your own professional advisors as to legal, tax, financial or other matters relevant to any actions to be taken in relation to the Scheme, or the implications/ consequences of those actions.
- 3.6 The proposed Scheme is part of the Group’s broader corporate restructuring efforts, the implementation of which will ensure the continuing operations of the Group for the benefit of all stakeholders, with the key elements for a sustainable capital structure and a foundation from which the Group can deliver long-term value for all of its stakeholders.
- 3.7 Defined terms used in this letter are included in Appendix 1 (*Definitions and Interpretation*). Please note that the information in this letter is not intended to be exhaustive or complete.

#### *The Purpose of the Explanatory Statement*

- 3.8 This Explanatory Statement is distributed for the purpose of providing Scheme Creditors with all the information reasonably necessary to enable the Scheme Creditors to make an informed decision on whether to approve the Scheme. A short explanation of the reasons for the Restructuring and the proposed Scheme is included below, as part of this letter. This Explanatory Statement is being provided to you pursuant to section 86 of the Companies



Act, and Order 102, Rule 20(4)(e) of the Cayman Islands Grand Court Rules 1995 (Revised Edition), and in order to satisfy the requirements of the Cayman Islands Grand Court Practice Direction No. 2 of 2010.

- 3.9 This Explanatory Statement also explains why the Company considers the proposed Restructuring to be in the interests of Scheme Creditors.
- 3.10 In relation to the Scheme and the Restructuring, the Company has appointed Dechert as its international legal advisor, Harneys as its Cayman Islands legal advisor and Admiralty Harbour Capital Limited as its financial advisor. Morrow Sodali Limited is acting as information agent.

### ***Background and Reasons for the Scheme***

- 3.11 The Company was incorporated in the Cayman Islands on 1 February 2012, as an exempted company with limited liability under the Companies Act. The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "HKEEx") since 11 October 2013.
- 3.12 Yestar BVI was incorporated in the British Virgin Islands with limited liability on 1 February 2012. Yestar HK was incorporated in Hong Kong with limited liability on 29 February 2012. Both entities are wholly-owned subsidiaries of the Company.
- 3.13 The Company is the ultimate holding company of the Group which principally engages in the distribution of In Vitro Diagnostic ("IVD") products in the PRC and manufactures medical films (used in X-Ray, Magnetic Resonance Imaging (MRI) and Computer Tomography (CT-scan) etc.) for Fujifilm in the PRC and manufactures, markets and sells dental film and medical dry film products under the house brand "Yes!Star". The Group is one of the largest distributors and service providers of the IVD products in the PRC. A chart depicting the organisational and capital structure of the Group as of the date of this Explanatory Statement is set out in Appendix 5 (*Group Structure Chart*).
- 3.14 Since early 2020, the Group has experienced deteriorating market conditions and a series of events which led to deterioration in its financial condition. The negative impact of the COVID-19 pandemic exacerbated and amplified an already challenging market environment and the adversely affected the Group's liquidity position.
- 3.15 In early 2021, in order to improve the Group's liquidity and cash flows, the Group explored refinancing options onshore but was unsuccessful as a result of the mounting concerns from onshore lenders around the overall outlook of the Company. It became apparent to the Group and the Company at the beginning of 2021, despite the measures undertaken to mitigate the financial impact of the COVID-19 pandemic and the resultant decline in revenue, that a more holistic and long-term solution would be required to address the maturity of the then outstanding and unpaid US\$200,000,000 6.9% senior notes due 2021 issued by the Company.
- 3.16 The Company completed the restructuring of the notes due 2021 by way of a scheme of arrangement in the Cayman Islands. The scheme was approved by the Court on 10 December 2021, and the restructuring became effective on 30 December 2021.
- 3.17 In connection with the restructuring in 2021, the Company issued the Notes. However, market conditions remained extremely challenging and the Group's liquidity position deteriorated further to a level that did not enable the Group to maintain sufficient funds to discharge the Group's liabilities as they arose.

- 3.18 The Company had been exploring various ways to improve the financial position of the Group, secure the future of its business and extend its liquidity runway. The Board successfully negotiated a sale of 94.2% of the Company's equity interests in Shanghai Emphasis Investment, Shanghai Jianchu Medical, Shanghai Chaolian Trading, Shanghai Haole Industrial, and Shanghai Dingpei Industrial for an aggregate consideration of RMB 574,750,000. On 30 December 2022, the Company entered into an equity transfer agreement and made an announcement with respect thereto on the same date on the HKEx.<sup>12</sup>
- 3.19 However, the Company was unable to resolve its liquidity shortfall in time and failed to meet its obligations to pay the interest and partial principal due under the Notes on 30 December 2022, the relevant amortisation and interest payment dates under the Indenture. Pursuant to the Indenture, the Notes were in default giving rise to acceleration rights in favour of the Noteholders.
- 3.20 Following extensive negotiations with the holders of the Notes and in particular, the Committee, which have been ongoing since January 2023, the Company announced on the website of the HKEx on 7 December 2023, that the Company, the Subsidiary Guarantors, the Individual Guarantor and the RSA Agent had entered into the RSA in relation to the Restructuring, pursuant to which the Consenting Creditors who have acceded to the RSA undertake to support the potential restructuring of the Notes which will be implemented via the Scheme subject to the terms and conditions set out therein.
- 3.21 The Company invites each Noteholder to submit a validly completed Accession Letter to the RSA to support the Restructuring. In order to facilitate accession to the RSA by Blocked Scheme Creditors, the Company has launched an alternative process whereby Blocked Scheme Creditors will be able to accede to the RSA by submitting the required documents to the Company directly. As such, all of the Noteholders, including the Blocked Scheme Creditors, have the opportunity to sign up to the RSA.
- 3.22 The Board believes that, as part of the Restructuring, the successful implementation of the Scheme will leave the Group with a sustainable capital structure that is more likely to enable the Company and its subsidiaries to comply with their post-restructuring obligations and liabilities and to trade on a going concern basis.
- 3.23 The Board has resolved that the Restructuring, as more fully described in Section 4 (*Background to the Scheme and the Restructuring*) of this Explanatory Statement, is in the best interests of the Company and those with an economic interest in the Group (including, in particular, the Scheme Creditors). The Board is of the opinion that the Restructuring is of benefit to the Scheme Creditors because it is anticipated that, as a result of the Restructuring, the Scheme Creditors will receive a substantially better return over time on the amount owed to them than they would do if the Company and the Subsidiary Guarantors were to enter formal Insolvency Proceedings. This Explanatory Statement explains in detail why the Board believes this to be the case.
- 3.24 The Explanatory Statement, which is provided to you pursuant to section 86 of the Companies Act, is distributed for the purpose of providing Scheme Creditors with all the information reasonably necessary to enable them to make an informed decision on whether or not to approve the Scheme.

### ***Overview of the Restructuring***

- 3.25 It is proposed that the implementation of the Restructuring will involve, among other things:

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<sup>12</sup> Announcement by the Company on the HKEx: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1230/2022123001609.pdf>

- (a) the implementation of the Scheme, being a court approved scheme of arrangement in the Cayman Islands pursuant to section 86 of the Companies Act in respect of the Company's liabilities under the Notes; and
    - (b) the entry into the Restructuring Documents to restructure the Company's liabilities under the Notes (which, for the avoidance of doubt, will not be implemented directly by the Scheme, but the effectiveness of which will be conditional upon, amongst other things, the effectiveness of the Scheme).
- 3.26 A Cayman scheme of arrangement is a compromise or arrangement entered into between a company and its creditors, as provided for under section 86 of the Companies Act. For a Cayman scheme of arrangement to become effective, there must be:
- (a) the convening of a meeting of the Scheme Creditors or meetings of classes of the Scheme Creditors who are proposed to be bound by the scheme of arrangement in accordance with directions given by the Court;
  - (b) at each such meeting, the approval of at least a majority in number representing 75% or more in value of the relevant Scheme Creditors present in person or by proxy and voting at the meeting;
  - (c) the approval of the scheme of arrangement by the Court by the granting of an order sanctioning the scheme of arrangement; and
  - (d) the delivery of a sealed copy of an order of the Court sanctioning the scheme of arrangement to the Companies Registrar.
- 3.27 If the Cayman scheme of arrangement becomes effective, all Scheme Creditors will be bound by its terms (irrespective of whether they voted in favour of or against the scheme of arrangement or whether they voted at all).
- 3.28 The primary purpose of the Scheme is to effect a restructuring of the liabilities of the Company under the Notes. Under the terms of the Scheme, the Notes will be cancelled and, subject to applicable laws, Scheme Creditors will receive their rateable share of the Redemption Amount and the Consent Fee (if applicable).
- 3.29 Other purposes of the Scheme and the Restructuring are to:
- (a) avoid the Company and other members of the Group potentially entering into insolvent liquidation (or other appropriate insolvency proceedings) in the near future, as a result of which the anticipated recoveries for the Noteholders may be significantly less than if the Restructuring were to be completed successfully;
  - (b) alleviate cash flow pressure on the Company and other members of the Group, which will enable them to comply with their obligations and liabilities following the Restructuring, and provide them with increased flexibility in their operations such that they may continue to trade on a going concern basis and to recover as the PRC market stabilises; and
  - (c) increase the prospect of delivering long-term value for the shareholder and other stakeholders of the Company.
- 3.30 Without limitation to the foregoing, whilst the Board believes that the Scheme will provide it with the liquidity that it requires to achieve its business plan and return to profitability and cash flow generation, it is not possible to predict with certainty what will happen if the Scheme is successful. It is possible that further trading difficulties, in particular as may result

from a continuation of a challenging market environment or other unexpected events, will result in the Group being unable to meet its obligations after the Scheme. It is also possible that the Group's business will recover more strongly than predicted, and that the Group may seek to update its capital structure to take account of this. Scheme Creditors must form their own view on the Group's prospects of success, and what this may mean for the Notes.

- 3.31 The Restructuring envisages that, subject to the terms of the Scheme, the Scheme Creditors will release their existing claims under and in connection with the Notes in return for receiving (or being entitled to receive) their share of the Redemption Amount and the Consent Fee (if applicable).
- 3.32 Under the Deeds of Release, the Scheme Creditors will also waive, discharge and release the Released Persons and Third Party Released Persons from their respective obligations and liabilities (actual, contingent, present and future) under or in connection with the Notes Documents, the Restructuring Documents and each and every Released Claim which it ever had, may have or hereafter can, shall or may have against any Released Person and/or Third Party Released Person.
- 3.33 In addition, as detailed below, the Company, the Subsidiary Guarantor and the Individual Guarantor have entered into the RSA and as at the date of this letter, Noteholders holding approximately 88.62% of the outstanding principal under the Notes have acceded to the RSA.
- 3.34 To facilitate the closing process, the Company has agreed to deposit part of the Redemption Amount, being a minimum amount of US\$53.0 million,<sup>13</sup> into the Escrow Accounts in accordance with the terms of the RSA, the Scheme and the Escrow Account Security Documents. The Escrow Accounts and the balances standing to the credit thereto are secured in favour of the Security Agent. The escrow arrangements are more fully described in clauses 4.37 to 4.41 (*Escrow Accounts*) of this Explanatory Statement.
- 3.35 Under the RSA, the Company has agreed to pay the Consent Fee to certain Consenting Creditors on the terms and conditions set out therein. For those Consenting Creditors who are eligible (whether directly or through their custodian) to settle through the Clearing Systems and to submit instructions to the Information Agent, and who are entitled to receive the Consent Fee, payment of their share of the Consent Fee will be made through the same. However, for Consenting Creditors that are Blocked Scheme Creditors and who are entitled to receive the Consent Fee, the Consent Fee payable to each such Consenting Creditor in respect of its Eligible Restricted Notes will be held on trust by the Holding Period Trustee under the terms of the Holding Period Trust Deed until (i) the expiry of the Perpetuity Period, (ii) the Blocked Scheme Creditors ceasing to be affected by applicable Sanctions, or (iii) a release or distribution is otherwise permitted pursuant to the terms of the Holding Period Trust Deed, with the Blocked Scheme Creditors being given a reasonable period of time thereafter to recover their entitlement to the Consent Fee in accordance with the terms of the Holding Period Trust Deed. Any Trust Assets that remain unclaimed at the end of the Holding Period will be distributed by the Holding Period Trustee to the Company.
- 3.36 Further details regarding the commercial terms of the Restructuring are set out in Section 4 (*Background to the Scheme and the Restructuring*) of this Explanatory Statement.

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<sup>13</sup> The net proceeds of the Equity Transfer announced by the Company on the HKEx on 30 December 2022. For further details please refer to: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1230/2022123001609.pdf>

### ***The RSA and Support for the Restructuring***

- 3.37 On 30 November 2023, the Company, the Subsidiary Guarantors, the Individual Guarantor and the RSA Agent entered into the RSA in relation to the Restructuring and, through the Company's announcement on the website of the HKEx on 7 December 2023, the Company invited all Noteholders to accede to the RSA as Consenting Creditors. The Company offers an alternative process whereby Blocked Scheme Creditors could accede to the RSA as Consenting Creditors by submitting validly executed accession forms and supporting documentation to the Company directly.
- 3.38 Details regarding the RSA are set out in clauses 4.22 to 4.36 (*The RSA*) of this Explanatory Statement. In addition, a copy of the execution version of the RSA is available on the Transaction Website at <https://projects.morrowsodali.com/yestar>.
- 3.39 The entry into the RSA by the Company and certain Scheme Creditors is typical in financial restructurings such as the Restructuring and helps to secure a critical mass of creditor support to implement the Restructuring.
- 3.40 By utilising the Scheme, the Restructuring can be effected with the consent of a majority in number of Scheme Creditors representing 75% in value of the Scheme Claims present and voting (whether in person or by proxy) on the Scheme at the Scheme Meeting. The Board considers this threshold more likely to be achievable, given the level of support evidenced by the accession to the RSA by certain Scheme Creditors holding an aggregate principal amount of approximately US\$ 172.37 million of Notes then outstanding (representing approximately 88.62% of the aggregate outstanding principal amount of all Notes) as at the date of this letter. The holders of such Notes are, pursuant to the RSA obliged to vote their holdings of such Notes in favour of the Scheme, subject to the terms of the RSA.
- 3.41 The Company considers that certain Noteholders may have chosen not to accede to the RSA to avoid restricting their ability to trade their Notes. Clause 10 (*Accession, Position Disclosure, Transfer and Purchase*) of the RSA provides, in summary, that Consenting Creditors may only transfer their Notes to other persons who are also Consenting Creditors or Qualified Market Makers or become Consenting Creditors by acceding to the RSA prior to such transfer. As such, the level of consent received in respect of and accession to the RSA is not necessarily, therefore, indicative of the level of consent likely to be received in respect of the wider Restructuring and/or the Scheme, and should be viewed against the matrix of factors.
- 3.42 Consenting Creditors who are Blocked Scheme Creditors cannot submit an Account Holder Letter and therefore cannot satisfy certain obligations, conditions and/or requirements under the RSA to the extent such obligations, conditions and/or requirements command the submission of an Account Holder Letter. As a result, the Company waives all obligations, conditions and/or requirements under the RSA for Blocked Scheme Creditors to submit an Account Holder Letter and any reference to an Account Holder Letter in the RSA in relation to Blocked Scheme Creditors shall be deemed to be a reference to a Blocked Scheme Creditor Voting Form.
- 3.43 In addition, Consenting Creditors who vote in favour of the Scheme will be treated as having: (i) waived the requirement for Blocked Scheme Creditors to submit an Account Holder Letter in their compliance with any obligation, condition and/or requirement under the RSA to submit an Account Holder Letter; and (ii) agreed to the Company, at its discretion, waiving any other obligation, condition and requirement for Blocked Scheme Creditors under any other Restructuring Document to submit an Account Holder Letter.
- 3.44 The RSA: (i) contains terms that Noteholders undertake to support the Scheme so as to enable it to proceed with an enhanced prospect of success, and (ii) appends the Term Sheet

setting out the terms of the proposed Restructuring. In particular, under, and subject to, the terms of the RSA, among other things:

- (a) each of the Company and the Subsidiary Guarantors undertakes in favour of each Consenting Creditor to perform all actions as are reasonably necessary in order to support, facilitate, implement or otherwise give effect to the Restructuring as soon as reasonably practicable, including (without limitation) to:
  - (i) implement the Restructuring and the Scheme before the Longstop Date in the manner envisaged by, and on the terms and conditions set out in, the RSA and the Term Sheet; and
  - (ii) procure that the Restructuring Effective Date occurs and that the Restructuring is fully implemented on or before the Longstop Date; and
- (b) each Consenting Creditor undertakes in favour of the Company that it will:
  - (i) vote and deliver within any applicable time periods any proxies, instructions, directions or consents in respect of all Notes in which it holds a beneficial interest as principal, including (without limitation) to vote in favour of the Scheme at the Scheme Meeting in respect of the aggregate outstanding principal amount of all Notes in which it holds a beneficial interest as principal at the Record Time;
  - (ii) not take, commence or continue any Enforcement Action to delay the Scheme Effective Date, interfere with the implementation of the Restructuring and/or the Scheme, except to the extent that the Restructuring and/or any of the Restructuring Documents are inconsistent with the terms of the RSA and the terms set out in the Term Sheet;
  - (iii) provide reasonable support and assistance to the Company (at the Company's cost) to prevent the occurrence of any Insolvency Proceeding in respect of the Company or the Subsidiary Guarantors; and
  - (iv) not object to the Restructuring or any application to the Court for the purpose of implementing the Restructuring and not take any actions inconsistent with, or that would, or are intended to, or would be likely to delay the approval, sanctioning or confirmation of, the Restructuring or any of the Restructuring Documents, except to the extent that the Restructuring and/or any of the Restructuring Documents are inconsistent with the terms of the RSA and the terms set out in the Term Sheet.

3.45 The RSA will remain in place until it is terminated by agreement or by notice in accordance with its terms. If not so terminated, the RSA also provides for automatic termination on the Restructuring Effective Date. In addition, there are certain 'voluntary' termination events in respect of the RSA which may be triggered by certain groups of Consenting Creditors (depending on the circumstances).

3.46 The terms of the RSA are set out in more detail in clauses 4.22 to 4.36 (*The RSA*).

#### ***Escrow Accounts***

3.47 To facilitate the closing process, the Company has agreed to deposit part of the Redemption Amount, being a minimum amount of US\$53.0 million, into the Escrow Accounts in accordance with the terms of the RSA, the Scheme and the Escrow Account Security Documents.

- 3.48 The Escrow Accounts will be held with the Escrow Agents and are governed by the terms of the Escrow Account Security Documents made between the relevant parties thereto.
- 3.49 The duties and obligations of the Escrow Agents under this Escrow Account Security Documents are purely mechanical and administrative in nature and the Escrow Agents act under the Escrow Account Security Documents as escrow agents only. The Escrow Agents are authorised to release the balances standing to the Escrow Accounts in accordance with pre-agreed payment instructions or upon receipt of an enforcement instruction or order. Save for any release or transfer pursuant to an enforcement of any security over the Escrow Accounts and/or balances standing to the credit thereto, escrow funds may only be transferred from an Escrow Account (Onshore) to an Escrow Account (Offshore) (which may be remitted through other Escrow Accounts) and escrow funds standing to the credit of an Escrow Account (Offshore) may only be released and transferred in redemption of the Notes on the Restructuring Effective Date, upon all of the conditions precedent to the occurrence of the Restructuring Effective Date having been satisfied (except for the release of the escrow funds and the payment of the Redemption Amount and delivery of the notice of the occurrence of the Restructuring Effective Date) or waived in accordance with the terms of the Restructuring Documents.
- 3.50 The Escrow Accounts and the balances standing to the credit thereto are secured in favour of the Security Agent. In the event of an enforcement of the security over the Escrow Accounts and/or balances standing to the credit thereto, the terms of the relevant security document provide that Security Agent provide that the Security Agent may not apply the proceeds of the enforcement towards discharge of the secured obligations under and as defined in the relevant security document unless certain conditions are satisfied.
- 3.51 The terms of the Scheme provide that any application upon receipt or remittance of the enforcement proceeds from such security over the Escrow Accounts and/or balances standing to the credit thereto shall be deemed, on the Restructuring Effective Date (in this case, for the purpose of the occurrence of the Restructuring Effective Date, excluding the condition of payment of the Redemption Amount and delivery of the notice of the occurrence of the Restructuring Effective Date), to be an application towards the pro rata discharge of the obligation of the Company under the Scheme to pay the Redemption Amount.

***Effect of the Restructuring (including the Scheme)***

- 3.52 On the Restructuring Effective Date, by reason of the terms of the Scheme, the Notes will be cancelled and discharged and the respective rights and obligations of the Scheme Creditors (including, for the avoidance of doubt, any person that acquires an interest in the Notes after the Record Time), the Company, the Subsidiary Guarantors and the Notes Trustee towards one another under the Note Documents will terminate and be of no further force and effect.
- 3.53 The Scheme will affect the rights of the Company, the Subsidiary Guarantors and the Scheme Creditors only. Certain other parties such as the Released Persons and Third Party Released Persons will also receive the benefit of certain releases given under, and in connection with, the Scheme.
- 3.54 Excluded Liabilities shall not be subject to the arrangement and compromise effected by the Scheme.
- 3.55 An overview of the Scheme is set out in Section 5 (*Overview of the Scheme*).

### ***Scheme Meeting***

- 3.56 The Court has granted the Company permission to convene a single meeting of Scheme Creditors, which comprises the Noteholders, to consider and, if thought fit, approve the Scheme.
- 3.57 The Company encourages:
- (a) all Scheme Creditors (other than Blocked Scheme Creditors) to submit or procure their Account Holders to submit on their behalf, validly completed Account Holder Letters to the Information Agent via the Scheme AHL Portal at <https://portal.morrowsodali.com/yestarAHL> and in accordance with the instructions set out in Appendix 4 (*Solicitation Packet*) as soon as possible and in any event no later than the Voting Instruction Deadline; and
  - (b) Blocked Scheme Creditors should complete the Blocked Scheme Creditor Voting Form and submit it to the Company at [bond@yesstarnet.com.cn](mailto:bond@yesstarnet.com.cn), with full supporting evidence by no later than the Voting Instruction Deadline.
  - (c) Details of the actions that Scheme Creditors need to take in order to vote are set out in Section 6 (*Scheme Creditors and Actions to be Taken*) and in Appendix 4 (*Solicitation Packet*) to this Explanatory Statement.
- 3.58 Each Scheme Creditor who is eligible to instruct through a Clearing System (i.e., not a Blocked Scheme Creditor) will receive notice of the elections required by the Account Holder Letter from its Account Holder (who may be your custodian or prime broker in respect of your holding of the Notes). Each such Scheme Creditor must confirm its consent to this notification, following which the Account Holder must submit a Custody Instruction to Euroclear or Clearstream (as applicable) by no later than the Custody Instruction Deadline. The Custody Instruction will generate a unique Custody Instruction Reference Number which needs to be included in the Account Holder Letter. Upon the submission of the Custody Instruction, the relevant Notes will be blocked in the applicable Clearing System. Blocking will remain in place until the Restructuring Effective Date or the termination of the Restructuring, as applicable.

### ***Redemption Amount***

- 3.59 Subject to applicable laws, the Redemption Amount will be paid to Scheme Creditors on or prior to, and as a condition precedent to, the Restructuring Effective Date. The Redemption Amount will be settled through the Clearing Systems and each Noteholder will receive such proportion of the Redemption Amount as is equivalent to the proportion that the total amount of such Noteholder's Note Claim Amount bears to the Total Note Claim Amount as at the Record Time.
- 3.60 The Blocked Scheme Creditors' share of the Redemption Amount will also be settled through the Clearing Systems and be processed according to the then applicable laws, procedures, regulations and/or policies. A Blocked Scheme Creditor may not immediately receive their share of the Redemption Amount. If applicable Sanctions are still in place and continue to affect any Blocked Scheme Creditor, such Blocked Scheme Creditor's share of the Redemption Amount may be held in a suspense account or otherwise by the Clearing System and/or its Intermediaries and participants until applicable laws, regulations and/or government licences permit distribution of that share to that Blocked Scheme Creditor.

**NOTEHOLDERS WILL NOT RECEIVE THEIR SHARE OF THE REDEMPTION AMOUNT WITH RESPECT TO ANY NOTES THAT HAVE BEEN SOLD,**



## **ASSIGNED OR TRANSFERRED BEFORE PAYMENT OF THE REDEMPTION AMOUNT.**

### ***Fee Payments***

#### ***Consent Fee***

- 3.61 The RSA provides that a Scheme Creditor who accedes to the RSA prior to the Consent Fee Deadline may be eligible to receive its share of the Consent Fee if, among other conditions set out therein, that Scheme Creditor also votes in favour of the Scheme at the Scheme Meeting, either in person, by a duly authorised representative (if a corporation) or by proxy.
- 3.62 Blocked Scheme Creditors' share of the Consent Fee will be held on trust by the Holding Period Trustee under the terms of the Holding Period Trust Deed until (i) the expiry of the Perpetuity Period, (ii) the Blocked Scheme Creditors ceasing to be affected by applicable Sanctions, or (iii) a release or distribution is otherwise permitted pursuant to the terms of the Holding Period Trust Deed, with the Blocked Scheme Creditors being given a reasonable period of time thereafter to recover their entitlement to the Consent Fee in accordance with the terms of the Holding Period Trust Deed. The Company will publish information relating to the method for Blocked Scheme Creditors to claim their entitlements on the Company's website and/or through other such public medium as may be appropriate at that time. Any Trust Assets that remain unclaimed at the end of the Holding Period will be distributed by the Holding Period Trustee to the Company.
- 3.63 The Board has considered whether the payment of the Consent Fee to Consenting Creditors who vote in favour of the Scheme has an impact on the constitution of classes of Scheme Creditors for the purposes of the Scheme, and has concluded that it does not. The existence and terms of the RSA have been made publicly available to all Scheme Creditors and the Consent Fee has been offered to all Scheme Creditors on an equal basis, provided that they became a party to the RSA as a Consenting Creditor by the relevant deadlines stated therein. The Consent Fee is not material when considered against the difference in predicted returns that the Scheme Creditors will receive under the Scheme (as opposed to the significantly lower returns that Scheme Creditors would receive under the alternative to the Scheme, which is insolvent liquidation). The amount is *de minimis* only and the Board believes it to be unlikely that a Scheme Creditor who considered the substantive aspects of the Scheme to be against their interests would be persuaded by virtue of the Consent Fee alone to enter into or accede to the RSA and to vote in favour of the Scheme.
- 3.64 Further details of such Consent Fee are set out in clauses 4.25 to 4.29 (*Consent Fee*) of this Explanatory Statement.

#### ***Work Fee***

- 3.65 Each Consenting Creditor who is a member of the Committee shall be entitled to receive a share of a one-off fee in an aggregate amount equal to US\$ 1,688,000 (the "**Work Fee**"). The Company has agreed on or prior to, and as a condition precedent to, the Restructuring Effective Date, to pay the Work Fee.
- 3.66 The Company believes that it was appropriate for the Group to incur the Work Fee. The Work Fee compensates the Committee (i) by reference to the amount of work that has been and was likely to be involved in the essential role the Committee has played in driving the Restructuring forward in the timescales required as compensation for time spent, expenses, and the opportunity cost of allocating resources away from other investments, and (ii) on the basis that the Committee bore financial risk (proportionate to the size of their holdings) by agreeing to receive material non-public information in order to engage in meaningful

negotiations, thereby rendering them unable to trade their holdings for so long as that information remained non-public.

3.67 The Company considers that this fee is *de minimis* and not material (looked at in isolation or together with the Consent Fee).

3.68 Further details of such Work Fee are set out in clauses 4.30 to 4.32 (*The RSA*) of this Explanatory Statement.

***Legal Fees***

3.69 The Company has also agreed on or prior to, and as a condition precedent to, the Restructuring Effective Date, to pay an aggregate amount of US\$1,500,000 towards the fees, costs and expenses of:

- (a) Hogan Lovells (and Mourant Ozannes) in their capacity as legal advisors to the Committee; and
- (b) Hogan Lovells in their capacity as legal advisors to the Notes Trustee in connection with a petition to the Hong Kong court in 2023.

***Costs and Expenses of the Restructuring and the Scheme***

3.70 Save as expressly set out in this Explanatory Statement, the Scheme or any of the Restructuring Documents, the Company shall pay only the costs incurred by the Company in connection with the negotiation, preparation and implementation of the Restructuring, the Scheme and related documentation as and when they arise, including the costs of holding the Scheme Meeting and the costs of the petitions to the Court to sanction the Scheme, the costs, charges, expenses and disbursements of its Advisors in accordance with the terms agreed between the Company and the relevant Advisor.

3.71 On or prior to the Restructuring Effective Date, the Company will pay the fees, costs, charges and expenses of:

- (a) the Escrow Agents and the Security Agent incurred or charged by them in connection with the Escrow Account Security Documents and ancillary documentation (including any security over the Escrow Accounts);
- (b) the Information Agent incurred or charged by it in connection with the Restructuring and the Scheme; and
- (c) its Advisors,

in each case, subject to the terms of the relevant fee arrangement and agreed caps, which have been duly invoiced no later than three (3) Business Days before the Restructuring Effective Date (or such later date as may be agreed by the Company or the relevant party or parties). The fees, costs and expenses of the Notes Trustee will be paid in accordance with the terms of the Indenture. The Scheme provides that the fees, costs and expenses of the RSA Agent will be paid as if such fees, costs and expenses were fees, costs and expenses incurred by the Notes Trustee, *i.e.* they will be paid out of the Redemption Amount in priority to any payments to any holder of the Notes.

***What happens if the Restructuring fails?***

3.72 The proposed Restructuring is the result of extensive, arms-length discussions and negotiations with the Committee, with the objective of treating all stakeholders fairly and in accordance with their respective legitimate expectations and following a comprehensive

consideration of the strategic options available to the Company. The scope and feasibility of other strategic restructuring options available to the Company are limited, taking into consideration the Company's business operations, financial position, available financing sources, and cash flow position and the timing of expected cash flows from the Company's operations. For further details in this respect, see "*The Group's Deteriorating Financial Condition*" under Section 4 (*Background to the Scheme and the Restructuring*).

- 3.73 The Notes are in default following the Company's failure to pay a partial principal amount and interest on 30 December 2022, the relevant amortisation and interest payment dates under the Indenture giving rise to acceleration rights in favour of the relevant creditors. If exercised, such acceleration rights would bring forward the repayment date of the Notes. In the absence of the Scheme and the Restructuring becoming effective, the Company will not be able to comply with its obligations under the Indenture in the event that entire outstanding principal amount of the Notes become immediately due and payable nor is the Company able to service its future interest obligations. The RSA currently provides for the forbearance of the Consenting Creditors that have acceded thereto; however, the RSA will terminate if the Scheme is not implemented, following which the Notes Trustee and/or the relevant Noteholders will be able to commence enforcement actions pursuant to the terms of the Note Documents and applicable law.
- 3.74 The prospects of the Group and its key stakeholders, or indeed a third party, agreeing on an alternative transaction that would enable the Group to repay accrued and unpaid interest under the Notes or the principal amount of the Notes on its maturity date (or earlier in the event of acceleration action) are very low. The Board believes that there is a material risk that Noteholders will pursue enforcement action against the Company and/or the Subsidiary Guarantors in respect of their outstanding obligations. The Board considers that, if the Restructuring is not successfully implemented, the Company and other members of the Group would enter into formal Insolvency Proceedings.
- 3.75 Whilst it is possible that any insolvency officeholders appointed in respect of the Group may look to run sales processes in respect of parts of the Group's business, or may look to follow some other strategy to realise value, at present it is not possible to predict with any certainty the basis on which such alternative strategy might proceed. Indeed, the Company could not know at that time whether there would be buyers in the market for the relevant assets were a sales process be pursued, for example. Similarly, whilst assumptions could be made in respect of such sales processes or alternative strategies and returns to creditors could be modelled on that basis, the Group could not, at present, have any confidence that such assumptions would be reasonable or that any estimate of returns to creditors would be reliable within a reasonable range.
- 3.76 The RSA will terminate on the Longstop Date (as defined in the RSA) if the Scheme has not yet been approved by Scheme Creditors and implemented by the Company, and may also be terminated pursuant to the conditions summarised in clauses 4.34 and 4.35 below. If the RSA is terminated, each relevant Scheme Creditor will be entitled to exercise any and all of its rights, powers and remedies against the Company and/or the Subsidiary Guarantors under the terms and conditions of the Note Documents.
- 3.77 For the reasons described above and more generally, the Board believes it is appropriate to conclude that an insolvent liquidation of the Company is the most likely alternative outcome in the absence of the Restructuring.

#### ***Scheme Comparator Analysis***

- 3.78 AMC Capital Advisory Services Limited ("AMC") has been engaged by the Company to provide an estimate of the recovery that the Scheme Creditors might receive in respect of the Notes in the event that the Scheme and the Restructuring fail.

- 3.79 As a counterpoint to a scenario where the Scheme is successful, AMC has modelled alternative scenarios where formal Insolvency Proceedings occurring in respect of the Company and the Subsidiary Guarantors in respect of the Notes (which the Board considers to be the most appropriate comparator for the purposes of the Scheme for the reasons set out above). AMC's analysis is summarised in a report issued to the Company on 10 January 2024 (the "**Recovery Analysis**"). Scheme Creditors are directed to Appendix 6 (*Recovery Analysis*) for a copy of the Recovery Analysis, which includes various assumptions made in the alternative scenario, and in the high and low cases.
- 3.80 As a general summary, based on the Recovery Analysis, the estimated total recovery for unsecured creditors of the Group, upon a liquidation of the Group, is likely to be between approximately RMB 458.209 million (approximately US\$ 63.41 million) and RMB 556.596 million (approximately US\$ 77.03 million), which represents approximately 16.3% to 19.8% of total unsecured claims.
- 3.81 The Group's net position on intercompany loans is that, as of 30 June 2023, certain entities within the Group owe RMB 8,759,553 (adjusted) (approximately US\$ 1,212,260.82) to other entities within the Shanghai Entities Group. This amount would need to be distributed if the Group were to be liquidated.
- 3.82 Based on the Recovery Analysis and the Board's knowledge of the Group's financial position, unsecured creditors of the Group would expect to recover between 16.3% and 19.8% of their claims against the Group. Unsecured lenders, being mainly Noteholders, and other unsecured creditors constitute the two largest unsecured debt positions of RMB 1,559,714,420 (approximately US\$ 215,853,557.7) and RMB 1,164,520,924 (approximately US\$ 161,161,544.2), respectively, and recoveries are expected to be between RMB 253,816,545 to RMB 308,316,280 (approximately US\$ 35,126,433.11 and US\$ 42,668,814.94) and RMB 189,505,639 to RMB 230,196,474 (approximately US\$ 26,226,253.9 and US\$ 31,857,580.63), respectively. Thus, in material terms most of the recoveries made by the unsecured creditors Group would, on a liquidation of the Group, be passed through to the Noteholders and other unsecured creditors.
- 3.83 Assuming a Restructuring Effective Date on 29 February 2024, the aggregate Note Claim Amount (which comprises the aggregate current outstanding principal amount of the Notes, plus all accrued and unpaid interest on such Notes up to but excluding the assumed Restructuring Effective Date) will be US\$225,200,877.65 (approximately RMB 1,627,256,275). The Noteholders are therefore likely to recover 26.9% of their Note Claim Amount under the Scheme (before any Consent Fee, Work Fee and/or Step-Up Amount), higher than the 16.3% to 19.8% estimated recovery in an insolvent liquidation scenario.
- 3.84 Based on the above, and in the context of potential Insolvency Proceedings in respect of the Company and the Subsidiary Guarantors in respect of the Notes, the Board believes that the Scheme offers the Scheme Creditors the best prospects of maximising recovery on their claims against the Company and the Subsidiary Guarantors while allowing the Group to continue to carry on its business as a going concern.

#### ***The Effects of the Scheme on Directors' Interests***

- 3.85 The interests of the Directors as at the date of this Explanatory Statement are set out in clause 7.14 in Section 7 (*Directors' Interests in the Group and the Restructuring*).

#### ***Risk Factors***

- 3.86 Scheme Creditors' attention is drawn to certain risks and uncertainties associated with the Restructuring that are set out in Section 8 (*Risk Factors*).

### ***Actions to be Taken***

- 3.87 The Court has granted the Company permission to convene the Scheme Meeting for the Scheme Creditors to consider and, if thought fit, approve the Scheme (with or without modification).
- 3.88 Scheme Creditors should refer to:
- (a) Section 1 (*Expected Timetable of Principal Events*) for the timing of the Scheme Meeting; and
  - (b) Section 6 (*Scheme Creditors and Actions to be Taken*) and the Solicitation Packet at Appendix 4 (*Solicitation Packet*) for information on required actions to be taken.

### ***Support of the Scheme***

- 3.89 In addition to each of the other conditions, in order for the Scheme to be effective, it will be necessary, among other things, to secure the requisite support of the Scheme Creditors at the Scheme Meeting (namely, a simple majority in number of the Scheme Creditors present and voting at the Scheme Meeting either in person, by a duly authorised representative (if a corporation) or by proxy representing at least 75% in value of the Scheme Claims of the Scheme Creditors present and voting at the Scheme Meeting either in person, by a duly authorised representative (if a corporation) or by proxy).
- 3.90 In this regard, and as at the date of this letter, the Board understands that the Scheme Creditors (who collectively have an economic or beneficial interest as principal in 88.62% in outstanding principal amount of the Notes, as of the date of this letter) have undertaken to support the implementation of the Scheme and vote in favour of the Scheme at the Scheme Meeting.

### ***Recommendation***

- 3.91 For the reasons set out above and in the Explanatory Statement, the Board considers the Restructuring and the Scheme to be in the best interests of the Scheme Creditors, the Company, its shareholders and other stakeholders with an economic interest in the Company and other members of the Group.

**The Board strongly recommends that Scheme Creditors vote in favour of the Scheme at the Scheme Meeting.**

Yours faithfully,

.....

Wang Hong  
Executive Director  
for and on behalf of Yestar Healthcare Holdings Company Limited  
(巨星醫療控股有限公司)

#### **4. BACKGROUND TO THE SCHEME AND THE RESTRUCTURING**

##### ***The Company***

- 4.1 The Company was incorporated in the Cayman Islands on 1 February 2012, as an exempted company with limited liability under the Companies Act. The Company's shares have been listed on the Main Board of the HKEx since 11 October 2013 (Stock Code: 2393).
- 4.2 As at the date of this Explanatory Statement, the authorised share capital of the Company is HK\$100,000,000 divided into 4,000,000,000 shares of par value HK\$0.025.
- 4.3 The Company is the issuer of the Notes.
- 4.4 The principal assets of the Company comprise shares in its wholly owned subsidiary, Yestar BVI, an investment holding company incorporated with limited liability in the BVI, which, in turn, holds 100% of the share capital of Yestar HK. Pursuant to the terms of the Indenture, Yestar BVI and Yestar HK have jointly and severally guaranteed to each Noteholder all of the obligations of the Company to pay the principal and interest under the Notes. Yestar HK is the holding company of the three PRC companies which in turn hold or control other PRC operating companies of the Group.
- 4.5 A simplified Group structure chart showing the relationship between certain key members of the Group and the Company as at the date of this Explanatory Statement is set out in Appendix 5 (*Group Structure Chart*).

##### ***The Group***

- 4.6 The Company is the ultimate holding company of a group of companies comprising the Company and its subsidiaries, including the Subsidiary Guarantors. The principal operating companies of the Group primarily engage in the distribution of IVD products in the PRC and the manufacture of medical films (used in X-Ray, Magnetic Resonance Imaging (MRI) and Computer Tomography (CT-scan) etc.) for Fujifilm in the PRC. The Group also manufactures, markets and sells dental film and medical dry film products under the house brand "Yes!Star". The Group is one of the largest distributors and service providers of IVD products in the PRC.
- 4.7 For the six months ended 30 June 2023 and the year ended 31 December 2022, the distribution of IVD products segment had contributed 94.1% and 93.9%, respectively, of revenue of the Group. In addition, segment revenue for the period amounted to approximately RMB 2,223.7 million and RMB 4,030.4 million, respectively (approximately US\$307.74 million and US\$557.78 million, respectively). As of 30 June 2023, the Group had an IVD distribution network covering nine provinces and four tier-1 cities in the PRC, with coverage of 1,588 hospitals and clinics, a decrease of 139 from 1,727 hospitals and clinics on 30 December 2022.
- 4.8 For the six months ended 30 June 2023 and the year ended 31 December 2022, the Group generated total revenue of RMB 2,363.0 million and RMB 4,294.0 million, respectively (approximately US\$327.02 million and US\$594.26 million, respectively) and adjusted EBITDA of RMB 251.57 million and RMB 577.99 million, respectively (approximately US\$34.82 million and US\$79.99 million, respectively). As at 30 June 2023, the Group had approximately 878 employees across all Group business activities.

##### ***The Notes***

- 4.9 The Company issued the Notes in an aggregate principal amount of US\$197,864,523 due 2026 pursuant to an indenture dated 30 December 2021, between, amongst others, the

Company, the Subsidiary Guarantors, the Bank of New York Mellon, London Branch as trustee and The Bank of New York Mellon, Hong Kong Branch as security agent.

- 4.10 The Notes are listed and quoted on the Singapore Exchange Securities Trading Limited (ISIN numbers: XS2407822274 (Reg S), XS2407822357 (144A) and XS2407823249 (IAI)). As at the date of this Explanatory Statement, US\$194,506,648 in principal amount of the Notes are outstanding.

***Summary of the Group's Principal Financial Indebtedness***

- 4.11 As of 30 June 2023, the Group's principal financial indebtedness comprises:
- (a) the Notes; and
  - (b) interest-bearing bank and other borrowings in the total amount of approximately RMB 1,711.9 million (approximately US\$236.91 million).

***The Group's Deteriorating Financial Condition***

- 4.12 The Group's financial condition has significantly deteriorated since early 2020 due to the outbreak of the COVID-19 pandemic. During the first half of 2020, hospital resources and demand for medical supplies were focused almost exclusively on combatting COVID-19, which caused a plunge in demand for the Group's core products and a resultant worsening of the Group's liquidity problems. The negative impact of the COVID-19 pandemic exacerbated and amplified an already challenging market environment and adversely affected the Group's liquidity position.
- 4.13 Notwithstanding a highly successful restructuring in 2021 and some objective improvements in 2023, market conditions and the Group's current operating environment remained extremely challenging, and the Group did not reach its pre-COVID-19 operating levels, revenue and margin, in particular: for the year ended 2018, the Group's total revenue was RMB 4,447.0 million (approximately US\$615.43 million) and gross profit margin was 27.0%.
- 4.14 The objective improvements in 2023 include:
- (a) The Group recorded increased revenue and profit in the six months ended 30 June 2023, compared to the same period in 2022.
  - (b) The Company recorded a total revenue of RMB2,363.0 million (approximately US\$327.02 million) for the six months ended 30 June 2023, a 20.2% increase from the revenue of RMB 1,966.1 million (approximately US\$272.09 million) recorded for the same period in 2022.
  - (c) In addition, net profit for the six months ended 30 June 2023 amounted to RMB 11.6 million (approximately US\$1.61 million), compared to net loss of RMB 184.0 million (approximately US\$25.46 million) for the same period in 2022.
  - (d) At the business segments level, revenue of medical businesses and non-medical businesses for the six months ended 30 June 2023, amounted to RMB2,223.7 million (approximately US\$307.74 million) and RMB139.3 million (approximately US\$19.28 million) respectively, representing a 20.8% and 11.6% increase as compared to the same period in 2022 respectively for the two segments.

- (e) Gross profit margins of medical businesses and non-medical businesses increased from 16.2% and negative 3.3% for the six months ended 30 June 2022, to 21.4% and 20.4% for the same period in 2023, respectively.
- 4.15 Nevertheless, despite these limited improvements, as at 30 June 2023, the Group had an unrestricted cash and bank balance of approximately RMB 282.0 million (approximately US\$39.02 million). The Group's liquidity position continued to deteriorate to a level that did not enable the Group to maintain sufficient funds to discharge the Group's liabilities as they arose. In addition, the Company expects to be unable to repay its liabilities under the Notes if the Scheme fails and Noteholders exercise their acceleration rights to bring forward the repayment date of the Notes. As such, the Company is currently insolvent on a cash flow basis.

#### ***Negotiations in respect of the Restructuring***

- 4.16 In light of the market conditions and the challenging operating environment in 2023, the Board is of the view that fund-raising efforts through issuance of new securities would not be achievable to address the Group's liquidity needs adequately prior to certain payment due dates and that formulating a comprehensive restructuring with the Noteholders would be the best option for all stakeholders (including the Noteholders) of the Company.
- 4.17 The Company has appointed Dechert as international legal counsel to pursue a transparent dialogue with Noteholders with a view to identifying and implementing a consensual restructuring of their claims. The Company has also engaged Harneys as its Cayman Islands legal advisor and Admiralty Harbour Capital Limited as its financial advisor. Morrow Sodali Limited is acting as information agent.
- 4.18 The Company and the Subsidiary Guarantors and their advisors have been involved in extensive negotiations and discussions with the Committee and their advisors since January 2023 in relation to the restructuring of the Company's liabilities under the Notes. On 7 December 2023, the Company announced on the website of the HKEx the entry into the RSA in relation to the Restructuring by it, the Subsidiary Guarantors, the Individual Guarantor and the RSA Agent.
- 4.19 Each Noteholder was invited to agree and support the proposed Restructuring by acceding to the RSA. At the time of the launch of the RSA and as at 19 January 2024, Noteholders holding an aggregate principal amount of approximately US\$93 million and US\$172.37 million, respectively, of Notes then outstanding (representing approximately 47.8% and 88.62%, respectively, of the aggregate outstanding principal amount of all Notes) had acceded to or submitted accession documents to accede to the RSA. Noteholders who have acceded to the RSA as Consenting Creditors undertake to support the potential restructuring of the Notes which will be implemented via the Scheme subject to the terms and conditions set out therein.
- 4.20 The RSA: (i) contains terms that Noteholders undertake to support the Scheme so as to enable it to proceed with an enhanced prospect of success, and (ii) appends the Term Sheet setting out the terms of the proposed Restructuring.
- 4.21 Each Noteholder was invited to agree and support the proposed Restructuring by acceding to the RSA.

#### ***The RSA***

- 4.22 As at 19 January 2024, 117 Noteholders holding Notes in aggregate principal amount of approximately US\$172.37 million representing approximately 88.62% by value of the aggregate outstanding principal amount of the Notes, have acceded to the RSA.



- 4.23 The RSA: (i) contains terms that Noteholders undertake to support the Scheme so as to enable it to proceed with an enhanced prospect of success, and (ii) appends the Term Sheet setting out the terms of the proposed Restructuring.
- 4.24 In particular, under, and subject to, the terms of the RSA, among other things:
- (a) each of the Company and the Subsidiary Guarantors undertakes in favour of each Consenting Creditor to perform all actions as are reasonably necessary in order to support, facilitate, implement or otherwise give effect to the Restructuring as soon as reasonably practicable, including (without limitation) to:
    - (i) implement the Restructuring and the Scheme before the Longstop Date in the manner envisaged by, and on the terms and conditions set out in, the RSA and the Term Sheet; and
    - (ii) procure that the Restructuring Effective Date occurs and that the Restructuring is fully implemented on or before the Longstop Date; and
  - (b) each Consenting Creditor undertakes in favour of the Company that it will:
    - (i) vote and deliver within any applicable time periods any proxies, instructions, directions or consents in respect of all Notes in which it holds a beneficial interest as principal, including (without limitation) to vote in favour of the Scheme at the Scheme Meeting in respect of the aggregate outstanding principal amount of all Notes in which it holds a beneficial interest as principal at the Record Time;
    - (ii) not take, commence or continue any Enforcement Action to delay the Scheme Effective Date, interfere with the implementation of the Restructuring and/or the Scheme, except to the extent that the Restructuring and/or any of the Restructuring Documents are inconsistent with the terms of the RSA and the terms set out in the Term Sheet;
    - (iii) provide reasonable support and assistance to the Company (at the Company's cost) to prevent the occurrence of any Insolvency Proceeding in respect of the Company or the Subsidiary Guarantors; and
    - (iv) not object to the Restructuring or any application to the Court for the purpose of implementing the Restructuring and not take any actions inconsistent with, or that would, or are intended to, or would be likely to delay the approval, sanctioning or confirmation of, the Restructuring or any of the Restructuring Documents, except to the extent that the Restructuring and/or any of the Restructuring Documents are inconsistent with the terms of the RSA and the terms set out in the Term Sheet.

***Consent Fee***

- 4.25 Subject to the terms of the RSA, the Company shall undertake, as a condition to the occurrence of the Restructuring Effective Date, to pay or procure the payment of the Consent Fee with respect to each Eligible Restricted Note:
- (a) to each Consenting Creditor who validly held Eligible Restricted Notes as of the Consent Fee Deadline and continues to hold such Eligible Restricted Notes at the Record Time, provided that:

- (i) such Consenting Creditor fully complies with the requirement set out in clause 8.4 of the RSA, including, without limitation:
  - (A) to submit (or cause to have submitted on his behalf) a validly completed Accession Letter together with valid evidence of holding via the Accession Portal to the Information Agent prior to the Consent Fee Deadline;
  - (B) to submit (or cause its Intermediaries and Account Holders to submit) to the Information Agent by no later than (1) the Custody Instruction Deadline, a custody instruction via the respective Clearing System; (2) the Voting Instruction Deadline, a validly completed Account Holder Letter via the Scheme AHL Portal at <https://portal.morrowsodali.com/yestarAHL> to establish its standing to vote at the Scheme Meeting, including a valid Accession Code, in respect of the outstanding principal amount of the Notes in which it holds a beneficial interest as principal for the purposes of voting its holdings at the Record Time for the Scheme;
  - (C) to attend the Scheme Meeting either in person, by a duly authorised representative (if a corporation) or by proxy;
  - (D) to vote and deliver within any applicable time periods any proxies, instructions, directions or consents in respect of all Notes in which it holds a beneficial interest as principal;
  - (E) to vote in favour of the Scheme at the Scheme Meeting in respect of the aggregate outstanding principal amount of all Notes in which it holds a beneficial interest as principal at the Record Time;
  - (F) such Consenting Creditor has not exercised its rights to terminate the RSA and has not breached any of the terms and conditions in clauses 2 (*Restructuring Support*), 3 (*Undertakings*) or 10 (*Accession, Position Disclosure, Transfer and Purchase*) of the RSA in any material respect; and
  - (G) any Transfer (or, if applicable, chain of Transfers) of an Eligible Restricted Note must be completed in accordance with clause 10 (*Accession, Position Disclosure, Transfer and Purchase*) of the RSA; and
- (ii) no Transfer or purported Transfer of such Eligible Restricted Note(s) has occurred after the Consent Fee Deadline; or

- (b) to each Consenting Creditor who is the transferee by a valid Transfer (or, if applicable, a chain of valid Transfers) of such Eligible Restricted Note(s) in accordance with clause 10 (*Accession, Position Disclosure, Transfer and Purchase*) of the RSA after the Consent Fee Deadline and as a result holds them at the Record Time, provided that it fully complies with the requirements of clause 8.4 of the RSA, including, without limitation, the requirements set out in paragraphs 4.25(a)(i)(A) to 4.25(a)(i)(G) above.

4.26 A Consenting Creditor's share of the Consent Fee will be calculated on the basis of the proportion that the Eligible Restricted Note(s) held (in aggregate) by that Consenting Creditor bears to the Eligible Restricted Notes held (in aggregate) by all Consenting

Creditors at the Record Time. The Consent Fee payable to each Consent Creditor will be rounded to the nearest US\$0.01, with US\$0.005 rounded upwards.

- 4.27 Consenting Creditors who are Blocked Scheme Creditors cannot submit an Account Holder Letter and therefore cannot satisfy certain obligations, conditions and/or requirements under clause 8.4 of the RSA to the extent such obligations, conditions and/or requirements involve the submission of an Account Holder Letter or an Accession Letter. As a result, the Company waives all obligations, conditions and/or requirements under the RSA for Blocked Scheme Creditors to submit any Account Holder Letter and/or Accession Letter and any reference to an Account Holder Letter in the RSA in relation to Blocked Scheme Creditors shall be deemed to be a reference to a Blocked Scheme Creditor Voting Form.
- 4.28 In addition, Consenting Creditors who vote in favour of the Scheme will be treated as having: (i) waived the requirement for Blocked Scheme Creditors to submit an Account Holder Letter and/or Accession Letter in their compliance with any obligation, condition and/or requirement under the RSA to submit the same; and (ii) agreed to the Company, at its discretion, waiving any other obligation, condition and requirement for Blocked Scheme Creditors under any other Restructuring Document to submit an Account Holder Letter and/or an Accession Letter.
- 4.29 The Holding Period Trustee will hold the Blocked Scheme Creditors' entitlement to the Consent Fee on trust until the earlier of (i) the expiry of the Perpetuity Period, (ii) the Blocked Scheme Creditors ceasing to be affected by applicable Sanctions, or (iii) a release or distribution is otherwise permitted pursuant to the terms of the Holding Period Trust Deed, with the Blocked Scheme Creditors being given a reasonable period of time thereafter to recover their entitlement to the Consent Fee in accordance with the terms of the Holding Period Trust Deed. Any Trust Assets that remain unclaimed at the end of the Holding Period will be distributed by the Holding Period Trustee to the Company.

#### ***Work Fee***

- 4.30 Each Consenting Creditor who is a member of the Committee shall be entitled to receive a share of a one-off fee in an aggregate amount equal to US\$ 1,688,000 (the "**Work Fee**"). The Company has agreed on or prior to, and as a condition precedent to, the Restructuring Effective Date, to pay the Work Fee.
- 4.31 The Work Fee compensates the Committee (i) by reference to the amount of work that has been and was likely to be involved in the essential role the Committee has played in driving the Restructuring forward in the timescales required as compensation for time spent, expenses, and the opportunity cost of allocating resources away from other investments and (ii) on the basis that the Committee bore financial risk (proportionate to the size of their holdings) by agreeing to receive material non-public information in order to engage in meaningful negotiations, thereby rendering them unable to trade their holdings for so long as that information remained non-public.
- 4.32 A Committee member's rateable share of the Work Fee will be calculated on the basis of the proportion that the Eligible Restricted Notes held (in aggregate) by that member bears to the Eligible Restricted Notes held (in aggregate) by the Committee at the Record Time.

#### ***Reimbursement of Legal Fees***

- 4.33 Subject to the Scheme being sanctioned by the Court and obtaining of all other approvals or consents in respect of the Restructuring, the Company has also agreed on or prior to, and as a condition precedent to, the Restructuring Effective Date, to pay an aggregate amount of US\$1,500,000 towards the fees, costs and expenses of:

- (a) Hogan Lovells (and Mourant Ozannes) in their capacity as legal advisors to the Committee; and
- (b) Hogan Lovells in their capacity as legal advisors to the Notes Trustee in connection with a petition to the Hong Kong court in 2023.

***Termination***

4.34 Subject to the terms of the RSA, the RSA will terminate automatically and immediately on the Restructuring Effective Date.

4.35 In addition, and subject to the terms of the RSA, the RSA may also be terminated:

- (a) by mutual written agreement of the Company, the Subsidiary Guarantors and the Majority Scheme Creditors;
- (b) at the election of the Committee by and upon a written notice of termination to the Company (which shall notify the other parties to the RSA), following the occurrence of:
  - (i) the Longstop Date;
  - (ii) any breach of or non-compliance with any Restructuring Key Term, or clause 19.1 of the RSA by the Company or any of the Subsidiary Guarantors; or
  - (iii) any breach of or non-compliance with the terms of any Escrow Arrangement or Escrow Account Security Document by the Company, any Subsidiary Guarantor or any other Group entity party to such agreement, or the rescission or termination of such agreement or the release of the Escrow Account Security under any Escrow Account Security Document (other than in accordance with its terms or by mutual agreement amongst the parties thereto) by the Company, any Subsidiary Guarantor or any other Group entity;
- (c) at the election of the Super Majority Scheme Creditors by and upon a written notice of termination to the Company (which shall notify the other parties to the RSA), following the occurrence of any of the following:
  - (i) the commencement of any Insolvency Event;
  - (ii) the Restructuring is inconsistent with the terms as set out in the Term Sheet (as amended, if applicable, in accordance with the RSA);
  - (iii) the Court rejecting, in a final and unappealable decision, the Company's application to convene a Scheme Meeting;
  - (iv) the Company and/or the Subsidiary Guarantors fail to comply with the RSA in any material respect, and such non-compliance is not remedied within ten (10) Business Days of delivery of notice of such non-compliance by the Majority Scheme Creditors to the Company; and
  - (v) occurrence of a Change of Control (as defined in the Indenture) without prejudice to any right of prepayment under the Notes Documents in relation to that Change of Control.

- 4.36 The above is a summary only of the principal terms of the RSA made available to the Scheme Creditors. Scheme Creditors are advised to peruse the RSA in its entirety. A copy of the RSA is available for download from the Transaction Website at <https://projects.morrowsodali.com/yestar>.

#### ***Escrow Accounts***

- 4.37 To facilitate the closing process, the Company has agreed to deposit part of the Redemption Amount, being a minimum amount of US\$53.0 million,<sup>14</sup> into the Escrow Accounts in accordance with the terms of the RSA, the Scheme and the Escrow Account Security Documents.
- 4.38 The Escrow Accounts will be held by the Escrow Agents on the terms of the Escrow Agreements and the security interests in relation thereto are governed by the terms of the Escrow Account Security Documents.
- 4.39 The duties and obligations of the Escrow Agents under the Escrow Agreements and the Escrow Account Security Documents are purely mechanical and administrative in nature and the Escrow Agents acts under the Escrow Account Security Documents as escrow agent only. The Escrow Agents are authorised to release the balances standing to the credit of the Escrow Accounts in accordance with pre-agreed payments instructions or upon receipt of an enforcement instruction or order. Save for any release or transfer pursuant to an enforcement of any security over the Escrow Accounts and/or balances standing to the credit thereto, escrow funds may only be transferred from an Onshore Escrow Account to an Offshore Escrow Account (which may be remitted through other Onshore Escrow Accounts), and escrow funds standing to the credit of an Offshore Escrow Account may only be released and transferred to effect the redemption of the Notes on the Restructuring Effective Date, upon all of the conditions precedent to the occurrence of the Restructuring Effective Date having been satisfied (except for the release of the escrow funds and the payment of the Redemption Amount and delivery of the notice of the occurrence of the Restructuring Effective Date) or waived in accordance with the terms of the Restructuring Documents.
- 4.40 The Escrow Accounts and the balances standing to the credit thereto are secured in favour of the Security Agent. In the event of an enforcement of the security over the Escrow Accounts and/or balances standing to the credit thereto, the terms of the Escrow Account Security Document provide that the Security Agent may not apply the proceeds of the enforcement towards discharge of the obligations secured under and the Escrow Account Security Document unless certain conditions are satisfied.
- 4.41 The terms of the Scheme provide that any application upon receipt or remittance of the enforcement proceeds from such security over the Escrow Accounts and/or balances standing to the credit thereto shall be deemed, on the Restructuring Effective Date (in this case, for the purpose of the occurrence of the Restructuring Effective Date, excluding the condition of payment of the Redemption Amount), to be an application towards the pro rata discharge of the obligation of the Company under the Scheme to pay the Redemption Amount.

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<sup>14</sup> The net proceeds of the share sale announced by the Company on the HKEx on 30 December 2022. For further details please refer to: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1230/2022123001609.pdf>

## **5. OVERVIEW OF THE SCHEME**

### ***What is a Scheme of Arrangement?***

- 5.1 A scheme of arrangement enables a company to agree with its creditors, or one or more classes of its creditors, on a compromise or arrangement in respect of its debts or obligations owed to those creditors.
- 5.2 In the Cayman Islands, a scheme of arrangement requires the following to occur in order to become legally binding:
- (a) the calling of a meeting of the Company's creditors or meetings of classes of its creditors in accordance with directions given by the Court. The Court will consider whether it is appropriate to convene meetings of classes of creditors and, if class meetings are appropriate, the composition of the classes necessary so as to ensure that each meeting consists of creditors whose rights against the Company which are to be released are not so dissimilar as to make it impossible for them to consult together with a view to their common interest;
  - (b) at the meeting of creditors (or each meeting if class meetings are appropriate), obtaining the approval of a majority in number present and voting at the meeting in person, by a duly authorised representative (if a corporation) or by proxy, representing at least 75% in value of the relevant creditors of the Company present and voting at the meeting in person, by a duly authorised representative (if a corporation) or by proxy;
  - (c) the approval of the Court by the making of an order sanctioning the scheme of arrangement; and
  - (d) the filing of a sealed copy of the Sanction Order with the Companies Registrar.
- 5.3 If the Scheme is approved by the requisite majorities of creditors and sanctioned by the Court, and the Sanction Order is filed as set out above, the Scheme will bind all Scheme Creditors, including those creditors who voted in favour of the Scheme, those creditors who voted against it, and those creditors who did not vote at all.
- 5.4 A scheme of arrangement will not be sanctioned by the Court unless it is satisfied, among other things, that:
- (a) the scheme of arrangement is, in all circumstances, fair and reasonable and the classes of creditors voting in respect of the scheme of arrangement have been properly constituted;
  - (b) the provisions of the applicable statutes have been complied with;
  - (c) each class was fairly represented by those who attended the meeting and the statutory majority are acting *bona fide* and are not coercing the minority in order to promote interests adverse to those of the class whom they purport to represent; and
  - (d) the arrangement is such as an intelligent and honest person, being a member of the class concerned and acting in respect of his interest, might reasonably approve.

### ***Structure of the Scheme***

- 5.5 The Scheme is proposed in order to implement a compromise and arrangement in respect of the Notes.

- 5.6 The principal compromise and arrangement to be given effect by the Scheme is the release in full of the Scheme Creditors' Scheme Claims, being any Claim of a Scheme Creditor in respect of a Liability of the Company or the Subsidiary Guarantors arising directly or indirectly pursuant to, under or in connection with the Note Documents in accordance with the terms of the Scheme.
- 5.7 The Scheme will give effect to the Restructuring, which has the following objectives:
- (a) to effect a restructuring of the liabilities of the Company under the Notes. Under the terms of the Scheme, the Notes will be cancelled and, subject to applicable laws, Scheme Creditors will receive their rateable share of the Redemption Amount and the Consent Fee (if applicable);
  - (b) to avoid the Company and other members of the Group potentially entering into insolvent liquidation (or other equivalent insolvency proceedings) at some point in the near future, as a result of which the anticipated recoveries for Scheme Creditors with reference to the Recovery Analysis (see Section 4 (*Background to the Scheme and the Restructuring*)), could be very significantly less than if the Restructuring were to be completed successfully;
  - (c) to alleviate cash flow pressure on the Company and other members of the Group, which will enable them to comply with their obligations and liabilities following the Restructuring, and provide them with increased flexibility in their operations such that they may continue to trade on a going concern basis and to recover as the PRC market stabilises; and
  - (d) increase the prospect of delivering long-term value for the shareholders and other stakeholders of the Company.
- 5.8 The effectiveness of the Scheme is conditional upon occurrence of certain events. A list of conditions to the Scheme is set out in clause 18 (*Conditions to the Effectiveness of the Scheme*) and clause 19 (*Conditions to the Effectiveness of the Restructuring*) of Appendix 2 (*The Scheme*).

#### ***Determination of Scheme Claims***

- 5.9 All Scheme Claims will be determined as at the Record Time.
- 5.10 Pursuant to the Scheme, Scheme Creditors who are not Blocked Scheme Creditors (and for more information on this please refer to Section 2 (*Important Notice to Scheme Creditors*) of this Explanatory Statement above):
- (a) must submit (or cause its Intermediaries and Account Holders to submit) to the Information Agent by no later than (i) the Custody Instruction Deadline, a Custody Instruction via the respective Clearing System; and (ii) the Voting Instruction Deadline, a validly completed Account Holder Letter (including, in the case of Scheme Creditors who are Consenting Creditors, their Accession Code) via the Scheme AHL Portal at <https://portal.morrowsodali.com/yestarAHL> and in accordance with the instructions set out in Appendix 4 (*Solicitation Packet*);
  - (b) the Chairperson with the assistance of the Information Agent shall assess Voting Claims for the purposes of determining the number of votes to be assigned to such Scheme Creditors by reference to (i) the outstanding principal amount of Notes in which the relevant Scheme Creditor held an economic or beneficial interest as principal as at the Record Time, and (ii) all accrued and unpaid interest relating to such Notes up to (but excluding) the Record Time; and

- (c) such Scheme Creditors acknowledge and agree that the Information Agent shall use the Account Holder Letter submitted by or on behalf of a Noteholder, as verified against any relevant information provided in the Custody Instruction through the Clearing System, as the case may be, through which that Noteholder holds its interest in the Notes at the Record Time, to determine the Voting Claims and the Scheme Claims of each Scheme Creditor and any such determinations shall (in the absence of wilful misconduct or fraud) be conclusive and binding on the Scheme Creditors and the Company. The Information Agent will use reasonable endeavours to review each Account Holder Letter promptly upon receipt. It is the responsibility of each Scheme Creditor to ensure that any Account Holder Letter submitted in respect of its Scheme Claim has been validly completed.
- 5.11 Blocked Scheme Creditors will not be entitled to submit voting instructions through the Clearing Systems and/or to the Information Agent on the Scheme.
- (a) Blocked Scheme Creditors are instead invited to complete and submit the Blocked Scheme Creditor Voting Form by email to the Company at [bond@yesstarnet.com.cn](mailto:bond@yesstarnet.com.cn) by the Voting Instruction Deadline in order to vote on the Scheme. The Voting Instruction Deadline will be 7:00 a.m. (Cayman Islands time) on 15 February 2024, the equivalent time being 8:00 p.m. (Hong Kong time) on 15 February 2024.
  - (b) A Blocked Scheme Creditor that submits a Blocked Scheme Creditor Voting Form must provide sufficient supporting evidence to allow the Company to reliably establish that Blocked Scheme Creditor's identity, its status as a Noteholder and the principal amount of its holding. The Company will review each Blocked Scheme Creditor Voting Form and the accompanying evidence submitted by the Voting Instruction Deadline to assess whether the form has been completed correctly and whether there is sufficient evidence to reliably establish the Blocked Scheme Creditor's identity, its status as a Noteholder and the principal amount of its holding. None of the Clearing Systems nor the Information Agent will assist the Company with the review of this evidence and therefore the Company will be entirely reliant upon the evidence provided by the Blocked Scheme Creditor to ascertain its identity, its status as a Noteholder and the principal amount of its holding.
  - (c) Provided that the Blocked Scheme Creditor has reliably established to the satisfaction of the Company its identity, its status as a Noteholder and the principal amount of its holding, the Chairperson with the assistance of the Company shall assess Voting Claims for the purposes of determining the number of votes to be assigned to a Blocked Scheme Creditor by reference to (i) the outstanding principal amount of Notes in which the relevant Blocked Scheme Creditor held an economic or beneficial interest as principal as at the Record Time, and (ii) all accrued and unpaid interest relating to such Notes up to (but excluding) the Record Time.
- 5.12 The Chairperson shall have absolute discretion (in the absences of manifest error, wilful default, wilful misconduct or fraud) to permit any Scheme Creditor to vote at the Scheme Meeting, notwithstanding that: (i) in the case of a Scheme Creditor that is not a Blocked Scheme Creditor, the Account Holder Letter had not been validly completed in accordance with the instructions set out in Appendix 4 (*Solicitation Packet*) or has been submitted to the Information Agent after the Record Time, (ii) in the case of a Scheme Creditor that is a Blocked Scheme Creditor, the Blocked Scheme Creditor Voting Form had not been validly completed in accordance with the instructions set out in Appendix 4 (*Solicitation Packet*) or has been submitted to the Company after the Record Time, provided that the Chairperson considers that the information contained therein is sufficient to establish the right of the Scheme Creditor to vote at the Scheme Meeting.



### ***The Scheme Meeting***

- 5.13 The Scheme will proceed on the basis that Scheme Creditors constitute a single class of creditors of the Company. The Company has obtained an order from the Court granting permission to convene a single meeting of the Scheme Creditors to consider and vote on the Scheme, noting that in particular:
- (a) the Noteholders have materially the same rights against the Company and the Group, on the basis that the claims of the Scheme Creditors rank *pari passu* as between themselves in all scenarios;
  - (b) in the event the Scheme fails it is likely that the Company will enter a liquidation or equivalent process. In those circumstances, the rights of all Scheme Creditors against the Company would rank *pari passu* as between themselves and the Scheme Creditors would have substantially the same rights against the Company; and
  - (c) if the Scheme becomes effective, the Noteholders' rights will be compromised in materially the same way as between themselves.
- 5.14 The Scheme Meeting will be held at the office of Dechert at 31/F Jardine House, One Connaught Place, Central, Hong Kong, with any adjournment as may be appropriate, at 7:00 a.m. (Cayman Islands time) / 8:00 p.m. (Hong Kong time) on 19 February 2024.
- 5.15 The Scheme Meeting will be chaired by Michelle Xu of the Financial Advisor, or, failing her, another representative of the Hong Kong office of the Financial Advisor (the “**Chairperson**”).
- 5.16 Scheme Creditors will be able to attend in person or, if a corporation, by authorised representative (if a corporation) or by proxy.
- 5.17 Scheme Creditors will also be able to attend the Scheme Meeting by video conference via Zoom or by telephone, using details which may be obtained on request from the Information Agent or, in the case of Blocked Scheme Creditors, the Company, in each case two (2) Business Days prior to the Scheme Meeting.<sup>15</sup> Scheme Creditors who elect to attend the Scheme Meeting by video conference and have submitted the required Account Holder Letter or Blocked Scheme Creditor Voting Form (as applicable) will be able to vote (and to change their vote, if they so wish) at the Scheme Meeting. Scheme Creditors who elect to attend the Scheme Meeting by telephone will be able to listen in to the Scheme Meeting and to ask questions (but will not be able to cast their vote).
- 5.18 Any changes to the arrangements relating to the Scheme Meeting will be communicated to Scheme Creditors in advance of the Scheme Meeting on the Transaction Website at <https://projects.morrowsodali.com/yestar>.
- 5.19 Formal notices convening the Scheme Meeting are set out in Appendix 3 (*Notice of the Scheme Meeting*).
- 5.20 *If you are a Scheme Creditor who is eligible to instruct through a Clearing System (i.e., not a Blocked Scheme Creditor), to vote on the Scheme at the Scheme Meeting, you must submit, or procure that your Account Holder submits, a validly completed Account Holder Letter, to the Information Agent via the Scheme AHL Portal at*

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<sup>15</sup> Blocked Scheme Creditors will only be able to obtain the video conference details from the Company. The Information Agent will not deal with any requests from a Blocked Scheme Creditor.

<https://portal.morrowsodali.com/yestarAHL> and in accordance with the instructions set out in Appendix 4 (*Solicitation Packet*) by the Voting Instruction Deadline.

- 5.21 *If you are a Blocked Scheme Creditor*, to vote at the Scheme Meeting you must submit a validly completed Blocked Scheme Creditor Voting Form, together with supporting evidence of your identity, your status as a Noteholder and your holding in the Notes to the Company by email to [bond@yesstarnet.com.cn](mailto:bond@yesstarnet.com.cn) by the Voting Instruction Deadline. The Company will verify to the best of its ability the Blocked Scheme Creditor's identity, its status as a Noteholder and the principal amount of its holding based upon the evidence provided. None of the Clearing Systems, the Notes Trustee, the Paying and Transfer Agent or the Information Agent will assist with this verification process. The Blocked Scheme Creditor Voting Forms which are verified by the Company will be provided to the Chairperson of the Scheme Meeting with a recommendation that the vote contained therein be admitted as part of the overall vote on the Scheme. The Chairperson retains absolute discretion to accept or reject such Blocked Scheme Creditor Voting Forms. The vote contained in all Blocked Scheme Creditor Voting Forms that are submitted to the Company, whether or not admitted by the Company or accepted by the Chairperson of the Scheme Meeting for voting at the Scheme Meeting, will be brought to the attention of the Court by the Company at the Sanction Hearing.
- 5.22 The Scheme Meeting shall require a quorum of two persons physically present, being Scheme Creditors attending in person, by a duly authorised representative (if a corporation) or by proxy. No business shall be transacted at the Scheme Meeting unless a quorum is present when the meeting proceeds to business.

#### ***Class Composition***

- 5.23 It is the responsibility of the Company to formulate the class or classes of creditors for the purpose of convening one or more meetings to consider and, if thought fit, approve the proposed Scheme. Each class must be properly constituted so that any meeting consists of creditors whose rights against the Company are not so dissimilar as to make it impossible for them to consult together with a view to their common interest. If the rights of Scheme Creditors are so different or would be affected so differently by the Scheme as to make it impossible for them to consult together with a view to their common interest, they must be divided into separate classes and a separate meeting must be held for each class of creditor.
- 5.24 The Company has considered the present rights of each of the Scheme Creditors under the Notes and the way in which those rights will be affected under the Scheme and, having taken into account the previous decisions of the Court and having taken legal advice (privilege in which is not waived), has concluded that the Scheme Creditors should constitute a single class for the purposes of the Scheme. The Company therefore requested that the Court convene a single creditor class meeting.
- 5.25 The Company has given consideration to Noteholders who are Blocked Scheme Creditors and unable to vote if they cannot produce sufficient supporting evidence to demonstrate their holding in the Notes and are likely to be unable to receive their share of the Redemption Amount and/or Consent Fee (if applicable) until they cease to be affected by applicable Sanctions. Such inability is due to their own personal circumstances rather than a consequence of their rights as Scheme Creditors under the Scheme. Their rights conferred under the Scheme remain substantially the same as those conferred on other Scheme Creditors. The fact that the Blocked Scheme Creditors cannot submit voting instructions through the Clearing Systems and/or the Information Agent and/or receive the Redemption Amount and/or Consent Fee (if applicable) on the relevant payment date is due to the current regulatory environment and is not connected to their treatment under the Scheme or their rights against the Company. Accordingly, there is no material difference between the rights

of Scheme Creditors that are Noteholders and those that are Blocked Scheme Creditors and/or those rights are not so dissimilar as to make it impossible for them to consult together with a view to a common interest.

- 5.26 The Court granted the Company's request by means of an order made on 19 January 2024. The Scheme Creditors will therefore vote together as a single class.

### ***Voting***

- 5.27 The majority required to approve the Scheme is the approval of a simple majority in number of the Scheme Creditors present and voting at the Scheme Meeting either in person, by a duly authorised representative (if a corporation) or by proxy ("**majority in number**") representing at least 75% in value of the Scheme Claims of the Scheme Creditors present and voting at the Scheme Meeting either in person, by a duly authorised representative (if a corporation) or by proxy ("**majority in value**"). The Scheme Creditors present and voting at the Scheme Meeting (in person, by a duly authorised representative (if a corporation) or by proxy) will be counted for the "majority in number" requirement, and the principal amount of the Scheme Claims of the Scheme Creditors present and voting at the Scheme Meeting (in person, by a duly authorised representative (if a corporation) or by proxy) will be counted for the "majority in value" requirement.
- 5.28 To vote at the Scheme Meeting, and in each case by no later than the Voting Instruction Deadline:
- (a) Scheme Creditors who are eligible to instruct through a Clearing System (i.e., not a Blocked Scheme Creditor) will be required to submit, or procure that their Account Holders submit, a validly completed Account Holder Letter to the Information Agent via the Scheme AHL Portal at <https://portal.morrowsodali.com/yestarAHL> and in accordance with the instructions set out in Appendix 4 (*Solicitation Packet*).
  - (b) Blocked Scheme Creditors must submit their Blocked Scheme Creditor Voting Form (which is included in Appendix 4 (*Solicitation Packet*)), together with supporting evidence of their identity, their status as a Noteholder and their holding in the Notes to the Company to the Company by email to [bond@yesstarnet.com.cn](mailto:bond@yesstarnet.com.cn). Only Blocked Scheme Creditors who submit Blocked Scheme Creditor Voting Forms that have been verified by the Company and admitted by the Chairperson can vote at the Scheme Meeting.
- 5.29 Each Scheme Creditor or its authorised representative or proxy intending to attend the Scheme Meeting (including by Zoom) in person will be required to register its attendance at the Scheme Meeting at least 30 minutes prior to its commencement. Registration at the Scheme Meeting will commence at 6:00 a.m. (Cayman Islands time) / 7:00 pm (Hong Kong time) on 19 February 2024.
- 5.30 Any Scheme Creditor or their representative (in the case of a corporation) or proxy that wishes to attend the Scheme Meeting (including by Zoom) should produce a duplicate copy of the Account Holder Letter that was executed and delivered on their behalf, or of their executed and completed Blocked Scheme Creditor Voting Form (as the case may be), evidence of personal identity (for example, a passport or other picture identification etc.) and, in the case of a corporation, evidence of corporate authority (for example, a valid power of attorney and/or board minutes etc.). If appropriate personal identification and authorisation evidence is not produced, that person may not be permitted to attend or vote.
- 5.31 A Scheme Creditor's professional advisors will be allowed to attend the Scheme Meeting as observers if that Scheme Creditor notifies the Chairperson of the name of the person(s) they wish to attend prior to the Scheme Meeting. The Chairperson will have the discretion to

require professional advisors to leave the Scheme Meeting if he/she considers this to be necessary.

- 5.32 The Scheme Creditors may cast votes attributable to their interests in the Scheme Claims either in person, by a duly authorised representative (if a corporation) or by proxy at the Scheme Meeting. Every Scheme Creditor whose vote is validly cast in person or by its authorised representative (if a corporation) or by proxy at the Scheme Meeting shall have one (1) vote for every US\$1 of the Voting Claims in which it holds an economic or beneficial interest as principal as at, and all accrued and unpaid interest relating to such Voting Claims up to, the Record Time. Voting Claims shall not include fractional numbers and shall be rounded down to the nearest whole United States dollar amount.
- 5.33 Subject to paragraph 5.34, all Voting Claims of Scheme Creditors (who are not Blocked Scheme Creditors) shall be determined as at the Voting Instruction Deadline by the Chairperson with the assistance of the Information Agent. Subject to paragraph 5.34, all Voting Claims of Blocked Scheme Creditors shall be determined as at the Voting Instruction Deadline by the Chairperson with the assistance of the Company. The Information Agent or the Company (as applicable) shall assess Voting Claims for the purposes of determining the number of votes to be assigned to a Scheme Creditor (without double-counting) by reference to (i) the outstanding principal amount of Notes in which the relevant Scheme Creditor held an economic or beneficial interest as principal as at the Record Time, and (ii) all accrued and unpaid interest relating to such Notes up to (but excluding) the Record Time. The Information Agent shall use the Account Holder Letter submitted by or on behalf of a Noteholder, as verified against the relevant information provided in the Custody Instruction through the Clearing System through which that Noteholder holds its interest in the Notes at the Voting Instruction Deadline, to determine the Voting Claim of each Scheme Creditor. Any such determination shall (in the absence of manifest error, wilful default, wilful misconduct or fraud) be conclusive and binding on the Scheme Creditors and the Company.
- 5.34 The Chairperson shall have absolute discretion (in the absence of manifest error, wilful default, wilful misconduct or fraud) to permit any Scheme Creditor to vote at the Scheme Meeting and to determine the number of votes for which any Scheme Creditor may seek to vote at the Scheme Meeting, notwithstanding that the Account Holder Letter or the Blocked Scheme Creditor Voting Form (as applicable) had not been validly completed in accordance with the instructions set out in the Appendix 4 (*Solicitation Packet*) or has been submitted to the Information Agent or the Company (as applicable) after the Voting Instruction Deadline, provided that the Chairperson considers that the information contained therein is sufficient to establish the right of the Scheme Creditor to vote at the Scheme Meeting.
- 5.35 The Chairperson, assisted where appropriate by the Information Agent and/or the Company (as applicable), will collate the votes from each Scheme Creditor and will add the votes during the Scheme Meeting. The Chairperson will be responsible for counting the votes. The Chairperson shall then report to the Scheme Creditors as to whether the Scheme has been approved, but may, in their absolute discretion if he/she considers it appropriate to do so, defer the announcement of the result of the vote until after the Scheme Meeting.
- 5.36 For the purposes of voting at the Scheme Meeting, any vote need only indicate whether the Scheme Creditor casting such vote approves or does not approve the Scheme.
- 5.37 Subject to any inherent jurisdiction of the Court, the decision of the Chairperson of the Scheme Meeting as to the admission of votes at that meeting shall be final and binding to the fullest extent permitted by law for the purposes of, and in relation to the proceedings at, the Scheme Meeting.

5.38 The admission and valuation of any claim for voting purposes does not (in itself) constitute an admission of the existence or value of the claim under the Scheme and will not bind the Company for any purpose other than voting at the Scheme Meeting.

5.39 Each of:

- (a) the Bank of New York Depository (Nominees) Limited, in its capacity as nominee of the Depository and a registered holder of the Notes; and
- (b) the Notes Trustee

has been directed by the Court not to, and accordingly will not, cast any vote in respect of the Notes at the Scheme Meeting.

***Sales, Assignments and Transfers***

5.40 Neither the Company nor the Information Agent shall be under any obligation to recognise any sale, assignment or transfer of any Scheme Claim after the Record Time for the purposes of determining entitlement to attend and vote at the Scheme Meeting. A transferee of Scheme Claims after the Record Time will, however, be bound by the terms of the Scheme in the event that it becomes effective.

5.41 If the Company has received written notice of a sale, assignment or transfer of a Scheme Claim (from each relevant party to such sale, assignment or transfer), the Company may, in its absolute discretion and subject to such evidence as it may reasonably require and any other terms and conditions which the Company may consider necessary or desirable, agree to recognise such sale, assignment or transfer for the purposes of determining any entitlement to attend and vote at the Scheme Meeting. It shall be a term of such recognition that such purchaser, assignee or transferee so recognised by the Company shall be bound by the terms of the Scheme and for the purposes of the Scheme shall be a Scheme Creditor.

**NOTEHOLDERS WILL NOT RECEIVE THEIR SHARE OF THE REDEMPTION AMOUNT WITH RESPECT TO ANY NOTES THAT HAVE BEEN SOLD, ASSIGNED OR TRANSFERRED BEFORE PAYMENT OF THE REDEMPTION AMOUNT.**

***Sanction Hearing and Filing of the Sanction Order***

5.42 If the requisite majorities of the Scheme Creditors vote to approve the Scheme at the Scheme Meeting, a hearing will be required before the Court to determine whether to sanction the Scheme.

5.43 Any Scheme Creditor is entitled (but not obliged) to attend the Sanction Hearing to support or oppose the sanction of the Scheme by the Court.

5.44 The Sanction Hearing is expected to take place on 28 February 2024 (Cayman Islands time) at the Court.

5.45 The Scheme will become binding on all Scheme Creditors, wherever they are and regardless of whether they have voted for or against the Scheme or whether they have voted at all, upon the occurrence of the following conditions, as set out in the Scheme:

- (a) the Court sanctioning the Scheme; and
- (b) a sealed copy of the Sanction Order being filed with the Companies Registrar.

### ***Occurrence of the Scheme Effective Date***

- 5.46 Upon the filing of a sealed copy of the Sanction Order with the Companies Registrar, the Scheme Effective Date will occur and the Scheme will become effective and bind all Scheme Creditors, including those creditors who voted in favour of the Scheme, those creditors who voted against it, and those creditors who did not vote at all.
- 5.47 The Company shall promptly notify:
- (a) the Scheme Creditors and the Notes Trustee of the occurrence of the Scheme Effective Date by:
    - (i) issuing an announcement on the website of the HKEx; and
    - (ii) sending notice of the occurrence of the relevant event to each Blocked Scheme Creditor in accordance with clause 27 (*Notices*) of Appendix 2 (*The Scheme*); and
  - (b) the Information Agent of the occurrence of the Scheme Effective Date and the Information Agent shall promptly notify Scheme Creditors of such occurrence in accordance with clause 7.5(b) of Appendix 2 (*The Scheme*).

### ***Occurrence of the Restructuring Effective Date***

- 5.48 The Company shall procure that the effective date of the Restructuring (the “**Restructuring Effective Date**”) occurs as soon as practicable following the occurrence of the Scheme Effective Date.
- 5.49 The Restructuring Effective Date will occur on the Business Day on or before the Longstop Date on which the Company gives notice to the Scheme Creditors through the Transaction Website (<https://projects.morrowsodali.com/yestar>) that the following conditions have been satisfied and that the Restructuring Effective Date has occurred (which notice the Company shall be required to deliver as soon as practicable, and in any event, within ten (10) Business Days after all other Restructuring Conditions have been satisfied or waived, unless the Court orders otherwise):
- (a) the Scheme Effective Date has occurred;
  - (b) the Company has paid the Consent Fee to each Eligible Creditor (who is not a Blocked Scheme Creditor) by way of transfer of funds to the Clearing Systems for further credit by the Clearing Systems to applicable participant accounts (which must be the same account in which the Notes to which that Eligible Creditor was entitled at the Record Time were held), as designated in the Account Holder Letter validly submitted by or on behalf of that Eligible Creditor;
  - (c) the Holding Period Trustee holds each Eligible Creditor’s (who is a Blocked Scheme Creditor) entitlement to the Consent Fee in accordance with the terms and subject to the conditions of the Holding Period Trust Deed;
  - (d) subject to permitted deductions for the payment of the fees of the RSA Agent (as noted in clause 3.71 above), the Redemption Amount has been transferred to the Paying Agent/Trustee and remitted in accordance with, and subject to the terms of, the Indenture and the Scheme to the Clearing Systems for further credit by the Clearing Systems to applicable participant cash accounts;

- (e) the Company has paid all fees, costs and expenses of the Advisors, the Information Agent and the Escrow Agents that it is required to pay pursuant to terms separately agreed between the Company and the relevant party that have been duly invoiced no later than three (3) Business Days before the Restructuring Effective Date (or such later date as may be agreed by the Company or the relevant party or parties) (including, for the avoidance of doubt, the fees of Hogan Lovells (and Mourant Ozannes) in their capacity as legal advisors to the Committee and Hogan Lovells in their capacity as legal advisors to the Notes Trustee in connection with an application to the Hong Kong court in 2023 (in an aggregate amount of US\$1,500,000)), in each case subject to agreed caps;
  - (f) the Company has delivered a notice of the Restructuring Effective Date in accordance with clause 7.5 of Appendix 2 (*The Scheme*); and
  - (g) the Company has paid the Work Fee applicable to each Committee Member.
- 5.50 Upon all of the conditions precedent to the occurrence of the Restructuring Effective Date having been satisfied (except for the payment of the Redemption Amount and delivery of the notice of the occurrence of the Restructuring Effective Date) or waived, the Escrow Agents are authorised to release the balances standing to the credit of an offshore Escrow Account and transfer the same in accordance with pre-agreed payments instructions.
- 5.51 The Company shall promptly notify:
- (a) the Scheme Creditors and the Notes Trustee of the occurrence of the Restructuring Effective Date by:
    - (i) issuing an announcement on the website of the HKEx; and
    - (ii) sending notice of the occurrence of the relevant event to each Blocked Scheme Creditor in accordance with clause 27 (*Notices*) of Appendix 2 (*The Scheme*); and
  - (b) the Information Agent of the occurrence of the Restructuring Effective Date and the Information Agent shall promptly notify Scheme Creditors of such occurrence in accordance with clause 7.5(b) of Appendix 2 (*The Scheme*).
- 5.52 The Restructuring Effective Date shall be the date specified by the Company in its announcement published on the website of the HKEx.

### ***Effect of the Scheme***

- 5.53 From the Scheme Effective Date to and including the Restructuring Effective Date, the Scheme provides that each Scheme Creditor, irrevocably appoints, and shall for all purposes be treated as having irrevocably appointed, the Company as its attorney and agent and irrevocably authorises, directs, instructs and empowers the Company (represented by any duly authorised representative) to, among other things:
- (a) enter into, execute and deliver (whether as deed or otherwise, and including, if applicable, before a notary in any jurisdiction), for and on behalf of such Scheme Creditors, the Deeds of Release and each other Restructuring Document;
  - (b) give effect to any amendment to a Restructuring Document as permitted in accordance with clause 12.2(a)(ii) of Appendix 2 (*The Scheme*);

- (c) take all such further steps, deliver all such further notices, and do all such further things, as may be reasonably necessary or desirable to give effect to the Scheme and the Restructuring, including (without limitation) to ensure that the Scheme and the Deeds of Release are legal, valid, binding and enforceable upon the parties to them; and
    - (d) instruct the Notes Trustee and/or the Security Agent to undertake such steps as the Company considers necessary to take for the purposes of facilitating the implementation of the Scheme, including (without limitation) entering into and executing the Restructuring Documents to which it is a party and any document that the Company reasonably considers necessary or advisable to implement and/or give effect to the Scheme; and
- 5.54 In addition, the Scheme provides that each Scheme Creditor irrevocably authorises, directs, instructs and empowers the Depositary, the Notes Trustee, the Security Agent and the Registrar to, on or after the Scheme Effective Date, take whatever action is necessary or reasonably appropriate to cancel, mark down and discharge the Global Certificates or otherwise give effect to the terms of the Scheme.
- 5.55 On the Restructuring Effective Date, all of the rights, title and interest of Scheme Creditors in respect of:
- (a) Scheme Claims; and
  - (b) Claims against the Subsidiary Guarantors arising directly or indirectly out of, in relation to and/or in connection with the Note Documents,
- in each case, whether existing before, at or after the Record Time shall be subject to each of the arrangements and compromises set out in the Scheme.
- 5.56 On the Restructuring Effective Date and conditional on completion of each of the steps outlined in paragraphs (a) to (g) (inclusive) of clause 5.49 of this Explanatory Statement:
- (a) the Company shall ensure that the Global Certificates are cancelled by the Registrar and shall give all such instructions as are required to be given by it to the Notes Trustee and/or the Registrar and/or Depositary for such purpose. Upon the Company having made payment of the Redemption Amount in accordance with the steps outlined below, the Company shall confirm such payment, issuance and transfer to the Information Agent. The Company shall then authorise the Information Agent to take such steps as are required to deliver the relevant markdown instructions on the Company's behalf in respect of the entire outstanding principal amount of the Notes to the Depositary for cancellation;
  - (b) the Company shall ensure that the Share Charges are released on the Restructuring Effective Date and shall give all such instructions as are required to be given by it or the Scheme Creditors to the Notes Trustee and/or the Security Agent, including the Company shall, for and on behalf of each Scheme Creditor, issue an instruction to the Notes Trustee and/or the Security Agent instructing the Security Agent to execute and deliver to it a Deed of Release (Existing Security) effective as at the Restructuring Effective Date;
  - (c) the Deed of Release (Trustee) will be executed and delivered as of the Restructuring Effective Date;



- (d) the Company shall, for and on behalf of each Scheme Creditor, execute the General Deed of Release pursuant to the authority conferred by clause 12.2(a) of Appendix 2 (*The Scheme*); and
- (e) the respective rights and obligations of the Scheme Creditors (including, for the avoidance of doubt, any person that acquires an interest in the Notes after the Record Time), the Company, the Subsidiary Guarantors, other members of the Group and their respective Affiliates and the Notes Trustee and the Security Agent towards one another and any other party pursuant to the Notes Documents will terminate.

***Scheme Creditor Undertakings and Releases***

- 5.57 With immediate effect on and from the Restructuring Effective Date, each Scheme Creditor gives the undertakings, releases and waivers in clause 13 (*Scheme Creditor Undertakings, Waivers and Releases*) of Appendix 2 (*The Scheme*).
- 5.58 With immediate effect on and from the Restructuring Effective Date, and save for any Excluded Claim or Excluded Liability, each Scheme Creditor on behalf of itself (and its successors, assigns and transferees) conclusively, irrevocably and unconditionally, fully and absolutely waives, releases and forever discharges and exonerates to the fullest extent permitted by applicable law:
- (a) each of the Released Persons and Notes Trustee from their respective obligations and Liabilities under or in connection with the Note Documents;
  - (b) all of its rights, title and interests in and to its Scheme Claims and Ancillary Claims;
  - (c) any Claim it ever had, may have or hereafter can, shall or may have, whether in this jurisdiction or any other or under any law, of whatsoever nature and howsoever, in relation to or arising out of or in connection with, (i) the Note Documents and/or any breaches or defaults under the Note Documents by any Released Person and/or the Notes Trustee; or (ii) against any Released Person and/or Third Party Released Person in connection with the preparation, negotiation, sanction or implementation of the Scheme and the execution of the Restructuring Documents (or any other document entered into by the Company, any Released Person or Third Party Released Person in connection with the Scheme or Restructuring and referred to in a Restructuring Document); and
  - (d) any Claim in respect of any act done or omitted to be done in good faith by any Released Person and/or Third Party Released Person other than an Administrative Party, in pursuance of its functions or duties under the Scheme, or the exercise or non-exercise by any Released Person and/or Third Party Released Person other than an Administrative Party in good faith, of any power or discretion conferred upon it for the purposes of the Scheme.
- 5.59 Each Scheme Creditor and the Company, for itself and its successors, assigns and transferees, releases, discharges and exonerates each of the Depositary, the Notes Trustee, the Security Agent, the Registrar and the Information Agent and each of their officers, agents, delegates, affiliates, attorneys and advisors from any and all Liability to the Scheme Creditors:
- (a) by reason of any of them acting in accordance with the above authorisations and instructions in clause 12 (*Instructions, Authorisations and Directions*) of Appendix 2 (*The Scheme*);

- (b) for the manner of performance of all acts carried out on such authorisations and instructions in clause 12 (*Instructions, Authorisations and Directions*) of Appendix 2 (*The Scheme*); and
- (c) for any action taken, document executed or any inaction or omission by it pursuant to the authorisations and instructions set out in clause 12 (*Instructions, Authorisations and Directions*) of Appendix 2 (*The Scheme*) or in relying and acting on any authorisation or instruction given to it in accordance with the Scheme;
- (d) under the Note Documents with effect from the Restructuring Effective Date (without prejudice to any rights, privileges, immunities, indemnities and limitations of Liability of the Notes Trustee under the Indenture);

in each case save to the extent of their and/or any of their officers, agents, delegates, affiliates, attorneys and advisors own gross negligence, wilful misconduct or fraud.

5.60 Each Scheme Creditor (on behalf of itself and, if applicable, any person to whom a Scheme Creditor has transferred its rights in respect of its Scheme Claims or Ancillary Claims after the Record Time) on and from the Scheme Effective Date and on and from the Restructuring Effective Date irrevocably:

- (a) ratifies and confirms any act or omission done, caused or purported to be done by any Released Person, the Notes Trustee, the Security Agent, the Registrar, the Depositary, or any of their respective directors, managers, officers, partners or Affiliates, pursuant to or for the purposes of giving effect to the Scheme, other than any act or omission done or made as a result of gross negligence, wilful misconduct or fraud; and
- (b) undertakes to the Company and each Released Person and Third Party Released Person to treat all Released Claims as having been satisfied, discharged and released fully and absolutely.

5.61 Each Scheme Creditor acknowledges and agrees that, and shall use all reasonable endeavours to procure that each of its Scheme Creditor Parties acknowledges and agrees that:

- (a) it may later discover facts in addition to or different from those which it presently knows or believes to be true with respect to the subject matter of the Scheme;
- (b) it is its intention to fully, and finally forever settle and release any and all matters, disputes and differences, whether known or unknown, suspected or unsuspected, which presently exist, may later exist or may previously have existed between it and the Released Persons and/or Third Party Released Parties in respect of the Released Claims on the terms set out in the Scheme; and
- (c) in furtherance of this intention, the waivers, releases and discharges given in the Scheme shall be and shall remain in effect as full and complete general waivers, releases and discharges notwithstanding the discovery or existence of any such additional or different facts.

5.62 The releases, waivers and undertakings in clause 13 (*Scheme Creditor Undertakings, Waivers and Releases*) of Appendix 2 (*The Scheme*) shall:

- (a) not prejudice or impair any rights of any Scheme Creditor created under the Scheme or any other Restructuring Document and/or which arise as a result of a failure by the Company or any party to the Scheme to comply with any terms of the Scheme

or any other Restructuring Document, and all such rights shall remain in full force and effect;

- (b) not prejudice or impair any claims or causes of action of any Scheme Creditor arising from or relating to the negligence, breach of fiduciary duty, fraud, dishonesty, wilful default or wilful misconduct of any other party which is seeking to rely on such releases, waivers or undertakings; and
- (c) not require a Scheme Creditor to procure any undertaking or acknowledgement from, or action by any entity from which such Scheme Creditor acquired its rights in respect of any Scheme Claim and/or to whom such Scheme Creditor has transferred or transfers its rights in respect of any Scheme Claim.

### ***Cross-Border Recognition***

- 5.63 As the Scheme operates to discharge the Notes which are governed by New York law it will be necessary for the Scheme to be substantially effective in the United States. The Company is in receipt of an opinion from a U.S. law expert that if any Noteholder takes action in the United States to enforce the terms of the Notes, the Courts of the United States would likely give effect to the Scheme on the basis of international comity and would refuse any action to enforce the terms of the Notes.
- 5.64 Further, if the Scheme is sanctioned by the Court and the Company considers it necessary or appropriate depending on the prevailing circumstances at the time, and following consultation with relevant legal counsel, the Company may (on or after the Scheme Effective Date) make an application on behalf of the Company for any suitable order under any applicable law, legal doctrine or Proceeding concerning Cross-Border Recognition (including any applicable law, legal doctrine or Proceeding in the United States, Hong Kong and the British Virgin Islands) and for such other additional relief and/or assistance as the Company may require (which may include, for example, an appropriate anti-suit injunction in one or more of those jurisdictions).

### ***Governing Law and Jurisdiction***

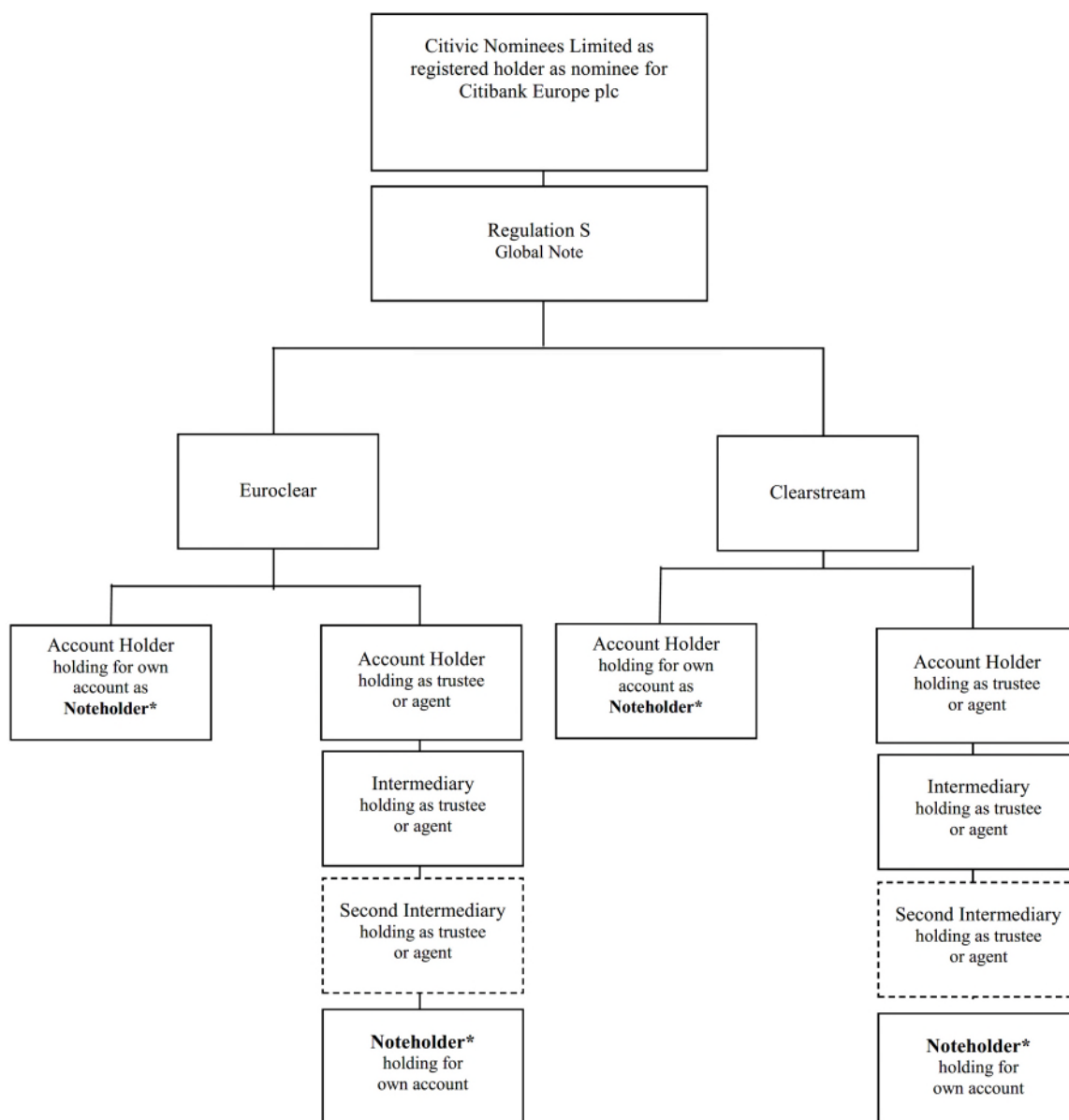
- 5.65 The Scheme and any non-contractual obligations arising out of or in connection with the Scheme shall be governed by, and construed in accordance with, the laws of the Cayman Islands.
- 5.66 The Court shall have exclusive jurisdiction to hear and determine any Proceeding and to settle any dispute which arises out of or is connected with the terms of the Scheme or its implementation or out of any Proceeding taken or omitted to be taken under the Scheme or in connection with the administration of the Scheme.
- 5.67 For such purposes, the Company and the Scheme Creditors irrevocably submit to the jurisdiction of the Court, provided, however, that nothing shall affect the validity of other provisions determining governing law and jurisdiction as between the Company and any of the Scheme Creditors whether contained in any contract or for any other purpose.
- 5.68 The terms of the Scheme and the obligations imposed on the Company under them shall take effect subject to any prohibition or condition imposed by any applicable law.

## **6. SCHEME CREDITORS AND ACTIONS TO BE TAKEN**

- 6.1 Detailed instructions on the actions to be taken by Scheme Creditors are set out below (as well as in Solicitation Packet and its schedules) and in Appendix 4 (*Solicitation Packet*).

***Are you a Scheme Creditor?***

- 6.2 Scheme Creditors (for the purpose of determining entitlement to voting) comprise (for the avoidance of doubt, but without double counting in each case):
- (a) **Account Holders:** you are an Account Holder if you are recorded directly in the books or other records maintained by the Clearing Systems as holding an interest at the Record Time in the Notes;
  - (b) **Intermediaries:** you are an Intermediary if you hold an interest at the Record Time in any Notes on behalf of another person or other persons and you do not hold that interest as an Account Holder. An Intermediary is commonly a bank or a brokerage house which does not have an account with any of the Clearing Systems;
  - (c) **Noteholders:** you are a Noteholder if you have an economic or beneficial interest as principal in the Notes held in global form through the Clearing Systems at the Record Time. For the avoidance of doubt, an Account Holder may also be a Noteholder; and
  - (d) The Depositary and the Notes Trustee.
- A diagrammatic representation of each of these various capacities is set out on the following page to assist your understanding of the structure of the Notes and the Clearing Systems.
- 6.3 Except as otherwise provided herein, Scheme Creditors will be entitled to attend and vote in person, by a duly authorised representative (if a corporation) or by proxy at the Scheme Meeting. If you are a Scheme Creditor, you should read this Explanatory Statement and its Appendix 4 (*Solicitation Packet*) carefully.
- 6.4 The Notes Trustee and the nominee of the Depositary are not entitled to vote in respect of the Notes at the Scheme Meeting.



\* In respect of interests in the Notes held at the Record Time.

### ***Actions to be Taken before the Voting Instruction Deadline***

- 6.5 Scheme Creditors should refer to Section 1 (*Expected Timetable of Principal Events*) for the key expected timing of the Scheme.
- 6.6 If you are a Scheme Creditor who is not a Blocked Scheme Creditor or an Account Holder, you should contact your Account Holder (through any Intermediaries, if applicable) to ensure that your Account Holder takes the appropriate action(s).
- 6.7 If you are a Scheme Creditor who is not a Blocked Scheme Creditor and wish to vote in respect of the Scheme at the Scheme Meeting, you shall ensure that:
- (a) you are eligible to submit instructions via the Clearing Systems;
  - (b) a Custody Instruction is submitted via the Clearing Systems by the Custody Instruction Deadline; and

- (c) a validly completed Account Holder Letter is submitted to the Information Agent via the Scheme AHL Portal at <https://portal.morrowsodali.com/yestarAHL> and in accordance with the instructions set out in Appendix 4 (*Solicitation Packet*) by the **Voting Instruction Deadline**. Any Account Holder Letters submitted after the Voting Instruction Deadline will only be admitted to vote at the Scheme Meeting at the Chairperson's discretion.
- 6.8 If you are a Blocked Scheme Creditor and wish to vote in respect of the Scheme at the Scheme Meeting, you must ensure that a validly completed Blocked Scheme Creditor Voting Form is submitted to the Company at [bond@yesstarnet.com.cn](mailto:bond@yesstarnet.com.cn) by the Voting Instruction Deadline. A Blocked Scheme Creditor Voting Form submitted after the Voting Instruction Deadline will only be admitted to vote at the Scheme Meeting at the Chairperson's discretion.
- 6.9 If you are a Consenting Creditor who is not a Blocked Scheme Creditor and wish to receive the Consent Fee on the Restructuring Effective Date, you must ensure that you take the steps in clause 6.7 above, in addition to voting in favour of the Scheme, and including your Accession Code (if applicable) in your Custody Instruction and Account Holder Letter.
- 6.10 If you are a Consenting Creditor who is a Blocked Scheme Creditor and wish to receive the Consent Fee on the Restructuring Effective Date, which is held by the Holding Period Trustee on trust for you in accordance with the terms and subject to the condition of the Holding Period Trust Deed, you must ensure that you submit a Blocked Scheme Creditor Voting Form and vote in favour of the Scheme.
- 6.11 Whether an Account Holder Letter has been validly completed shall be determined by the Information Agent at their discretion, provided that, if the Information Agent considers any such document not to have been validly completed, the Information Agent shall promptly send an electronic email with its reasons for that conclusion to the party that provided the relevant document.
- 6.12 Whether a Blocked Scheme Creditor Voting Form has been validly completed shall be determined by the Company at its discretion, provided that, if the Company considers any such document not to have been validly completed, the Company shall promptly contact the relevant Blocked Scheme Creditor, as the case may be, to explain its reasons for that conclusion.
- 6.13 None of the Company, the Information Agent, the Notes Trustee or any other person will be responsible for any loss or liability incurred by a Scheme Creditor as a result of any determination by the Information Agent, the Notes Trustee or the Company.
- Entitlement to receive the Redemption Amount on the Restructuring Effective Date***
- 6.14 The payment of the Redemption Amount requires the occurrence of the Scheme Effective Date. Subject to the occurrence of the Scheme Effective Date, the Redemption Amount will be paid to all Noteholders irrespective of any submission by that Noteholder of any Account Holder Letter or Blocked Scheme Creditor Voting Form (as applicable) before the Voting Instruction Deadline or at all.
- 6.15 The Redemption Amount will be a payment under and pursuant to the terms of the Indenture and distributed to all Noteholders via the Clearing Systems on the Restructuring Effective Date.

### ***Entitlement to receive the Consent Fee on the Restructuring Effective Date***

- 6.16 Each Consenting Creditor that is not a Blocked Scheme Creditor that (i) submits validly completed copies of the required documents set out in clauses 6.7(b) and (c) of this Explanatory Statement to the Information Agent before the relevant deadlines and (ii) votes in favour of the Scheme will be entitled to receive the Consent Fee on the Restructuring Effective Date. Such Consenting Creditor's entitlement to the Consent Fee will be paid on the Restructuring Effective Date directly by the Company by way of transfer to the Clearing Systems' cash account for subsequent onward credit to the account of that Consenting Creditor (which must be the cash account linked to the securities account in which the Notes to which such Consenting Creditor was entitled at the Record Time were held).
- 6.17 Each Consenting Creditor that is a Blocked Scheme Creditor that (i) submits validly completed copies of the required documents set out in clause 6.8 of this Explanatory Statement to the Company before the relevant deadlines and (ii) votes in favour of the Scheme will be entitled to receive the Consent Fee. A Blocked Scheme Creditor's Consent Fee, if applicable, will be held by the Holding Period Trustee on trust for that Blocked Scheme Creditor in accordance with the terms and subject to the conditions of the Holding Period Trust Deed. The Holding Period Trustee will hold the Blocked Scheme Creditors' entitlement to the Consent Fee on trust until the earlier of (i) the expiry of the Perpetuity Period, (ii) the Blocked Scheme Creditors ceasing to be affected by applicable Sanctions, or (iii) a release or distribution is otherwise permitted pursuant to the terms of the Holding Period Trust Deed, with the Blocked Scheme Creditors being given a reasonable period of time thereafter to recover their entitlement to the Consent Fee in accordance with the terms of the Holding Period Trust Deed. Any Trust Assets that remain unclaimed at the end of the Holding Period will be distributed by the Holding Period Trustee to the Company.
- 6.18 For Consenting Creditors that did not vote in favour of the Scheme, the Consent Fee will not be paid to each such Consenting Creditor given that such Consenting Creditors were entitled to vote in favour of the Scheme at the Scheme Meeting – which is a condition for receiving the Consent Fee – but failed to do so. This obligation can, however, be waived by the Company at its sole discretion.

### ***Custody Instructions and Undertaking not to Transfer***

- 6.19 Custody Instructions are irrevocable instructions which prevent transfers of the Notes until the Restructuring Effective Date or unblocked in accordance with paragraph 6.24 below. These restrictions are necessary to prevent the same holding of Notes being voted more than once.
- 6.20 Any Scheme Creditor that is eligible to submit instructions via the Information Agent and the Clearing Systems (i.e., not a Blocked Scheme Creditor) and that procures the submission of an Account Holder Letter (to vote at the Scheme Meeting) must block its Notes by ensuring that its Account Holder, **prior to delivering the Account Holder Letter to the Information Agent**, by submitting the relevant Custody Instruction to block its Notes held with Euroclear or Clearstream by the **Custody Instruction Deadline** and the relevant Account Holder Letter should also include the Custody Instruction Reference Number. An Account Holder Letter will not be valid for the purposes of voting at the Scheme Meeting and the Company and the Information Agent reserve the right to reject any Account Holder Letter that does not contain reference to a valid corresponding Custody Instruction Reference Number.
- 6.21 By completing the Account Holder Letter with inclusion of the Custody Instruction Reference Number, the Scheme Creditor will be deemed to have given the undertaking that it will not, from the date of delivery of its Account Holder Letter, sell, transfer, assign or otherwise dispose of its interest in all or any part of its specified Notes until the Notes are

cancelled and discharged on the Restructuring Effective Date or until the Notes are unblocked in accordance with clause 6.24 below. Such undertaking will terminate immediately upon the Notes being cancelled and discharged on the Restructuring Effective Date or unblocked in accordance with clause 6.24 below.

- 6.22 For the avoidance of doubt, all Notes (even those in respect of which no Custody Instructions were given) will be blocked from trading by the Clearing Systems on or promptly following the Scheme Effective Date and will be cancelled on the Restructuring Effective Date.
- 6.23 Any documentation and relevant Custody Instruction submitted by or on behalf of a Noteholder shall be irrevocable for all purposes in connection with the Scheme unless and until Company has provided an irrevocable unblock instruction to the Information Agent in accordance with clause 6.24 below.
- 6.24 The Company shall provide an irrevocable instruction to the Information Agent to immediately cause the Notes to be unblocked:
- (a) within two (2) Business Days after one of the circumstances below occurs:
    - (i) the Scheme is not approved by the requisite majorities of the Scheme Creditors at the Scheme Meeting (provided that such Scheme Meeting may be postponed or adjourned to a subsequent date in order to obtain the requisite approval), is withdrawn or is terminated in accordance with terms of the Scheme;
    - (ii) the Scheme is not sanctioned by a final and unappealable order of the Court;
    - (iii) the Restructuring otherwise does not become effective by the Longstop Date; or
    - (iv) the Company gives written notice of an intention not to proceed with the Scheme; or
  - (b) the Company at its sole discretion consents to unblock the Notes.

- 6.25 If the Restructuring Effective Date occurs before the Longstop Date, all of the Notes will be cancelled in the Clearing Systems and will be irrevocably released and cancelled in full in accordance with the terms of the Scheme as at the Restructuring Effective Date and thereafter will not be capable of being traded in the Clearing Systems.

- 6.26 As a result of Blocked Scheme Creditors not being able to access the Clearing Systems and/or to provide instructions to the Information Agent, Blocked Scheme Creditors will not be able to submit Custody Instructions through the Clearing Systems until such time as they cease to be affected by applicable Sanctions. However, to vote on the Scheme, Blocked Scheme Creditors must submit the Blocked Scheme Creditor Voting Form by email to the Company at [bond@yesstarnet.com.cn](mailto:bond@yesstarnet.com.cn) by the Voting Instruction Deadline but will not be required to submit Custody Instructions.

***General Instructions for Noteholders***

- 6.27 Please give ample time to allow your Account Holder and/or Intermediary to process your instructions and submit the required documentation on your behalf in accordance with the requirements set out herein and in Appendix 4 (*Solicitation Packet*). To ensure timely submission of your Account Holder Letter, please check with your Account Holder for clarification as to the processing time required and deliver the appropriate materials well before that time.



- 6.28 Please note that the Clearing System through which your interest in the Notes is held may impose an earlier deadline for the submission of Custody Instructions and/or Account Holder Letters. To ensure timely submission of your Custody Instructions and Account Holder Letter, please ask your Account Holder to check with the relevant Clearing System as to whether any earlier deadline is applicable and ensure your Custody Instructions and Account Holder Letter are submitted well before any applicable deadlines.
- 6.29 Any Noteholder that fails to submit required documentation in accordance with the requirements set out herein and in Appendix 4 (*Solicitation Packet*) prior to the deadlines as set out above will not be entitled to vote at the Scheme Meeting. Such Noteholder (subject to the discretion of the Chairperson of each of the Scheme Meeting to accept late votes as per clause 5.34 of this Explanatory Statement) will, however, be bound by the terms of the Scheme in the event that it becomes effective and any Notes held by such Noteholder will be cancelled on the Restructuring Effective Date in accordance with the terms of the Scheme.

## **7. OVERVIEW OF THE GROUP'S INDEBTEDNESS AND MANAGEMENT**

### ***Financial Statements***

- 7.1 The audited consolidated financial statements of the Group for the year ended 31 December 2022, and the unaudited interim results of the Group for the six months ended 30 June 2023, are available on the website of the HKEx (<https://www.hkex.com.hk/>) and on the Transaction Website (<https://projects.morrowsodali.com/yestar>) and are also set out in Appendix 7 (*Financial Statements*).

### ***Financial Indebtedness***

- 7.2 Details of financial indebtedness are set out in the indebtedness statement of the Group as at 30 June 2023 in Appendix 7 (*Financial Statements*). Balance sheet items as at 30 June 2023 that are measured in RMB in this Explanatory Statement are also translated into United States Dollar using the exchange rate (being RMB 1 = US\$0.138393). As at 30 June 2023, the Group had total indebtedness of approximately RMB 3,871,922,000 (approximately US\$535,846,901.3).

### ***Offshore Financing***

#### ***The Notes***

- 7.3 The Notes comprise a global note issued pursuant to the Indenture and each of the Note Documents except for the Security Documents (as defined in the Indenture) is governed by the laws of the State of New York. The Security Documents are governed by, and construed in accordance with, the laws of the British Virgin Islands and Hong Kong, respectively.
- 7.4 The Notes are issued in global registered form, with the Global Certificates, initially being deposited with and registered in the name of The Bank of New York Depository (Nominees) Limited as nominee of the Depository;
- 7.5 The Notes were issued in the original aggregate principal amount of US\$197,864,523 on 30 December 2021. The Notes bear interest at 9.5% per annum which is payable semi-annually in arrears on 30 June and 30 December of each year. The Notes were listed on the HKEx and will mature on 30 December 2026.
- 7.6 The obligations of the Company in respect of the Notes are guaranteed by the Subsidiary Guarantors. Pursuant to the terms of the Indenture, the Subsidiary Guarantors have agreed (among other things) to guarantee to each holder of a Note and to the Notes Trustee the due

and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under the Notes.

7.7 As such, as at the date of this Explanatory Statement, US\$194,506,648 in principal amount of the Notes are outstanding.

7.8 As at the date of this Explanatory Statement, the Group had no other offshore interest-bearing debt other than the Notes.

### ***Onshore Financing***

7.9 As at 30 June 2023, the Group had onshore interest-bearing debt totalling approximately RMB 285,432,000 (US\$39,501,790.78). This onshore debt is not proposed to be restructured pursuant to the Scheme.

### ***Material Shareholders, Directors and Senior Management of the Company and the Subsidiary Guarantors***

7.10 As at 30 June 2023, the following persons or institutions have beneficial interests or short positions in any of the Company's shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, Cap 571 of the Laws of Hong Kong, or are directly and/or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any of the Company's other members:

<b>Name</b>	<b>Capacity / Nature of Interest</b>	<b>Number of shares</b>	<b>Approximate % of the issued share capital of the Company (Note 1)</b>
Hartono Jeane	Beneficial owner	391,870,000	16.80%
Hartono Rico	Beneficial owner	265,810,000	11.40%
FUJIFILM Corporation (Note 2)	Beneficial owner	230,000,000	9.86%
Li Bin	Beneficial owner	164,600,600	7.06%

### ***Notes:***

- (1) The percentage is calculated based on 2,331,590,000 Shares in issue as at 30 June 2023.
- (2) FUJIFILM Corporation is a wholly-owned subsidiary of FUJIFILM Holdings Corporation, which is therefore deemed to be interested in the 230,000,000 Shares held by FUJIFILM Corporation under the SFO.

Save as disclosed above, as at 30 June 2023, no other person (other than the Directors and chief executive of the Company) had interest or short position in the Company's shares or underlying shares which were required, pursuant to Section 336 of the SFO, to be recorded into the register required to be kept by the Company referred to therein, or as otherwise notified to the Company and the HKEx.

7.11 The Company's articles of association provide that the board of directors must consist of not less than two (2) directors.

7.12 As at the date of this Explanatory Statement, the Directors are as follows:

<b>Name</b>	<b>Position</b>
Wang Hong	Executive Director
Liao Changxiang	Executive Director
Liang Junxiong	Executive Director
Hartono James	Non-Executive Director
Zeng Jinsong	Independent Non-Executive Director
Zhao Ziwei	Independent Non-Executive Director
Koeswondo Michael David	Independent Non-Executive Director

7.13 Senior Management, which comprises the Group's executive team, responsible for the day to day management of the Group, are as follows:

<b>Name</b>	<b>Position</b>
Wang Hong	Executive Director
Liao Changxiang	Executive Director
Liang Junxiong	Executive Director

***Directors' Interests in the Group and the Restructuring***

7.14 In terms of Directors of the Company who may have an interest in the Scheme, as at 31 December 2023, so far as is known to the Company, the interests of the Directors in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Rules Governing the Listing of Securities on the HKEx (the "Model Code") were as follows:

<b>Name</b>	<b>Capacity / Nature of Interest</b>	<b>Number of shares/ underlying shares interested</b>	<b>Approximate % of the issued share capital of the Company (Note 1)</b>
Hartono James	Personal and Corporate Interest (Note 2)	554,375,000 (Note 3)	23.78%

*Notes:*

- (1) The percentage is calculated based on 2,331,590,000 Shares in issue as at 31 December 2023.
- (2) 20,000,000 Shares were beneficially owned by Amrosia Investments Limited, a company wholly-owned by Mr. Hartono James.
- (3) Out of 554,375,000 shares, 217,520,000 shares are beneficially owned by Mr. Hartono James and had been pledged to a financial institution as pledgee to secure a loan granted to Mr. Hartono James.

Save as disclosed above, as at 31 December 2023, the Company is not aware of any of the Directors or chief executive of the Company having an interest or short position in any Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the HKEx pursuant to the Model Code.

- 7.15 By way of summary, the Directors have no material interest (whether as Directors or as members or as creditors of the Company or otherwise) under the Scheme other than in respect of the following:
- (a) as director of the Company receiving remuneration for such role, they each have an interest in the Company avoiding liquidation; and
  - (b) likewise, as members of the Company, they have an interest in the Company avoiding liquidation and continuing to trade and in the resumption of trading of the shares of the Company.

***Material Contracts***

- 7.16 The following contract, not being contracts entered into in the ordinary course of business of the Group, have been entered into by the members of the Group within two years preceding the date of the Explanatory Statement and up to and including the date of this Explanatory Statement and which are, or may be, material to the Restructuring:
- (a) The RSA, details of which are set out in Section 4 (*Background to the Scheme and the Restructuring*).
  - (b) The Equity Transfer Agreement.<sup>16</sup>
  - (c) The Escrow Arrangements, details of which are set out in clauses 4.37 to 4.41 of Section 4 (*Background to the Scheme and the Restructuring*).
  - (d) Escrow Account Security Documents, details of which are set out in clause 4.40 of Section 4 (*Background to the Scheme and the Restructuring*).

***Proceedings***

- 7.17 The Company may from time to time be involved in legal proceedings arising in the ordinary course of its business. To the best of the Directors' knowledge and belief, as at the date of this Explanatory Statement, there are no governmental, legal or arbitration proceedings

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<sup>16</sup> For further details please refer to the announcement by the Company on the HKEx on 30 December 2022: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1230/2022123001609.pdf>

(including any such proceedings that are pending or threatened of which the Company is aware) that may have any material adverse effect on the Group's financial position or profitability.

## **8. RISK FACTORS**

*The following summarises some of the principal risks and uncertainties that may arise in connection with the Scheme. It should be read in conjunction with all of the other information contained in this Explanatory Statement. Additional risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may become material and have a material adverse effect on the business, financial condition or results of operations of the Group. This Explanatory Statement also contains forward-looking statements. Actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors and circumstances, including the risks and uncertainties described in this Explanatory Statement.*

### **Risks Relating to the Implementation of the Scheme**

***Scheme Creditors are solely responsible for complying with the procedures set out in this Explanatory Statement and the Account Holder Letter, including KYC and Sanctions screening procedures.***

Each Scheme Creditor is solely responsible for complying with all of the procedures for voting at the Scheme Meeting, including, but not limited to, obtaining access to the Transaction Website and the Scheme AHL Portal, submitting validly completed Account Holder Letters or Blocked Scheme Creditor Voting Form in accordance with the instructions and information provided in this Explanatory Statement and in the Account Holder Letter or the Blocked Scheme Creditor Voting Form, respectively, including providing the confirmations, representations, warranties and undertakings set out therein and providing the identification information for the Scheme Creditor, its representative or proxy or any person who owns or directly or indirectly controls or is the ultimate beneficial owner of the Scheme Creditor, its representative or proxy (unless it has nominated the Chairperson as its proxy) and such other information or documentation that the Company reasonably requests for any "know your customer" or other anti-money laundering checks or to otherwise support compliance with Sanctions, in each case before the Voting Instruction Deadline. Information on voting at the Scheme Meeting is set out at Section 6 (*Scheme Creditors and Actions to be Taken*) and in the Account Holder Letter or Blocked Scheme Creditor Voting Form (as applicable). If any Scheme Creditor (who is not a Blocked Scheme Creditor) has not submitted a validly completed Account Holder Letter by the Voting Instruction Deadline, that Scheme Creditor will not be able to participate or vote at the Scheme Meeting (subject to any discretion by the Chairperson). Scheme Creditors holding their Notes through Euroclear or Clearstream are required to instruct their Account Holder (through Intermediaries, if applicable) to block their Notes by the Custody Instruction Deadline.

Scheme Creditors who are Blocked Scheme Creditor, to vote at the Scheme Meeting you must submit a validly completed Blocked Scheme Creditor Voting Form, together with supporting evidence of your identity, your status as a Noteholder and your holding in the Notes to the Company at [bond@yesstarnet.com.cn](mailto:bond@yesstarnet.com.cn) by the Voting Instruction Deadline. The Company will verify to the best of its ability the Blocked Scheme Creditor's identity, its status as a Noteholder and the principal amount of its holding based upon the evidence provided. None of the Clearing Systems, the Notes Trustee, the Paying and Transfer Agent or the Information Agent will assist with this verification process. The Blocked Scheme Creditor Voting Forms which are verified by the Company will be provided to the Chairperson of the Scheme Meeting with a recommendation that the vote contained therein be admitted as part of the overall vote on the Scheme. The Chairperson retains absolute

discretion to accept or reject such Blocked Scheme Creditor Voting Forms. The vote contained in all Blocked Scheme Creditor Voting Forms that are submitted to the Company, whether or not admitted by the Company or accepted by the Chairperson of the Scheme Meeting for voting at the Scheme Meeting, will be brought to the attention of the Court by the Company at the Sanction Hearing.

None of the Company, the Notes Trustee, the Information Agent or the Advisors or any of their respective affiliates, directors, officers, employees or agents assume any responsibility for informing the Noteholders of irregularities with respect to compliance with such procedures.

***Effectiveness of the Scheme requires the Approval of Scheme Creditors.***

- 8.1 The Scheme must be approved by the Scheme Creditors with requisite majorities at the Scheme Meeting.
- 8.2 The majority required to approve the Scheme is the approval of a simple majority in number of the Scheme Creditors present and voting at the Scheme Meeting either in person, by a duly authorised representative (if a corporation) or by proxy (“**majority in number**”) representing at least 75% in value of the Scheme Claims of the Scheme Creditors present and voting at the Scheme Meeting either in person, by a duly authorised representative (if a corporation) or by proxy (“**majority in value**”). The Scheme Creditors present and voting at the Scheme Meeting (in person, by a duly authorised representative (if a corporation) or by proxy) will be counted for the “majority in number” requirement, and the principal amount of the Scheme Claims of the Scheme Creditors present and voting at the Scheme Meeting (in person, by a duly authorised representative (if a corporation) or by proxy) will be counted for the “majority in value” requirement.
- 8.3 If the requisite majorities of Scheme Creditors do not vote in favour of the Scheme at the Scheme Meeting, the Restructuring will not be implemented pursuant to the Scheme or possibly at all.
- 8.4 Although a large proportion of the Scheme Creditors (by value) have undertaken to vote in favour of the Scheme pursuant to the RSA, that undertaking will cease to be binding if the RSA is terminated.

***Even if the Scheme Creditors approve the Scheme, the Scheme may not be approved by the Court.***

- 8.5 In order for the Scheme to become effective under the law of the Cayman Islands, the Court must sanction the Scheme.
- 8.6 The Court has discretion whether or not to sanction the Scheme and will need to be satisfied that (i) the provisions of the applicable statute have been complied with; (ii) the Explanatory Statement contains such information as to provide the Scheme Creditors with all the information reasonable necessary to enable them to make an informed decision about the merits of the Scheme; (iii) the Scheme Meeting was properly held and statutory majorities were achieved at the Scheme Meeting; and (iv) the Scheme Creditors were fairly represented by those who attended the Scheme Meeting and the statutory majority are acting *bona fide* and are not coercing the minority in order to promote interests adverse to those of the class whom they purport to represent, and the Court is likely to consider whether the arrangement is such that an intelligent and honest man, a member of the class concerned, and acting in respect of his interest, might reasonably approve.
- 8.7 Even if the Scheme is approved at the Scheme Meeting, any Scheme Creditor who voted (or gave instructions to someone to vote on their behalf) at the Scheme Meeting may appear by

counsel at the Sanction Hearing for the Scheme in order to make representations that the Scheme should not be approved and to object to the granting of an order of the Court sanctioning the Scheme. The Court may also be prepared to hear such representations and objections by counsel for any other person whom it is satisfied has a substantial economic interest in the Scheme. Therefore, it is possible that objections will be made at or before the Sanction Hearing for the Scheme and that any such objections will delay or possibly prevent the Scheme from being sanctioned and becoming effective.

8.8 There can be no assurance that the Court will approve the Scheme. If the Court does not approve the Scheme, or approves it subject to conditions or amendments which (i) the Company regards as unacceptable or (ii) would have (directly or indirectly) a material adverse effect on the interests of any Scheme Creditors and such conditions and amendments are not approved by the Scheme Creditors, the Scheme will remain ineffective.

8.9 Further, even if the Court approves the Scheme, it is still possible for any person who opposed the sanctioning of the Scheme at the Sanction Hearing to appeal against the granting by the Court of an order sanctioning the Scheme. Any such appeals and/or subsequent litigation could delay the Scheme becoming effective or possibly prevent the Scheme from becoming effective at all.

***The implementation of the Scheme and the Restructuring may result in adverse and/or complex tax consequences to Scheme Creditors.***

8.10 The Company is not providing tax advice to any Scheme Creditor in connection with the Restructuring, and each Scheme Creditor should consult its own tax advisor regarding tax consequences of the Restructuring in any relevant jurisdiction.

#### **Risks Relating to a Failure to Implement or a Delay in Implementing the Scheme**

***The Restructuring may not be completed in accordance with the timeline envisaged by the RSA or this Explanatory Statement.***

8.11 Factors unknown to the Company as at the date of this Explanatory Statement may result in delays to the completion of the Restructuring. The Restructuring Effective Date is subject to a number of conditions precedent. If any of such conditions precedent are not met or waived, the Restructuring Effective Date will not take place. There is no guarantee that the Restructuring Effective Date will occur by the Longstop Date, at which time the Committee may elect to terminate the RSA and as a result Scheme Creditors who have acceded to the RSA will no longer be bound by their obligations under the RSA to support the Restructuring and not to take action against the Company and/or any member of the Group, and the Scheme will lapse, respectively. The Longstop Date may, however, be extended in accordance with the terms of the Scheme and the Longstop Date (as defined in the RSA) under the RSA may be extended in accordance with the terms of the RSA.

***The Restructuring is subject to a number of conditions and failure to fulfil any one of those conditions will result in the Restructuring not proceeding.***

8.12 In addition to being conditional on the Scheme becoming effective, the Restructuring is subject to a number of conditions and failure to fulfil any one of those conditions will result in the Scheme not proceeding. Further details of these conditions are set in clause 5.49 (*Occurrence of the Restructuring Effective Date*) of this Explanatory Statement.

***There is no guarantee that the Independent Shareholders of the Company will approve the transactions contemplated under the Equity Transfer Agreement.***

- 8.13 In order to partially redeem the Notes as a condition to occurrence of the Restructuring Effective Date, the Company will use the proceeds from the sale contemplated under the Equity Transfer Agreement and apply such amounts towards funding the Redemption Amount.
- 8.14 As the highest applicable percentage ratio (as defined in the Listing Rules) exceeds 75%, the disposal of all of shares held by Yestar (Guangxi) Medical System Co., Ltd. (廣西巨星醫療器械 有限公司), an indirect wholly-owned subsidiary of the Company, in (i) Shanghai Emphasis Investment Management Consulting Co., Ltd., (ii) Shanghai Jianchu Medical Co., Ltd., (iii) Shanghai Chaolian Trading Co., Ltd., (iv) Shanghai Haole Industrial Co., Ltd., and (v) Shanghai Dingpei Industrial Co., Ltd to Mr. Li Bin (李斌) and the transactions contemplated thereunder constitute a very substantial disposal on the part of the Company under Chapter 14 of the Listing Rules and are subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.
- 8.15 In addition, Mr. Li Bin (李斌) was appointed as an executive director of the Company on 18 June 2021, and resigned on 31 December 2021. Therefore, given that Mr. Li Bin (李斌) was a director in the last 12 months, he is a connected person of the Company pursuant to the Listing Rules. The disposal therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Li Bin (李斌) will be required to abstain from voting on the resolution(s) to approve the Equity Transfer Agreement and the transactions contemplated thereunder at the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Equity Transfer Agreement and the transactions contemplated thereunder.
- 8.16 There can be no assurance that the independent shareholders of the Company will approve the Equity Transfer Agreement and the transactions contemplated thereunder, in which case, the Company will need find alternative financing to fund the Redemption Amount. Further details of the Equity Transfer Agreement and the transactions contemplated thereunder are set out in the announcement of the Company on the HKEx at <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1230/2022123001609.pdf>.

***Risk of the Company failing to pay the necessary fees.***

- 8.17 The Restructuring is conditional on the Company paying, among other fees, the Work Fee, the Consent Fee and all the fees, costs and expenses of all of its Advisors pursuant to the terms agreed between the Company and the relevant parties subject to any agreed caps (including under the RSA). The Company has limited available cash (sufficient only to fund the implementation of the Restructuring and to meet ongoing operational costs during this period) and there is a risk it may not be able to do so.

***Risk that the Company will choose not to proceed with the Scheme.***

- 8.18 The Restructuring is conditional on the Company delivering a notice to the Information Agent notifying it of the date set for the Restructuring Effective Date and the Information Agent delivering such notice to Scheme Creditors in accordance with clause 7.5 of Appendix 2 (*The Scheme*). Even if all other Restructuring Conditions have been or could be fulfilled, the Company may nonetheless decline to set a date for the Restructuring Effective Date, and/or decline to send the requisite notice, if the Company considers that proceeding with the Scheme would not be in the best interests of Scheme Creditors and all other stakeholders



in the Company (although the Company's decision to decline to fulfil these Restructuring Conditions in relation to the Scheme would be subject to approval by the Court). If the Company does not set a date for the Restructuring Effective Date or if the requisite notice is not delivered, the Restructuring will not become effective.

***Impact of Sanctions.***

- 8.19 The global sanctions regime that exists in relation to Russian individuals and entities is complex and constantly evolving. It is therefore possible that the implementation of the Restructuring could be delayed (potentially significantly so), if among other things, were it to be needed to seek consent (or confirmation that consent is not required) from any of the relevant global regulators in order for the Scheme process and the Restructuring to be announced, or if the Company were required to amend the structure of the Scheme in response to changes to the global sanctions regime.

***Insolvency Proceedings if the Restructuring is not implemented promptly.***

- 8.20 The Company currently has limited available cash and, should the Restructuring not proceed, would be unable to repay its overdue indebtedness under and in connection with the Notes. Unless the Company and the Board are able to satisfy themselves that an alternative financial restructuring is likely to be successful (which the Company considers very unlikely given the time and cost of negotiating the Restructuring), it is likely that the Company and other members of the Group will enter into liquidation or other appropriate Insolvency Proceedings.
- 8.21 If the Company and other members of the Group are placed into a formal insolvency procedure, the proceeds available to Scheme Creditors will likely be reduced to a level that is considerably lower than the potential value of the consideration they would receive under the Scheme (as per the Recovery Analysis summarised in clauses 3.78 to 3.82 of this Explanatory Statement and set out in Appendix 6 (*Recovery Analysis*)).

***Risk of Termination of the RSA.***

- 8.22 The RSA contains certain provisions that grant the parties thereto the ability to terminate RSA upon the occurrence of certain events or conditions. In the event the RSA is terminated, the Company may be forced to pursue an alternative restructuring process that lacks the same broad creditor support. The termination of the RSA could result in no restructuring transaction, an alternative transaction or a liquidation of the Company, each of which would preclude consummation of the Scheme and could significantly and detrimentally impact the ability of the Company to pay its debts as they fall due and to operate as a going concern.

***Liquidation of the Company.***

If steps are taken to commence winding-up proceedings against the Company or any of the Subsidiaries, whether in the Cayman Islands or elsewhere, there will be a delay in taking the steps necessary to give effect to the Scheme and it may be that the Scheme will fail.

**9. TAXATION**

The Company has not analysed, and this Explanatory Statement does not discuss, the tax consequences to any Scheme Creditor of the Restructuring. Such tax consequences may be complex and each Scheme Creditor is urged to consult its own tax advisor with respect to the tax consequences of the Restructuring in light of such person's particular circumstances. Scheme Creditors are liable for any taxes that may arise as a result of the Scheme and the Restructuring, and shall have no recourse to the Company, the Subsidiary Guarantors, the

Notes Trustee, the New Notes Trustee, the Information Agent or any other person in respect of such taxes or any filing obligation with respect thereto.

## **10. CONTACT**

10.1 Morrow Sodali Limited (the “**Information Agent**”) provides the primary contact for Scheme Creditors other than Blocked Scheme Creditors in relation to questions the Scheme Creditors have in relation to this Explanatory Statement, the Account Holder Letter, the Scheme or the Restructuring.

10.2 The Information Agent will be assisting with the voting process for the Scheme, including (a) creating and managing the Transaction Website at <https://projects.morrowsodali.com/yestar> and the Scheme AHL Portal at <https://portal.morrowsodali.com/yestarAHL>, (b) communicating with Scheme Creditors (who are not Blocked Scheme Creditors) regarding voting in the Scheme, in particular via the Transaction Website, (c) communicating with Clearing Systems regarding voting in the Scheme for further distribution to Scheme Creditors (who are not Blocked Scheme Creditors), and (d) calculating the voting values of each Scheme Creditor (who is not the a Blocked Scheme Creditor) for/at the Scheme Meeting based on instructions from the Company and its Advisors.

10.3 Any question of Scheme Creditors (who are not Blocked Scheme Creditors) regarding:

- (a) how to vote in respect of the Scheme (including how to complete the Account Holder Letter or any other documents in the Solicitation Packet in Appendix 4 (*Solicitation Packet*));
- (b) how to attend the Scheme Meeting for voting purposes (including obtaining a Zoom video conference invite for the Scheme Meeting);
- (c) how to attend the Scheme Meeting as observers to listen in and to ask questions but not to cast votes (including obtaining the dial-in details for the telephone conference for the Scheme Meeting);
- (d) the voting mechanics of the Scheme; or
- (e) any other questions of Scheme Creditors pertaining to this Explanatory Statement, the Scheme or the Restructuring,

should be direct to the Information Agent using the below details:

### **Morrow Sodali Limited**

Scheme AHL Portal (Form Submission Website): <https://portal.morrowsodali.com/yestarAHL>

Transaction Website (Document Posting Website): <https://projects.morrowsodali.com/yestar>

Email: [yestar@investor.morrowsodali.com](mailto:yestar@investor.morrowsodali.com)

Tel: +852 2319 4130 (Hong Kong) or +44 20 4513 6933 (London)

### Addresses:

UK: 103 Wigmore Street, W1U 1QS, London, UK

Hong Kong: 29/F, No. 28 Stanley Street, Central, Hong Kong

Attention: Debt Services Team

10.4 Any requests for information by Scheme Creditors (who are not Blocked Scheme Creditors) on the Restructuring (other than information to be requested from the Information Agent pursuant to the preceding paragraph) can be directed to the Company’s financial advisor:

**Admiralty Harbour Capital Limited**

17/F, Prosperity Tower  
39 Queen's Road Central  
Central, Hong Kong  
Email: [yestar@ahfghk.com](mailto:yestar@ahfghk.com)

**Blocked Scheme Creditors should direct any questions in relation to this Explanatory Statement, the Blocked Scheme Creditor Voting Form, the Scheme or the Restructuring to the Company at:**

**Yestar Healthcare Holdings Company Limited**

Suite 2105, 21/F  
Central Plaza, 18 Harbour Road  
Hong Kong  
Email: [bond@yesstarnet.com.cn](mailto:bond@yesstarnet.com.cn)

**Email for submitting Blocked Scheme Creditor Voting Forms:**

Email: [bond@yesstarnet.com.cn](mailto:bond@yesstarnet.com.cn)

**For Company Announcements regarding the Scheme, including those relevant for Blocked Scheme Creditors, and relevant documentation regarding the Scheme:**

Company's Website: [http://www.yestarcorp.com/Investment\\_list.aspx?cid=426](http://www.yestarcorp.com/Investment_list.aspx?cid=426)

## APPENDIX 1

### DEFINITIONS AND INTERPRETATION

1. In this Explanatory Statement:

- “Accession Code”** means a unique code provided by the Information Agent to a Consenting Creditor (other than a Blocked Scheme Creditor) following its valid accession to the RSA, and which must be included by such Consenting Creditor in its voting instructions in respect of the Scheme. A Consenting Creditor (other than a Blocked Scheme Creditor) who does not have such a code is required to obtain such a code from the Information Agent before submitting, or having an Account Holder procure submission on its behalf, a Custody Instruction and an Account Holder Letter.
- “Account Holder”** means a person who holds a Book Entry Interest at the Record Time.
- “Account Holder Letter”** means the letter from an Account Holder on behalf of the Scheme Creditor substantially in the form set out in Appendix 4 (*Solicitation Packet*).
- “Advisor”** means:
- (a) Dechert and its Affiliates, legal advisor to the Company;
  - (b) Harney Westwood & Riegels, legal advisors to the Company as to matters of Cayman Islands law;
  - (c) Admiralty Harbour Capital Limited, financial advisors to the Company;
  - (d) Hogan Lovells and its Affiliates, legal advisors to the Committee;
  - (e) Maurant Ozannes, legal advisors to the Committee as to matters of Cayman Islands law; and
  - (f) any of the foregoing’s partners, employees and affiliated partnerships and the partners and employees of such affiliated partnerships and their respective subsidiaries and holding companies and any other counsel engaged by any of the foregoing on behalf of their client or by the client directly in connection with the Transactions and the Restructuring.
- “Affiliates”** means, in relation to any Person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company or a Related Entity, and any other person who controls, is controlled by, or under common control with that person, which control relationship may arise by means of ownership of securities, contract, the terms of any organisational documents, or any other documented and legally binding arrangement.
- “Ancillary Claims”** means any Claim in respect of any obligation or Liability of any Released Person (other than the Company) to any Person arising

directly or indirectly out of, in relation to and/or in connection with the Note Documents, arising on or before the Record Time or which may arise after the Record Time as a result of an obligation or Liability of any Released Person incurred or as a result of an event occurring or an act done on or before the Record Time (including, for the avoidance of doubt, any interest accruing on, or accretions arising in respect of, such Claims before or after the Record Time), but excluding any Excluded Claim and the Excluded Liabilities.

<b>“Blocked Creditor”</b>	<b>Scheme</b>	means (a) a Scheme Creditor that is not entitled, able or permitted (whether directly or through a custodian) to submit instructions or settle through the Clearing Systems as a result of any Sanctions affecting the Scheme Creditor or its custodian as determined by the Clearing Systems or (b) a Russian Person; but does not include any Scheme Creditor that is a Sanctioned Scheme Creditor.
<b>“Blocked Creditor Voting Form”</b>	<b>Scheme</b>	means a form from a Blocked Scheme Creditor substantially in the form set out in Appendix 4 ( <i>Solicitation Packet</i> ).
<b>“Board”</b>		means the board of directors of the Company from time to time.
<b>“Book Entry Interest”</b>		means in relation to the Notes, a beneficial interest as principal in the Global Certificates held through and shown on, and transferred only through, records maintained in book entry form by the Clearing Systems and their respective nominees and successors.
<b>“Business Day”</b>		means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in the cities of New York or Hong Kong or the Cayman Islands are authorised or required by law or governmental regulation to close.
<b>“Chairperson”</b>		means the chairperson of the Scheme Meeting.
<b>“Claim”</b>		means, in relation to a Person, any claim, allegation, cause or right of action, proceeding, suit or demand made against the Person concerned, however it arises and whether it is present or future, fixed or ascertained, actual or contingent, but excluding any Excluded Claim.
<b>“Clearing System”</b>		means either or both of (a) Euroclear and its nominees and successors; or (b) Clearstream and its nominees and successors, as applicable and in each case, acting through itself or a depository and any other system designed for similar or analogous proceedings.
<b>“Clearstream”</b>		means Clearstream Banking, <i>société anonyme</i> .
<b>“Committee”</b>		means the ad hoc committee of holders of the Notes (as constituted from time to time) which is represented by Hogan Lovells as legal advisors and <b>“Committee Member”</b> shall refer to a member of the Committee.
<b>“Companies Act”</b>		means the Cayman Islands Companies Act (2023 Revision) as amended, modified or re-enacted from time to time.

<b>“Companies Registrar”</b>	means the registrar of companies (including any Deputy Registrar of Companies) appointed under the Companies Act.
<b>“Company”</b>	means Yestar Healthcare Holdings Company Limited (巨星醫療控股有限公司), an exempted company incorporated with limited liability under the laws of the Cayman Islands.
<b>“Consent Fee”</b>	has the meaning given to such term in the RSA.
<b>“Consent Fee Deadline”</b>	means 5:00 p.m. (Hong Kong time) on 5 January 2024, or such later date and time as the Company may notify to the parties in accordance with the terms of the RSA.
<b>“Consenting Creditor”</b>	means any Noteholder who became a party to the RSA, but excluding any Noteholder who has exercised its right to terminate the RSA in accordance with its terms.
<b>“Convening Hearing”</b>	means the hearing at the Court of the summons to consider and vote on the Scheme.
<b>“Court”</b>	means the Grand Court of the Cayman Islands and any court capable of hearing appeals therefrom.
<b>“Cross-Border Recognition”</b>	means in connection with any Insolvency Proceeding commenced in any one jurisdiction the recognition of that Insolvency Proceeding in another jurisdiction, whether under laws relating to bankruptcy, liquidation, insolvency, reorganisation, winding-up, or composition or adjustment of debts or similar law, international principles of judicial comity, statute, enactment, or other regulation.
<b>“Custody Instruction”</b>	means the instruction to be submitted by an Account Holder on behalf of the relevant Noteholder, to block their position in the Notes in the relevant Clearing System account.
<b>“Custody Instruction Deadline”</b>	means 7:00 a.m. (Cayman Islands time) / 8:00 p.m. (Hong Kong time) on 12 February 2024.
<b>“Custody Instruction Reference Number”</b>	means, the unique reference provided by Euroclear or Clearstream, following an instruction from an Account Holder to block the relevant Notes in accordance with the instructions contained in this Explanatory Statement.
<b>“Deed of Release (Existing Security)”</b>	means the deed of release to be executed by the Existing Security Agent and the Company relating to the release of the Security Documents (as defined in the Indenture) on the Restructuring Effective Date, substantially in the form set out in Appendix 10 ( <i>Deed of Release (Existing Security)</i> ).
<b>“Deeds of Release”</b>	means, collectively, the General Deed of Release, the Deed of Release (Existing Security) and the Deed of Release (Trustee).
<b>“Deed of Release (Trustee)”</b>	means the deed of release to be executed by the Notes Trustee and the Security Agent relating to the release of any Claim the Notes Trustee or the Security Agent may have against the Company or any other

		member of the Group under the Notes Documents, substantially in the form set out in Appendix 9 ( <i>Deed of Release (Trustee)</i> ).
<b>“Depository”</b>		means, in respect of the Notes, The Bank of New York Mellon, London Branch as common depository for the Clearing Systems, or any successor Person thereto.
<b>“Director”</b>		means any person who is or was at any time a director, manager, general partner, officer (or equivalent) of a member of the Group.
<b>“Eligible Creditor”</b>		means: <ul style="list-style-type: none"> <li>(a) a Consenting Creditor (other than a Blocked Scheme Creditor) who has acceded to the RSA and is entitled to the Consent Fee in accordance with, and subject to the terms of, the RSA (including, the conditions that such Consenting Creditor (i) submits or an Account Holder submits on its behalf, a Custody Instruction and a validly completed Account Holder Letter together with a valid Accession Code to the Information Agent prior to the relevant deadlines set out in Appendix 4 (<i>Solicitation Packet</i>); (ii) has established its entitlement to vote at the Scheme Meeting; and (iii) votes in favour of the Scheme at the Scheme Meeting); and</li> <li>(b) a Blocked Scheme Creditor who has acceded to the RSA and subject to the conditions that such Blocked Scheme Creditor (i) submits a validly completed Blocked Scheme Creditor Voting Form to the Company prior to the relevant deadlines set out in Appendix 4 (<i>Solicitation Packet</i>); (ii) has established its entitlement to vote at the Scheme Meeting; and (iii) votes in favour of the Scheme at the Scheme Meeting.</li> </ul>
<b>“Eligible Notes”</b>	<b>Restricted</b>	has the meaning given to such term in the RSA.
<b>“Equity Agreement”</b>	<b>Transfer</b>	has the meaning given to such term in the RSA.
<b>“Equity Consideration”</b>	<b>Transfer</b>	has the meaning given to such term in the RSA.
<b>“Escrow Accounts”</b>		means, collectively, the Onshore Escrow Accounts and the Offshore Escrow Accounts.
<b>“Escrow Security Documents”</b>	<b>Account</b>	means, collectively, the Offshore Account Charges and the Onshore Accounts Pledges.
<b>“Escrow Agents”</b>		means, collectively, the Offshore Escrow Agent and the Onshore Escrow Agents.
<b>“Escrow Agreements”</b>		means, collectively, the Offshore Escrow Agreements and the Onshore Escrow Agreements as set out in Appendix 12 ( <i>Escrow Agreements</i> ).

<b>“Euroclear”</b>	means Euroclear Bank S.A./N.V.
<b>“Excluded Claim”</b>	means: <ul style="list-style-type: none"> <li>(a) any Claim by a Scheme Creditor against the Company arising out of any failure to fulfil its obligations under the Scheme;</li> <li>(b) any Claim by an Advisor with respect to any Scheme Costs;</li> <li>(c) any Claim by the Notes Trustee and/or the Depositary with respect to any accrued and unpaid fees and expenses due to them or their respective legal and professional advisors under the terms of the Note Documents in respect of the period ending on the Restructuring Effective Date; and</li> <li>(d) any other Claim which the Company reasonably determines should be excluded from the terms of the Scheme.</li> </ul>
<b>“Excluded Liabilities”</b>	means any Claim in respect of any Liability of the Company that is not subject to the arrangement and compromise to be effected by the Scheme, including (without limitation) the Excluded Claims.
<b>“Explanatory Statement”</b>	means the composite document dated 22 January 2024 of the Company addressed to Scheme Creditors containing, among other things, the explanatory statement of the Company in compliance with the Companies Act and the terms of the Scheme (including all appendices, schedules and annexures thereto), as amended on 8 February 2024.
<b>“Financial Advisor”</b>	means Admiralty Harbour Capital Limited, the Company’s financial advisor.
<b>“General Deed of Release”</b>	means the deed of release to be executed by the Scheme Creditors for the benefit of the Company and other beneficiaries on the Restructuring Effective Date, substantially in the forms set out in Appendix 8 ( <i>General Deed of Release</i> ).
<b>“Global Certificates”</b>	means each of the Global Certificates (as defined in the Indenture) representing the Notes.
<b>“Group”</b>	means the Company and its subsidiaries and, for the purpose of the Recovery Analysis, excluding the Shanghai Emphasis Group.
<b>“HKEx”</b>	means The Stock Exchange of Hong Kong Limited.
<b>“Holding Period”</b>	means, with respect to an Eligible Creditor who is a Blocked Scheme Creditor, the period from the Restructuring Effective Date until the earlier of (i) the expiry of the Perpetuity Period, (ii) that Eligible Creditor ceasing to be affected by applicable Sanctions, or (iii) a release or distribution of that Eligible Creditor’s Trust Asset is otherwise permitted pursuant to the terms of the Holding Period Trust Deed.



<b>“Holding Period Trust Deed”</b>		means the trust deed poll to be executed on or before the Restructuring Effective Date by the Holding Period Trustee for the benefit of each Eligible Creditor who is a Blocked Scheme Creditor, substantially in the form set out at Appendix 9 ( <i>Holding Period Trust Deed</i> ).
<b>“Holding Trustee”</b>	<b>Period</b>	means Yestar Healthcare Holdings Company Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands, as bare trustee of the Trust Assets for and on behalf of the Scheme Creditors, pursuant to the terms of the Holding Period Trust Deed.
<b>“Hong Kong”</b>		means the Hong Kong Special Administrative Region of the PRC.
<b>“Indenture”</b>		means the indenture dated 30 December 2021, as amended, supplemented, or otherwise modified from time to time, between the Company, the Subsidiary Guarantors and Madison Pacific Trust Limited (as successor of The Bank of New York Mellon), as trustee and security agent, governing the Notes.
<b>“Individual Guarantor”</b>		has the meaning given to such term in the RSA.
<b>“Information Agent”</b>		means Morrow Sodali Limited, which is acting as information agent for the Company in connection with the Restructuring.
<b>“Insolvency Proceeding”</b>		means any proceeding, process, appointment or application under any law relating to insolvency, reorganisation, winding-up, or composition or adjustment of debts, including, without limitation, winding-up, liquidation, bankruptcy, provisional liquidation, receivership, administration, provisional supervision, company voluntary arrangement, scheme of arrangement, suspension of payment under court supervision or any other analogous proceedings in any jurisdiction (including any of the foregoing brought for the purpose of obtaining Cross-Border Recognition).
<b>“Intermediary”</b>		means a Person (other than an Account Holder) who holds an interest in the Notes on behalf of another Person or other Persons.
<b>“Liability”</b>		means any debt, liability or obligation whatsoever, whether it is present, future, prospective or contingent, whether or not its amount is fixed or undetermined, whether or not it involves the payment of money or the performance of an act or obligation, and whether arising at common law, in equity or by statute in or under the laws of New York, the Cayman Islands, Hong Kong or under any other law or in any other jurisdiction howsoever arising.
<b>“Longstop Date”</b>		means 11:59 p.m. (Cayman Islands time) on the date falling six (6) months after the date of the RSA, or such later date as the Company may, subject to the prior written consent of all members of the Committee, elect to extend and provided that such later date shall be a date no later than the date falling nine (9) months after the date of the RSA.
<b>“Majority Creditors”</b>	<b>Scheme</b>	means Scheme Creditors (who are not Blocked Scheme Creditors) whose holdings of the Notes constitute at the relevant time more than 50 per cent. of the aggregate principal amount of the Notes held at the

		relevant time by the Scheme Creditors (who are not Blocked Scheme Creditors).
<b>“Note Claim Amount”</b>		means, with respect to a Noteholder, an amount equal to the sum of: (a) the outstanding principal amount of Notes held by that Noteholder as at the Record Time; and (b) all accrued and unpaid interest on such Notes up to but excluding the Restructuring Effective Date.
<b>“Note Documents”</b>		means, collectively, the Notes, the Indenture, the Intercreditor Agreement (as defined in the Indenture), the Security Documents (as defined in the Indenture), the Subsidiary Guarantees (as defined in the Indenture) and any other agreements, instruments and/or documents related to the Notes.
<b>“Noteholders”</b>		means those Persons with an economic or beneficial interest as principal in the Notes held through the Clearing System at the Record Time.
<b>“Notes”</b>		means the up to US\$197,864,523 9.5% senior notes due 2026 issued by the Company and guaranteed by the Subsidiary Guarantors, of which US\$194,506,648 is outstanding for purposes of the Restructuring.
<b>“Notes Trustee”</b>		means Madison Pacific Trust Limited, in its capacity as trustee under the Indenture.
<b>“Offshore Accounts”</b>	<b>Escrow</b>	means: <ul style="list-style-type: none"> <li>(a) the account opened in the name of the Company with the Escrow Agent, with account number 8462 1016 9078 (<b>“Offshore Escrow Account 1”</b>); and</li> <li>(b) the account opened in the name of Yestar HK with the Escrow Agent, with account number 8462 1016 8925 (<b>“Offshore Escrow Account 2”</b>).</li> </ul>
<b>“Offshore Account Charges”</b>	<b>Escrow</b>	means the account charges dated 30 November 2023 and granted by: <ul style="list-style-type: none"> <li>(a) the Company in favour of the Security Agent in relation to the Offshore Escrow Account 1; and</li> <li>(a) Yestar HK in favour of the Security Agent in relation to the Offshore Escrow Account 2.</li> </ul>
<b>“Offshore Escrow Agent”</b>		means China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司), as escrow agent under the Offshore Escrow Agreements.
<b>“Offshore Agreements”</b>	<b>Escrow</b>	means the escrow agreements dated 30 November 2023 and entered into between: <ul style="list-style-type: none"> <li>(a) the Company, the RSA Agent and the Offshore Escrow Agent with respect to the Offshore Escrow Account 1; and</li> </ul>

<b>“Onshore Accounts”</b>	<b>Escrow</b>	(b) the Yestar HK, the RSA Agent and the Offshore Escrow Agent with respect to the Offshore Escrow Account 2,
		(e) the RMB general account opened by Yestar (Guangxi) Medical System Co., Ltd. (广西巨星医疗器械有限公司) with China Construction Bank Corporation, Guangxi Branch (中国建设银行股份有限公司广西壮族自治区分行营业部) with the account number 45050159415100003594 ( <b>“Yestar Guangxi General Account”</b> );
		(f) the foreign debt advance account opened by Yestar (Guangxi) Medical System Co., Ltd. (广西巨星医疗器械有限公司) with the China Construction Bank Corporation, Guangxi Branch (中国建设银行股份有限公司广西壮族自治区分行营业部) with the account number 45050159415100003685 ( <b>“Yestar Guangxi Intercompany Loan Account”</b> ); and
		(g) the capital reduction account opened by Shanghai Yestar Healthcare Technology Co., Ltd. (巨星医疗科技(上海)有限公司) with the China Construction Bank Corporation, Shanghai Huangpu Branch (中国建设银行股份有限公司上海黄浦支行) with the account number 31050170360000006441 ( <b>“Yestar Shanghai Account”</b> ).
<b>“Onshore Account Pledges”</b>	<b>Escrow</b>	means the security deposit pledge agreements dated 30 November 2023 and entered into between:
		(a) Yestar (Guangxi) Medical System Co., Ltd. (广西巨星医疗器械有限公司) as pledgor and the Security Agent in relation to the Yestar Guangxi General Account;
		(b) Yestar (Guangxi) Medical System Co., Ltd. (广西巨星医疗器械有限公司) as pledgor and the Security Agent in relation to the Yestar Guangxi Intercompany Loan Account; and
		(c) Shanghai Yestar Healthcare Technology Co., Ltd. (巨星医疗科技(上海)有限公司) as pledgor and the Security Agent in relation to the Yestar Shanghai Account.
<b>“Onshore Agreements”</b>	<b>Escrow</b>	means:
		(a) the escrow agreement dated 30 November 2023 and entered into between Yestar (Guangxi) Medical System Co., Ltd. (广西巨星医疗器械有限公司), the RSA Agent and China Construction Bank Corporation, Guangxi Branch (中国建设银行股份有限公司广西壮族自治区

分行营业部) in relation to the Yestar Guangxi General Account (“**Onshore Escrow Agreement 1**”);

(b) the escrow agreement dated 30 November 2023 and entered into between Yestar (Guangxi) Medical System Co., Ltd. (广西巨星医疗器械有限公司), the RSA Agent and China Construction Bank Corporation, Guangxi Branch (中国建设银行股份有限公司广西壮族自治区分行营业部) in relation to the Yestar Guangxi Intercompany Loan Account (“**Onshore Escrow Agreement 2**”); and

(c) the escrow agreement dated 24 November 2023 and entered into between Shanghai Yestar Healthcare Technology Co., Ltd. (巨星医疗科技(上海)有限公司), the RSA Agent and China Construction Bank Corporation, Shanghai Huangpu Branch (中国建设银行股份有限公司上海黄浦支行) in relation to the Yestar Shanghai Account (“**Onshore Escrow Agreement 3**”).

**“Onshore Agents”**

**Escrow** means:

- (a) China Construction Bank Corporation, Guangxi Branch (中国建设银行股份有限公司广西壮族自治区分行营业部), as escrow agent with respect to Onshore Escrow Agreement 1 and Onshore Escrow Agreement 2; and
- (b) China Construction Bank Corporation, Shanghai Huangpu Branch (中国建设银行股份有限公司上海黄浦支行), as escrow agent with respect to Onshore Escrow Agreement 3.

**“Paying and Transfer Agent”**

means Madison Pacific Trust Limited, in its capacities as paying agent and transfer agent under the Indenture.

**“Perpetuity Period”**

means the period commencing on the Restructuring Effective Date and ending at the expiration of one hundred and fifty (150) years from the Restructuring Effective Date.

**“Person”**

means any natural person, corporation, limited or unlimited liability company, trust, joint venture, association, corporation, partnership, or other entity whatsoever; and “**Persons**” shall be construed accordingly.

**“Personnel”**

means, in relation to any person, its current and former officers, members, partners, Directors, employees, staff, agents, counsel and other representatives.

**“PRC”**

means the People’s Republic of China, and for the purpose of the Scheme does not include Hong Kong, Macau or Taiwan.

<b>“Proceeding”</b>	means any process, suit, action, legal or other legal proceeding (including without limitation any arbitration, mediation, alternative dispute resolution, judicial review, adjudication, demand, statutory demand, execution, distraint, forfeiture, re-entry, seizure, lien, enforcement of judgment, enforcement of any security or Insolvency Proceedings) in any jurisdiction.
<b>“Record Time”</b>	means the close of business and cessation of trading of the Clearing Systems on 15 February 2024.
<b>“Recovery Analysis”</b>	means the liquidation analysis prepared by AMC Capital Advisory Services Limited as set out in Appendix 6 ( <i>Recovery Analysis</i> ).
<b>“Redemption Amount”</b>	means the sum of (i) US\$60,500,000 and (ii) the Step-Up Amount (if any).
<b>“Registrar”</b>	means The Bank of New York Mellon SA/NV, Dublin Branch in its capacity as registrar under the Indenture.
<b>“Related Entity”</b>	means, in relation to an entity (the <b>“First Entity”</b> ), an entity (or any of its Affiliates) which is managed or advised by the same investment manager or investment advisor as the First Entity (or its Affiliates) or by a different investment manager or investment advisor which is an Affiliate of the investment manager or investment advisor of the First Entity (or its Affiliates).
<b>“Released Claim”</b>	<p>means any Scheme Claim or any past, present and/or future Claim arising out of, relating to or in respect of:</p> <ul style="list-style-type: none"> <li>(a) the Scheme Claims and any of the facts and matters giving rise to the Scheme Claims;</li> <li>(b) the Ancillary Claims and any of the facts and matters giving rise to the Ancillary Claims;</li> <li>(c) any other Claim and/or Liability waived, released or discharged under clauses 13.2(a) to (d) of Appendix 2 (<i>The Scheme</i>); and/or</li> <li>(d) any Relevant Event and any default or Event of Default which might arise as a result of any Relevant Event prior to the Scheme Effective Date or as a result of the Scheme.</li> </ul>
<b>“Released Person”</b>	means the Company and the Subsidiary Guarantors and its and their Affiliates and its and their respective Personnel.
<b>“Relevant Event”</b>	<p>means:</p> <ul style="list-style-type: none"> <li>(a) any Implementation Default Event; and/or</li> <li>(b) any default, event of default, breach or anticipatory breach with respect to or arising from the preparation, negotiation, sanction, execution or implementation of the Scheme, the other Restructuring Documents and/or the RSA, including any acts of any Released Party or otherwise in carrying out the steps and transactions contemplated in the Scheme, the</li> </ul>

Restructuring Documents or the RSA in accordance with their terms.

<b>“Restructuring”</b>	means the proposed restructuring of the Notes in accordance with the terms of the Scheme, the RSA and the Term Sheet.
<b>“Restructuring Conditions”</b>	means each of the conditions precedent to the occurrence of the Restructuring Effective Date as set out in clause 19 ( <i>Conditions to the Effectiveness of the Restructuring</i> ) of Appendix 2 ( <i>The Scheme</i> ).
<b>“Restructuring Documents”</b>	means the Scheme, the Account Holder Letter, the Blocked Scheme Creditor Voting Form, each Deed of Release, the Holding Period Trust Deed and all other documents, agreements, instruments, board resolutions, shareholder approvals, releases, notices and legal opinions necessary to implement or consummate the Restructuring in accordance with the terms of the Scheme.
<b>“Restructuring Effective Date”</b>	<p>means the date specified by the Company in a notice to the Scheme Creditors and the Notes Trustee, provided that such date:</p> <ul style="list-style-type: none"><li>(a) is a Business Day;</li><li>(b) is on or prior to the Longstop Date;</li><li>(c) occurs after each of the Restructuring Conditions being satisfied or waived in accordance with the terms of the Scheme; and</li><li>(d) is a date within ten (10) Business Days following the satisfaction or waiver of the Restructuring Conditions.</li></ul>
<b>“RSA”</b>	means the restructuring support agreement dated 30 November 2023 entered into, among others, the Company, Subsidiary Guarantors and certain Noteholders who have acceded to the RSA as Consenting Creditors as set out in Appendix 13 ( <i>Restructuring Support Agreement</i> ).
<b>“Russian Person”</b>	<p>means a Person “connected with” Russia within the meaning of Regulation 19A(2) of the Russia (Sanctions) (EU Exit) Regulations 2019 (as amended from time to time and as applicable in the Cayman Islands pursuant to The Russia (Sanctions) (Overseas Territories) Order 2020 (as amended)), specifically:</p> <ul style="list-style-type: none"><li>(a) an individual who is, or an association or combination of individuals who are, ordinarily resident in Russia,</li><li>(b) an individual who is, or an association or combination of individuals who are, located in Russia,</li><li>(c) a Person, other than an individual, which is incorporated or constituted under the laws of Russia, or</li><li>(d) a Person, other than an individual, which is domiciled in Russia.</li></ul>
<b>“Sanction Hearing”</b>	means the hearing at the Court of the petition in respect of the sanctioning of the Scheme.

<b>“Sanction Order”</b>		means the order of the Court sanctioning the Scheme (with or without modification) under section 86 of the Companies Act.
<b>“Sanctioned Creditor”</b>	<b>Scheme</b>	<p>means a Scheme Creditor that is:</p> <p>(a) designated on any of:</p> <ul style="list-style-type: none"> <li>a. the lists of Specially Designated Nationals and Blocked Persons or “Foreign Sanctions Evaders” or any other list of Persons subject to, or targeted by, similar sanctions as administered, maintained and/or enforced by the Office of Foreign Assets Control of the US Treasury, the US Department of Commerce, the US Department of State and any other Governmental Entity of the United States;</li> <li>b. the Consolidated List of Persons, Groups and Entities Subject to EU Financial Sanctions maintained by the European Commission, Annex XIX of Regulation (EU) No 833/2014, or any other list of Persons subject to, or targeted by, similar sanctions as administered, maintained and/or enforced by the European Union or any Governmental Entity in any Member State of the European Union;</li> <li>c. the Consolidated List of Financial Sanctions Targets in the United Kingdom maintained by the Office of Financial Sanctions Implementation, His Majesty’s Treasury of the United Kingdom, the United Kingdom Sanctions List maintained by the Foreign, Commonwealth and Development Office, or any other list of Persons subject to, or targeted by, similar sanctions administered, maintained and/or enforced by any Governmental Entity of the United Kingdom or the Cayman Islands; or</li> <li>d. any other similar sanctions list of Persons subject to a prohibition to transact with, that is developed, maintained and published by any Governmental Entity of the United States of America (including by the U.S. Office of Foreign Assets Control or the U.S. Department of State), the European Union, the United Kingdom and the British Overseas Territories in connection with Sanctions, in each as amended, supplemented or substituted from time to time;</li> </ul> <p>(b) resident in, ordinarily located in, or incorporated or domiciled under the laws of any country or territory that is the target of any comprehensive country or territory-wide sanctions (but, for the avoidance of doubt, does not include a Russian Person unless such Russian Person is described in another part of this definition);</p> <p>(c) in the aggregate, 50% or greater owned, directly or indirectly, or otherwise controlled, directly or indirectly, by any Person or Persons described in (a) or (b) of this definition; or</p>

		(d) acting on behalf of or at the direction of any Person or Persons described in this definition,
		and which does not have a sanctions licence that would allow that Scheme Creditor to deal freely in the Redemption Amount and submit instructions or settle through the Clearing Systems.
<b>“Sanctions”</b>		means any economic or financial sanctions laws, or regulations, as amended from time to time, administered, enacted or enforced by: <ul style="list-style-type: none"> <li>(a) the United States of America;</li> <li>(b) the United Nations;</li> <li>(c) the European Union or any other member state thereof;</li> <li>(d) the United Kingdom or Cayman Islands; and</li> <li>(e) any other jurisdiction applicable to the Company (excluding Russia and the Republic of Belarus).</li> </ul>
<b>“Scheme”</b>		means the scheme of arrangement between the Company and the Scheme Creditors proposed by the Company under section 86 of the Companies Act in its present form subject to any modifications, additions or conditions that the Court may approve or impose, provided that any such modification, addition or condition does not have a material adverse effect on the rights of the Scheme Creditors (and is not prohibited by the terms of the Scheme), and the terms of which are set out in Appendix 2 ( <i>The Scheme</i> ).
<b>“Scheme AHL Portal”</b>		means the website at <a href="https://portal.morrowsodali.com/yestarAHL">https://portal.morrowsodali.com/yestarAHL</a> for Account Holders to submit Account Holder Letters.
<b>“Scheme Claim”</b>		means any Claim in respect of any obligation or Liability of the Company arising directly or indirectly out of, in relation to and/or in connection with the Note Documents, arising on or before the Record Time or which may arise after the Record Time as a result of an obligation or Liability of the Company incurred or as a result of an event occurring or an act done on or before the Record Time (including, for the avoidance of doubt, any interest accruing on, or accretions arising in respect of, such Claims before or after the Record Time), but excluding the Excluded Claims and the Excluded Liabilities.
<b>“Scheme Conditions”</b>		means each of the conditions precedent to the effectiveness of the Scheme, as set out in clause 18 ( <i>Conditions to the Effectiveness of the Scheme</i> ) of Appendix 2 ( <i>The Scheme</i> ).
<b>“Scheme Parties”</b>	<b>Creditor</b>	means, in respect of a Scheme Creditor, its predecessors, successors, assigns, Affiliates and Personnel.
<b>“Scheme Creditors”</b>		means the holder of a Scheme Claim at the Record Time, comprising (but without double counting in each case), the Depositary, the Notes Trustee (solely in its capacity as the beneficiary of the covenants to



		repay principal and pay interest on the Notes pursuant to the Indenture) and each of the Noteholders.
<b>“Scheme Effective Date”</b>		means the first date at which all of the Scheme Conditions have been satisfied in accordance with the Scheme.
<b>“Scheme Meeting”</b>		means the meeting of the Scheme Creditors convened in accordance with an order of the Court to consider and, if thought fit, approve the Scheme, including any adjournment thereof.
<b>“Security Agent”</b>		means Madison Pacific Trust Limited, as successor security agent to The Bank of New York Mellon, Hong Kong branch.
<b>“Shanghai Group”</b>	<b>Emphasis</b>	means the target entities under the Equity Transfer Agreement, being Shanghai Emphasis Investment Management Consulting Co., Ltd., Shanghai Jianchu Medical Co., Ltd., Shanghai Chaolian Trading Co., Ltd., Shanghai Haole Industrial Co., Ltd., and Shanghai Dingpei Industrial Co., Ltd.
<b>“Share Charges”</b>		means, collectively, the share charge dated 30 December 2021, entered into by the Company as chargor, Yestar BVI as chargor company and the Security Agent and the share charge dated 30 December 2021, entered into by Yestar BVI as chargor and the Security Agent.
<b>“Shares”</b>		means ordinary shares in the Company.
<b>“Solicitation Packet”</b>		means the packet of materials, including the Account Holder Letter and accompanying instructions, the Designated Recipient Form and the Distribution Confirmation Deed, all of which are available to Scheme Creditors on the Transaction Website and Appendix 4 ( <i>Solicitation Packet</i> ).
<b>“Step-Up Amount”</b>		means an amount accruing at a rate of six (6) per cent. per annum on the Equity Transfer Consideration from day to day, starting from (and including) the date falling 90 days after the date of completion of the Equity Transfer Agreement to the Restructuring Effective Date.
<b>“Subsidiary Guarantors”</b>		means Yestar BVI and Yestar HK.
<b>“Super Majority Scheme Creditors”</b>		means Scheme Creditors (who are not Blocked Scheme Creditors) whose holdings of the Notes constitute at the relevant time more than 75 per cent. of the aggregate principal amount of the Notes held at the relevant time by the Scheme Creditors (who are not Blocked Scheme Creditors).
<b>“Term Sheet”</b>		means the term sheet appended to the RSA.
<b>“Third Party Released Person”</b>		means each of: <ul style="list-style-type: none"> <li>(a) the Advisors;</li> <li>(b) the Notes Trustee;</li> <li>(c) the Information Agent;</li> </ul>

	(d)	the RSA Agent;
	(e)	any of the forgoing's Personnel and any of their agents, professional advisors and employees;
	(f)	the members of the Committee; and
	(g)	the Individual Guarantor.
<b>"Total Note Claim Amount"</b>		means the aggregate of all Note Claim Amounts, being an amount equal to the sum of: (a) the outstanding principal amount of Notes held by all Noteholders as at the Record Time; and (b) all accrued and unpaid interest on such Notes up to but excluding the Restructuring Effective Date.
<b>"Transaction Website"</b>		means the website at <a href="https://projects.morrowsodali.com/yestar">https://projects.morrowsodali.com/yestar</a> .
<b>"Trust Assets"</b>		has the meaning given to such term in clause 9.1 of Appendix 2 ( <i>The Scheme</i> ).
<b>"United States"</b>		means the United States of America.
<b>"Voting Claims"</b>		means the principal amount of the Scheme Claim held by the Scheme Creditor as of the Voting Instruction Deadline that has been accepted by the Information Agent (with respect to Scheme Creditors who are not Blocked Scheme Creditors) or the Company (with respect to Scheme Creditors who are Blocked Scheme Creditors), as applicable, for the purposes of determining the number of votes to be assigned at the Scheme Meeting in accordance with clause 14 (Calculations) of Appendix 2 ( <i>The Scheme</i> ).
<b>"Voting Instruction Deadline"</b>		means 7:00 a.m. (Cayman Islands time) / 8:00 p.m. (Hong Kong time) on 15 February 2024.
<b>"Yestar BVI"</b>		means Yestar Asia Company Limited (巨星亞洲有限公司), a company incorporated with limited liability under the laws of the British Virgin Islands.
<b>"Yestar HK"</b>		means Yestar International (HK) Company Limited (巨星國際(香港)集團有限公司), a company incorporated with limited liability under the laws of Hong Kong.

2. In this Explanatory Statement:

- (a) words denoting the singular number only shall include the plural number also and vice versa;
- (b) words denoting one gender only shall include the other genders;
- (c) words denoting persons only shall include firms and corporations and vice versa;
- (d) a reference to any statutory provision shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under any such re-enactment;

- (e) unless expressed otherwise:
  - (i) a reference to U.S. dollars or US\$ is a reference to the currency of the United States; and
  - (ii) a reference to RMB is a reference to the currency of the PRC;
- (f) a reference in this Appendix 1 (*Definitions and Interpretation*) to any document whose meaning is stated to be the meaning given to a document as defined in the Explanatory Statement shall be construed as a reference to that document as amended, varied, novated, restated, modified, supplemented or re-enacted or replaced prior to the date of this Explanatory Statement;
- (g) clause, paragraph and schedule headings are for ease of reference only;
- (h) unless otherwise stated, reference to a time of day shall be construed as a reference to Cayman Islands time;
- (i) unless otherwise expressly provided, references to Sections, paragraphs and sub-paragraphs are references to the sections, paragraphs and sub-paragraphs respectively of this Explanatory Statement;
- (j) unless otherwise expressly provided, references to Sections and Appendices are references to the sections and appendices to this Explanatory Statement;
- (k) a reference to this Explanatory Statement includes a reference to the preliminary sections and appendices of this Explanatory Statement; and
- (l) a reference to any person shall include:
  - (i) any natural person, corporation, limited or unlimited liability company, trust, joint venture, association, corporation, partnership and that person's legal personal representatives or successors;
  - (ii) any federal, national or local government, governmental, regulatory or administrative authority, agency or commission or any court, tribunal or judicial body of the Cayman Islands, the United States or any other relevant jurisdiction; or
  - (iii) other entity whatsoever.

**APPENDIX 2**  
**THE SCHEME**

## **APPENDIX 3**

### **NOTICE OF SCHEME MEETING**

**APPENDIX 4**  
**SOLICITATION PACKET**

**APPENDIX 5**  
**GROUP STRUCTURE CHART**

**APPENDIX 6**  
**RECOVERY ANALYSIS**



**APPENDIX 7**  
**FINANCIAL STATEMENTS**

**APPENDIX 8**

**GENERAL DEED OF RELEASE**

## **APPENDIX 9**

### **DEED OF RELEASE (TRUSTEE)**

## **APPENDIX 10**

### **DEED OF RELEASE (EXISTING SECURITY)**

**APPENDIX 11**  
**HOLDING PERIOD TRUST DEED**

## **APPENDIX 12**

### **ESCROW AGREEMENTS**

#### **Part A**

#### **Offshore Escrow Agreements**

**Part B**  
**Onshore Escrow Agreements**

**APPENDIX 13**  
**RESTRUCTURING SUPPORT AGREEMENT**