



IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

CAUSE NO: FSD 295 OF 2021 (NSJ)

IN THE MATTER OF SECTION 86 OF THE COMPANIES ACT (2021 REVISION)

AND

IN THE MATTER OF YESTAR HEALTHCARE HOLDINGS COMPANY LIMITED

PETITION

To the Grand Court

The humble petition of Yestar Healthcare Holdings Company Limited (the "**Scheme Company**") and the "**Petitioner**") of Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, shows that:

Introduction

- 1 The object of this Petition is to seek the sanction of the Court pursuant to section 86 of the Companies Act (2021 Revision) (the "**Companies Act**") to a proposed Scheme of Arrangement (the "**Scheme**") between the Scheme Company and the holders of the Notes (as detailed in paragraphs 13 and 14 below) (the "**Noteholders**").
- 2 A copy of the Scheme shall be exhibited to an affidavit made by the Scheme Company, which shall be filed with this Honourable Court.

The Scheme Company

- 3 The Scheme Company was incorporated in the Cayman Islands under the Companies Act on 1 February 2012 as an exempted company with limited liability (registration number 265992). The Scheme Company was previously named Yestar International Holdings Company Limited until it changed its name on 11 January 2017 to its current name.
- 4 The Scheme Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111.
- 5 The shares of the Scheme Company are listed on the main board of the Stock Exchange of Hong Kong ("HKEX") with Stock Code 2393.
- 6 As at the date of this Petition the authorised share capital of the Scheme Company is HK\$100,000,000 divided into 4,000,000,000 shares of par value HK\$0.025.
- 7 The objects for which the Scheme Company was established are set out in its Memorandum of Association adopted on 18 September 2013. In particular, the objects are stated to be unrestricted, but shall include, without limitation:

"(a) to act and to perform all the functions of a holding company in all its branches and to coordinate the policy and administration of any subsidiary company or companies wherever incorporated or carrying on business or of any group of companies of which the Company or any subsidiary company is a member or which are in any manner controlled directly or indirectly by the Company;

(b) to act as an investment company and for that purpose to subscribe, acquire, hold, dispose, sell, deal in or trade upon any terms, whether conditionally or absolutely, shares, stock, debentures, debenture stock, annuities, notes, mortgages, bonds, obligations and securities, foreign exchange, foreign currency deposits and commodities, issued or guaranteed by any company wherever incorporated, or by any government, sovereign, ruler, commissioners, public body or authority, supreme, municipal, local or otherwise, by original subscription, tender, purchase, exchange, underwriting, participation in

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syndicates or in any other manner and whether or not fully paid up, and to meet calls thereon."

Business of the Group

- 8 The Scheme Company is the ultimate holding company of a group of companies (the "**Group**") that is one of the largest distributors and service providers of In Vitro Diagnostic ("**IVD**") products in the People's Republic of China ("**PRC**").
- 9 The Group also 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 brand-name "Yes!Star".

Assets

- 10 The principal assets of the Scheme Company comprise shares in its wholly owned subsidiary Yestar Asia Company Limited ("**Yestar BVI**"), an investment holding company incorporated with limited liability in the British Virgin Islands (the "**BVI**").
- 11 Yestar BVI wholly owns the shares in two subsidiaries, namely:
- 11.1 Yestar International (HK) Group Co, Ltd ("**Yestar HK**"), an investment holding company incorporated with limited liability in Hong Kong; and
- 11.2 Hantai Medical Co, Ltd, incorporated in the BVI.
- 12 Yestar HK is the sole shareholder of two of the PRC-incorporated holding companies that owns the business of the Group in the PRC. Yestar HK also owns 92.8% of the shares in the third PRC-incorporated holding company for the Group's business in the PRC.

The Notes

- 13 Pursuant to an indenture dated 15 September 2016 (as amended) (the "**Indenture**") between the Scheme Company, the Subsidiary Guarantors (defined below) and Citicorp International Limited, as trustee, the Scheme Company issued certain senior notes with an aggregate principal of US\$200,000,000 (the "**Notes**"). The Indenture is governed by the laws of the State of New York. The Notes were previously listed on the HKEX (Stock Code: 4508) and were

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subsequently delisted on 15 September 2021 upon their maturity. During 2021, the Scheme Company repurchased certain of the Notes, which will be cancelled prior to the Convening Hearing. As such, the outstanding principal amount of the Notes for the purposes of the Scheme will be US\$186,323,000.

- 14 The interest rate on the Notes is 6.9% per annum, payable in arrears semi-annually on 15 March and 15 September. The maturity date of the Notes was 15 September 2021 (the "**Maturity Date**").
- 15 Pursuant to the terms of the Indenture, Yestar BVI and Yestar HK (each a "**Subsidiary Guarantor**" and together the "**Subsidiary Guarantors**") have jointly and severally guaranteed to each Noteholder all of the obligations of the Scheme Company to pay the principal and interest under the Notes (the "**Subsidiary Guarantee**").
- 16 Pursuant to the relevant security documentation:
- 16.1 the Scheme Company has pledged all of the shares it owns in Yestar BVI; and
- 16.2 Yestar BVI has pledged all of the shares it owns in Yestar HK,
- in each case, as security in respect of the Company and the Subsidiary Guarantors' payment obligations in respect of the Notes and the Subsidiary Guarantee.

The financial position of the Scheme Company and the Group

- 17 In addition to the Notes, as of 30 September 2021, the Group has PRC bank loans and other borrowings in a total amount of approximately RMB440.8 million (approximately US\$68.3 million) ("**Other Group Borrowings**"), of which, approximately RMB138.0 million (approximately US\$21.4 million) will be due on or before 31 December 2021, and RMB302.8 million (approximately US\$46.9 million) will be due on or before 31 December 2022.
- 18 In the Group's latest audited interim Financial Statements as of 30 June 2021, its current liabilities exceeded its current assets by RMB339,993,000 (approximately US\$52.7 million). As a result, the Group is insolvent on a balance sheet basis.
- 19 As a result of the COVID-19 pandemic, during 2020 most hospital resources in the PRC have been reserved to combat Covid-19, which caused a sharp decrease in demand for the Group's

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- IVD equipment and related consumables. As a result, the Group recorded decreased revenue and profit in 2020 compared to 2019. The Company recorded a total revenue of RMB4,106.9 million (approximately US\$636.7 million) in 2020, a c.16.2% drop from 2019 revenues of RMB4,903.3 million (approximately US\$760.2 million).
- 20 Net loss in 2020 amounted to RMB645.3 million (approximately US\$100.0 million), compared with 2019's net profits at RMB301.3 million (approximately US\$46.7 million).
- 21 At the business segments level, revenues of medical businesses and non-medical businesses in 2020 amounted to RMB3,758 million (approximately US\$582.6 million) and RMB348.9 million (approximately US\$54.1 million) respectively, representing a c.14.7% and c.29.8% decrease as compared to 2019 respectively for the two segments. Gross profit margins of medical businesses and non-medical businesses decreased from 26.9% and 15.7% in 2019 to 20.2% and 13.9% in 2020, respectively.
- 22 There has been some improvement in 2021. In particular, revenue for the first half of 2021 was RMB2,322.7 million (approximately US\$360.1 million), a c.45.0% increase from the same period in 2020. Net profits for the first half of 2021 amounted to RMB120.9 million (approximately US\$18.7 million), while net loss for the same period in 2020 was RMB702.8 million (approximately US\$109.0 million).
- 23 Nevertheless, despite these improvements, the Scheme Company was unable to repay the principal (and other sums) due under the Notes on the Maturity Date and remains unable to do so. The Scheme Company is therefore insolvent on a cash flow basis.

Background to the restructuring

- 24 On 17 March 2021, the Scheme Company appointed Admiralty Harbour Capital Limited ("**Admiralty Harbour**") as its financial adviser to evaluate the Scheme Company's capital structure, liquidity position and to explore options for the restructuring of the Notes.
- 25 Since April 2021, the Scheme Company and Admiralty Harbour have been in discussions with Houlihan Lokey and Hogan Lovells, the financial and legal advisers of a group of Noteholders holding over US\$90 million of principal amount of the Notes, representing more than 45% of the aggregate outstanding principal amount of the Notes (the "**Bondholder Committee**") as of the

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Bondholder Committee's signing of the RSA on 6 October 2021, regarding the restructuring of the Notes.

- 26 In order to facilitate a full and open communication with all Noteholders and address the Group's liquidity issue in an efficient and fair way, on 20 July 2021, the Scheme Company announced on the website of the HKEX a proposed restructuring plan in connection with the Notes (the "**Initial Proposed Restructuring**"). The announcement appended a restructuring support agreement signed by the Scheme Company and the Subsidiary Guarantors on the same day (the "**Initial RSA**"). The Initial RSA appended a term sheet setting out the terms of the Initial Proposed Restructuring. Each Noteholder was invited to agree and support the Initial Proposed Restructuring by acceding to the Initial RSA. The Initial RSA terminated automatically on the longstop date of 15 September 2021, and the parties to the Initial RSA (including any consenting creditors who had acceded to that Initial RSA) were released from their obligations under the Initial RSA and have no further rights thereunder.
- 27 Following further discussions between the Scheme Company, the Bondholder Committee and their respective advisers, on 6 October 2021, the Company, the Subsidiary Guarantors and the members of the Bondholder Committee entered into a new restructuring support agreement (the "**New RSA**"). The New RSA: (i) contained terms (including higher interest rate for the new notes and added redemption premiums as compared to the terms of the Initial Proposed Restructuring) on which Noteholders may support the Scheme so as to enable it to proceed with an enhanced prospect of success, and (ii) appended a term sheet setting out the terms of a new proposed restructuring plan (the "**Proposed Restructuring**").

Objects and mechanics of the Scheme

- 28 The purpose of the Proposed Restructuring is to:

28.1 avoid the Scheme Company and the 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 Scheme Creditors (defined below) may be significantly less than if the Proposed Restructuring were to be completed successfully; and

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- 28.2 provide the Scheme Company with a sustainable capital structure to enable it and the Group to continue to operate on a going concern basis in order to deliver long-term value for all stakeholders.
- 29 The Proposed Restructuring will comprise a scheme of arrangement proposed by the Scheme Company and shall effect a compromise as between the Scheme Company with the Noteholders. In summary, under the terms of the Scheme, the Noteholders will agree to release in full their claims in respect of the Notes against the Scheme Company and the Subsidiary Guarantors in return for certain defined consideration (the "**Restructuring Consideration**").
- 30 The Restructuring Consideration comprises, among other matters, the issuing of new notes to the Noteholders by the Scheme Company and the payment of a consent fee to each Eligible Creditor (as defined in the New RSA) who acceded to the New RSA prior to a deadline stipulated in the New RSA.
- 31 The Scheme proposed by the Scheme Company will comprise one class of scheme creditor, namely the Noteholders (the "**Scheme Creditors**").

Orders and Directions

- 32 The Scheme Company intends to make an application for, among other things, orders and directions from the Court:
- 32.1 that the relevant class of Scheme Creditors affected by the Scheme is that referred to at paragraph 31 above;
- 32.2 that the Scheme Company be at liberty to convene a single meeting of Scheme Creditors (the "**Scheme Meeting**") for the purpose of considering and, if thought fit, approving (with or without modification) the Scheme;
- 32.3 as to the mode of delivery of a scheme document (which includes an explanatory statement and notice of the Scheme Meeting) to the Scheme Creditors and that a record date be set for the purposes of dispatch and for the purposes of voting at the Scheme Meeting; and

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32.4 as to the appointment of a chairman of the Scheme Meeting, and for directions that the chairman of the Scheme Meeting should report the result thereof to the Court.

33 That the resolution intended to be put to the Scheme Creditors at the Scheme Meeting is:

"THAT the Scheme of Arrangement, a copy of which has been tabled at this Scheme Meeting, be approved subject to any modification, addition or condition which the Grand Court of the Cayman Islands may think fit to approve or impose which would not directly or indirectly have a material adverse effect on the rights of the Scheme Creditors."

YOUR PETITIONER THEREFORE HUMBLY PRAYS THAT:

- (1) The Scheme may be sanctioned by the Court so as to be binding on each party thereto in accordance with its terms.
- (2) To this end, all necessary inquiries may be made and directions may be made and given.
- (3) Such further or other relief as the Court shall see fit.

Dated the 8th day of October 2021.

Maples and Calder (Cayman) LLP

Maples and Calder (Cayman) LLP
Attorneys-at-Law for the Petitioner

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ENDORSEMENT

This Petition has been presented to the Grand Court of the Cayman Islands on the 8th day of October 2021 and will be heard by the Grand Court of the Cayman Islands on the 10 day of December 2021 at 9:00 **a.m.** ~~p.m.~~ in the **fore**/after noon (or as soon thereafter as the Petition can be heard).

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