

**E GRAND COURT OF THE CAYMAN ISLANDS****FINANCIAL SERVICES DIVISION**

(JAJ)

**CAUSE NO. FSD 327 OF 2024 ( )****IN THE MATTER OF SECTION 35 OF THE COMPANIES ACT (2023 REVISION)****AND IN THE MATTER OF YUZHOU GROUP HOLDINGS COMPANY LIMITED****(禹洲集團控股有限公司)**

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**PETITION**

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**To: The Grand Court of the Cayman Islands**

**THE HUMBLE PETITION** of Yuzhou Group Holdings Company Limited (the **Company**) of Cricket Square, Hutchins Drive, P.O. Box 2681, George Town, Grand Cayman, KY1-1111, Cayman Islands, shows that:

**INTRODUCTION**

- 1 By this Petition, the Company seeks an Order of this Honourable Court, pursuant to section 35(2) of the Companies Act (2023 Revision) (the **Companies Act**), sanctioning the proposed allotment of new shares in the capital of the Company by way of a rights issue at a subscription price of HK\$0.035 each (the **Subscription Price**), being a discount to par of HK\$0.065 per share (the **Discounted Issuance**), on the condition that the Discounted Issuance will first be authorised by a resolution of the Company's shareholders (the

**Shareholders**) at an extraordinary general meeting (**EGM**) before this Petition is heard by this Honourable Court.

- 2 The Company is currently in the midst of implementing a restructuring of its offshore indebtedness and liabilities under various debt instruments issued by the Company and other members of its Group through the promulgation of parallel and inter-conditional schemes of arrangement in the Cayman Islands and Hong Kong (the **Restructuring**). The proceedings filed pursuant to section 86 of the Companies Act (2023 Revision) in the Cayman Islands (the **Cayman Scheme**) was recently dealt with by this Honourable Court in FSD 192 of 2024.
- 3 As a condition precedent to the successful implementation of the Restructuring, the Company is required to complete a rights issue (the **Rights Issue**) to fund certain costs and expenses relating to the Restructuring. To facilitate the implementation of the Rights Issue, and in view of certain restrictions in the Company's constitutional documents (amongst other reasons), the Company seeks to allot the new shares under the Rights Issue at a discount (i.e., the Discounted Issuance). Accordingly, the Company makes this application to obtain this Honourable Court's sanction of the Discounted Issuance.

#### **THE COMPANY**

- 4 The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 23 April 2008 with registration number 209366. The Company is registered as a non-Hong Kong company in Hong Kong with registration number F16329.
- 5 The registered agent of the Company is Conyers Trust Company (Cayman) Limited, and its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

#### **The Company's Business**

- 6 Pursuant to the memorandum of association of the Company, there are no limitations on the business that the Company may carry on.

- 7 The Company is the holding company of a group (the **Group**) that is principally engaged in property development, property investment, property management and hotel operations in the People's Republic of China (**PRC**) and Hong Kong.

#### Existing Share Capital of the Company

- 8 The shares of the Company have been listed and traded on the main board of The Stock Exchange of Hong Kong Limited (the **HKSE**) since 2 November 2009 under stock code 1628.
- 9 As at the date of this Petition (and prior to the implementation of the Share Consolidation (as defined below)), the Company has an authorised share capital of HK\$10,000,000,000 divided into 100,000,000,000 ordinary shares of nominal or par value of HK\$0.10 each (the **Existing Shares**), of which 6,543,909,500 of the 100,000,000,000 ordinary shares of HK\$0.10 have been issued and are fully paid up, or credited as fully paid up, with the rest remaining unissued.
- 10 As at the date of this Petition, Ms. Kwok Ying Lan (Chairman, Executive Director and Chief Executive Officer of the Company) and Mr. Lam Lung (a non-executive director of the Company) (together, the **Sponsors**), collectively hold an aggregate of 3,866,886,700 Existing Shares (either directly or indirectly through wholly owned entities), which represents approximately 59.09% of all issued Existing Shares. The remaining issued Existing Shares of the Company are held by other shareholders, including the general public.

#### THE RESTRUCTURING

- 11 As noted above, the Company is in the process of promulgating parallel and inter-conditional schemes of arrangement with certain of its creditors (the **Scheme Creditors**) in the Cayman Islands and Hong Kong. The Cayman Scheme has been sanctioned by this Honourable Court on 30 September 2024. Relatedly, the parallel Hong Kong scheme (the **HK Scheme** and collectively with the Cayman Scheme, the **Schemes**) has also been sanctioned by the High Court of the Hong Kong Special Administrative Region on 24 September 2024.
- 12 In broad terms, the Restructuring, as implemented through the Schemes, is anticipated to de-lever the Company's balance sheet and reduce the debt service requirements of the Group. The Restructuring seeks to compromise the Company's liabilities under various debt instruments (the **Existing Debt Instruments**, which comprise various series of publicly and privately traded senior

notes and perpetual securities issued by the Company, as well as certain loan facilities pursuant to which the Company was a borrower). In exchange for this compromise, Scheme Creditors will be entitled to elect from or otherwise be allocated various options of “**Scheme Consideration Entitlements**” which include certain (a) short-term maturity notes and upfront cash consideration, (b) medium-term maturity notes and new shares (the **New Equity**), and (c) long-term maturity notes.

13 Besides the Scheme Consideration Entitlements set out above, certain Scheme Creditors are also entitled to receive additional fees and payments under the Schemes, which include:

(a) the “**RSA Fees**”: These fees are payable to eligible Scheme Creditors pursuant to a restructuring support agreement entered into between the Company and an ad hoc group of Scheme Creditors on 8 February 2024 (the **RSA**). They are payable to Scheme Creditors who had acceded to the RSA before a stipulated deadline confirming their support for the Restructuring; and

(b) the “**Work Fees**”: These are fees that are payable to an ad hoc group of Scheme Creditors pursuant to a work fee letter dated 8 February 2024 in order to compensate them for their time and resources in respect of negotiating the Restructuring, and for being unable to deal in the securities of the Company during such period.

14 As a pre-condition to the Restructuring, the Company intends to implement the Rights Issue for the purposes of, amongst others, raising funds for the working capital needs of the Group and the payment of fees incurred in connection with the Restructuring, including the RSA Fees and Work Fees as described above.

15 The completion of the Rights Issue is a condition precedent (the **Rights Issue Condition**) to the occurrence of the effective date of the Restructuring (the **Restructuring Effective Date**) under the Schemes, which must occur by the longstop date of 28 February 2025, failing which the Schemes will lapse and the Restructuring will terminate.

#### THE PROPOSED DISCOUNTED ISSUANCE BY WAY OF RIGHTS ISSUE

16 The Company proposes to implement the Discounted Issuance by way of the Rights Issue on the basis of 49 “**Rights Shares**” (being the new shares proposed to be allotted and issued by the

Company pursuant to the Discounted Issuance) for every 100 Existing Shares held by the Qualifying Shareholders on the “**Record Date**” (i.e., the record date for the determination of entitlement under the Rights Issue which, at present, is anticipated to be 5 February 2025) at the subscription price of HK\$0.035 per Rights Share (the **Subscription Price**). “**Qualifying Shareholders**” are shareholders who are registered as a member of the Company as at the close of business on the Record Date but may exclude shareholders who are residing outside of Hong Kong.

- 17 Assuming that there are no changes to the number of issued Existing Shares on or before the Record Date, the Company hopes to raise up to approximately HK\$112.2 million (c. US\$14.4 million) by issuing up to 3,206,515,655 Rights Shares to Qualifying Shareholders by way of the Rights Issue.
- 18 To this end, the Sponsors, who collectively hold approximately 59.09% of the issued Existing Shares of the Company, have irrevocably undertaken to the Company, amongst others, that they will, and will procure their controlled corporations to, subscribe for their full entitlement to the Rights Issue based on their aggregate existing beneficial shareholding interest for the sum of HK\$66.3 million (c. US\$8.5 million). Save for the Sponsors, the Company has not received any information or irrevocable undertakings from any other shareholder of their intention to participate in the Rights Issue.
- 19 In order to encourage the other shareholders to participate in the Rights Issue, the Company seeks to implement the Rights Issue at the Subscription Price, being an amount below the par value per Existing Share of the Company. However, there are certain restrictions in the constitutional documents of the Company that restrict the Company from issuing new shares (whether through a rights issuance or otherwise) at a discount to par – i.e., the price per share of any new shares issued by the Company must not be less than HK\$0.10 per share, which is the current par value per Existing Share).
- 20 Accordingly, the Company seeks an order from this Honourable Court allowing the Company to carry out the Discounted Issuance pursuant to section 35(2) of the Companies Act, so as to enable it to implement the Rights Issue at the Subscription Price.

**The Subscription Price**

- 21 In determining a suitable subscription price for the Rights Issue, the Company has considered, amongst others, the market price of the Existing Shares, the financial conditions of the Company, current market conditions and the importance of the Rights Issue in facilitating the Restructuring.
- 22 To this end, the Company has considered that the Subscription Price of HK\$0.035 being offered is a meaningful discount to the prevailing trading price of the Existing Shares (which has generally been lower than the current par value per share of HK\$0.10 per share over the past few months), and is fair and reasonable, and in the interests of the Company and the shareholders as a whole.

**Reasons for the Discounted Issuance**

- 23 As stated above, the Discounted Issuance is intended to raise up to approximately HK\$112.2 million (before deducting professional fees and other related expenses) by issuing up to 3,206,515,655 Rights Shares (assuming no changes in the number of Existing Shares on or before the Record Date) to the Qualifying Shareholders.
- 24 Assuming the Rights Issue is fully subscribed, the estimated net proceeds of the Rights Issue (after deducting professional fees and other related expenses of approximately HK\$2 million) will be approximately HK\$110.2 million (c. US\$14.2 million).
- 25 The net proceeds from the Rights Issue are intended to be applied in the following manner:
- (a) up to HK\$66.3 million (c. US\$8.5 million) raised from the subscription by the Sponsors shall be applied towards the payment of the RSA Fees to the Scheme Creditors (as described above); and
  - (b) out of the remaining proceeds:
    - (i) approximately 50% towards payment of fees (primarily the Work Fees described above) in connection with the Restructuring; and
    - (ii) approximately 50% towards the general working capital needs and other expenses of the Group.

26 Accordingly, the Discounted Issuance is for a proper and discernible purpose, and it is a commercially appropriate course for the Company to pursue.

**Conditions precedent to the Discounted Issuance**

27 Subject to this Honourable Court having sanctioned the Discounted Issuance, the Discounted Issuance remains conditional on the fulfilment of various other conditions including:

- (a) the listing committee of the HKSE granting the listing of and permission to deal in the Rights Shares (in their nil-paid and fully paid forms) and such permission and listing not subsequently having been withdrawn or revoked;
- (b) a duly certified copy of each of the prospectus documents and all other required documents) (the **Prospectus Documents**) having been registered with the Hong Kong Companies Registry not later than the date on which the Prospectus Documents are made available and/or sent to the Qualifying Shareholders (the **Prospectus Posting Date**) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong);
- (c) following registration as referred to in paragraph (b) above, the posting of the Prospectus Documents to the Qualifying Shareholders and the publication of the Prospectus Documents on the website of the HKSE on the Prospectus Posting Date;
- (d) no application of Rights Shares or excess Rights Shares by any Shareholders being allowed, which would either result in (i) a general offer obligation as required under the Takeovers Code being triggered; or (ii) the public float of the Company to decrease to below 25% of the total issued shares (in which case, relevant applications of Rights Shares and excess Rights Shares will be scaled down and the subscription monies not utilised due to scaled down applications will be refunded to the affected applicants); and
- (e) all other necessary waivers, consent and approvals (if required) from the relevant governmental or regulatory authorities for the Rights Issue and the transactions contemplated thereunder having been obtained and fulfilled.

- 28 The Company has no reason to believe at this stage that it will be unable to satisfy each of the above conditions. However, as a result of the number of conditions that need to be fulfilled before the Discounted Issuance can be effected, it is expected that the Rights Issue will only be completed and the Rights Shares will be allotted and issued to Qualifying Shareholders that subscribe for such Rights Shares, on or around 27 February 2025. Accordingly, the Company seeks an extension of time from this Honourable Court to effect the Discounted Issuance by 27 February 2025.
- 29 For completeness, the Discounted Issuance itself is not a pre-requisite to the implementation of the Rights Issue or a condition precedent to the Restructuring. In other words, the Company could explore other available options to fulfil the Rights Issue Condition including but not limited to, carrying out the Rights Issue at the par value per share.
- 30 Notwithstanding the above, the Discounted Issuance, which will enable the Company to issue new shares at a discount to its par value, is nonetheless critical as it represents an equitable solution for the shareholders (including the Sponsors) of the Company given the prevailing trading price of the shares. As noted above, the Company also considers that the discount represented by the Subscription Price would encourage the shareholders to participate in the Rights Issue which will, in turn, allow the Company to replenish internal financial resources of the Group to meet its imminent financial needs.

#### **OTHER RELATED TRANSACTIONS**

- 31 Aside from the Discounted Issuance (which will take the form of the Rights Issue), the Company also intends to carry out the following transactions, which are anticipated to be implemented after the Rights Issue:
- (a) **Issuance of the New Equity:** The New Equity is issued as part of the Scheme Consideration Entitlements to certain Scheme Creditors who have validly elected or been automatically re-assigned to receive, amongst others, the New Equity under the Restructuring. Subject to the occurrence of the Restructuring Effective Date, the Company will allot and issue a total of 5,645,000,000 Existing Shares to these Scheme Creditors at an exchange price of HK\$2.127 per Existing Share.

- (b) **Share Consolidation:** The Company is seeking to implement a share consolidation to consolidate every ten (10) issued and unissued Existing Share of par value of HK\$0.10 each in the share capital of the Company into one (1) consolidated share of par value of HK\$1.00 each (the **Consolidated Share**) in the share capital of the Company. The Share Consolidation is necessary to enable the Company to comply with trading requirements under the HKEX's Listing Rules.
- (c) **Change in Board Lot Size:** Subject to the Share Consolidation becoming effective, the Company also proposes to change the board lot size for trading in the shares on the HKSE from 1,000 Existing Shares to 5,000 Consolidated Shares.
- 32 Together with the Discounted Issuance and the Rights Issue, these transactions will enable the Company to complete the Restructuring and achieve a significant deleverage of its balance sheet, as well as enable the share price and board lot value of the Company to comply with the trading requirements under the Listing Rules after taking into account the expected impact of the Rights Issue on the share price of the Company.

#### **POWER TO ISSUE SHARES AT A DISCOUNT**

##### **The EGM**

- 33 Article 12(1) of the Amended and Restated Memorandum and Second Amended and Restated Articles of Association of the Company (adopted pursuant to a special resolution passed on 30 May 2024) provides that:

*“Subject to the Act, these Articles, and any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, the unissued shares of the Company (whether forming part of the original or any increased capital) shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Board may in its absolute discretion determine but so that no shares shall be issued at a discount to their nominal value...”*

34 An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Share Consolidation and the Discounted Issuance. Based on the indicative timetable (as annexed at Annex 1 to this Petition), it is anticipated that the EGM will be convened on or around 30 December 2024. Prior to the EGM, a circular containing, amongst others, further details and a notice of the EGM will be circulated to the Shareholders.

35 At the EGM, the Company will seek to pass, amongst others, the following resolutions:

*“THAT, subject to the Cayman Court having sanctioned the Discounted Issuance and conditional upon the satisfaction of all conditions of the Rights Issue:*

*(a) the issuance of up to 3,206,515,655 Existing Shares of HK\$0.10 each in the share capital of the Company under the Rights Issue, which are to be credited as fully paid at HK\$0.035 per Existing Share (being the Subscription Price), representing a discount of HK\$0.065 to the par value of HK\$0.10 of each Existing Share, be and is hereby approved, confirmed and ratified; and*

*(b) any Director or company secretary of the Company be and is hereby authorised to do all such acts and things and sign, ratify or execute all such documents and take all such steps as he/she in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Discounted Issuance and any of the transactions contemplated thereunder.”*

36 The Company is confident that the requisite resolution approving the Discounted Issuance will be passed at the EGM. In this regard, as noted above, the Sponsors who are in support of the Discounted Issuance collectively hold approximately 59.09% of the issued shares in the Company.

#### **EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY**

37 Set out below is the change in shareholding structure of the Company arising from the Rights Issue (assuming there are no changes to the number of issued Shares from the date of this Petition to completion of the Rights Issue other than the issuance and allotment of the Rights Shares):

|                                    | As at the date<br>of this announcement |                | Immediately after completion<br>of the Rights Issue (assuming all<br>Shareholders have taken up their<br>entitled Rights Shares) |                | Immediately after completion<br>of the Rights Issue (assuming<br>only the Sponsors have taken<br>up their entitled Rights Shares<br>pursuant to the Irrevocable<br>Undertaking, and no<br>aggregation and allotment of<br>fractional Rights Shares)<br>(Note 1) |                |
|------------------------------------|--|----------------|--|----------------|---|----------------|
|                                    | No. of Shares                          | Approximate %  | No. of Shares  | Approximate %  | No. of Shares   | Approximate %  |
| <b>Directors</b>                   |  |                |  |                |   |                |
| Sponsors (Note 2)                  | 3,866,886,700                          | 59.09%         | 5,761,661,181  | 59.09%         | 5,761,661,181   | 68.28%         |
| Mr. Lin Conghui (Note 3)           | 10,265,697                             | 0.16%          | 15,295,888   | 0.16%          | 10,265,697  | 0.12%          |
| <b>Public Shareholders</b>         |  |                |  |                |   |                |
| Overseas Chinese Town (Note 4)     | 650,729,098                            | 9.94%          | 969,586,356  | 9.94%          | 650,729,098   | 7.71%          |
| Other Shareholders (Notes 5 and 6) | 2,016,028,005                          | 30.81%         | 3,003,881,730  | 30.81%         | 2,016,028,005   | 23.89%         |
| Total                              | <u>6,543,909,500</u>                   | <u>100.00%</u> | <u>9,750,425,155</u>   | <u>100.00%</u> | <u>8,438,683,981</u>  | <u>100.00%</u> |

38 For completeness, other than the issuance of new shares to Scheme Creditors under the Restructuring, the Company does not have any concrete plans to conduct any fundraising activities in the next 12 months.

39 Subject to this Honourable Court having sanctioned the Discounted Issuance, the Company will despatch the Prospectus Documents to the Shareholders.

Your Petitioner therefore humbly prays that:

1. The Discounted Issuance which is to be effected by the resolution set out at paragraph 35 above be sanctioned by this Honourable Court.
2. All necessary inquiries may be made and directions may be given.
3. Such further or other orders as this Honourable Court thinks fit.

Dated this 1<sup>st</sup> day of November 2024



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**Harney Westwood & Riegels**

**Attorneys-at-Law for and on behalf of the Petitioner**

**NOTE:** This Petition is not intended to be served.

**THIS PETITION** was presented by Harney Westwood & Riegels, Attorneys-at-Law for the Company, whose address for service is 4<sup>th</sup> Floor, Harbour Place, 103 South Church Street, PO Box 10240, Grand Cayman KY1-1002, Cayman Islands (**Ref:** 061980.0002-CAR/BPH).

**NOTICE OF HEARING**

**TAKE NOTICE THAT** the hearing of this Petition will take place at the Law Courts, George Town, Grand Cayman, Cayman Islands on 7th January 2025 at 10:30 am/pm.

Any correspondence or communication with the Court relating to the hearing of this Petition should be addressed to the Registrar of the Financial Services Division of the Grand Court at PO Box 495, George Town, Grand Cayman KY1-1106, Cayman Islands; Tel: 3459494296.

# **ANNEX 1 – INDICATIVE TIMETABLE**

| <u>S/N</u>  | <u>Event</u>  | <u>Date and time</u>                                  |
|---|---|---|
| 1.  | Expected date of despatch of circulate, notice of EGM and the form of proxy for the EGM                         | On or before Friday, 13 December 2024                 |
| 2.  | Latest date and time for lodging transfer documents in order to qualify for attending and voting at the EGM     | 4:30 p.m. on Friday, 20 December 2024                 |
| 3.  | Closure of register of members for determining entitlement to attend and vote at the EGM (both dates inclusive) | Monday, 23 December 2024 to Monday, 30 December 2024  |
| 4.  | Latest date and time for lodging proxy forms for the EGM (not less than 48 hours before the time of the EGM)    | 10:30 a.m. on Saturday, 28 December 2024              |
| 5.  | Record date for the EGM   | Monday, 30 December 2024                              |
| 6.  | Expected date and time of the EGM   | 10:30 a.m. on Monday, 30 December 2024                |
| 7.  | Publication of announcement of poll results of the EGM  | Monday, 30 December 2024                              |
| <b>The following events are conditional on the results of the EGM and satisfaction of conditions of the Rights Issue (including court sanction of the Discounted Issuance which is subject to the availability of the Cayman Court) and therefore the dates are tentative only.</b> |   |   |
| 8.  | Last day of dealings in the Shares on a cum-rights basis  | Wednesday, 22 January 2025                            |
| 9.  | First day of dealings in the Shares on an ex-rights basis   | Thursday, 23 January 2025                             |
| 10.   | Latest time for lodging transfer documents of Shares to qualify for the Rights Issue                            | 4:30 p.m. on Friday, 24 January 2025                  |
| 11.   | Closure of the Register of Members to determine entitlement to the Rights Issue (both days inclusive)           | Monday, 27 January 2025 to Wednesday, 5 February 2025 |
| 12.   | Record Date for determining entitlement to the Rights Issue   | Wednesday, 5 February 2025                            |
| 13.   | Re-opening of the Register of Members   | Thursday, 6 February 2025                             |
| 14.   | Despatch of the Prospectus Documents to the Qualifying Shareholders (including the Prospectus, PAL and EAF)     | Thursday, 6 February 2025                             |
| 15.   | First day of dealings in nil-paid Rights Shares   | Monday, 10 February 2025                              |

| <b>S/N</b> | <b>Event</b>   | <b>Date and time</b>                     |
|------------|--|--|
| 16.        | Latest time for splitting PAL.   | 4:30 p.m. on Wednesday, 12 February 2025 |
| 17.        | Last day of dealings in nil-paid Rights Shares   | Monday, 17 February 2025                 |
| 18.        | Latest time of acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares              | 4:00 p.m. on Thursday, 20 February 2025  |
| 19.        | Latest time for the Rights Issue to become unconditional   | 4:00 p.m. on Friday, 21 February 2025    |
| 20.        | Announcement of the allotment results of the Rights Issue  | Wednesday, 26 February 2025              |
| 21.        | Despatch of refund cheques for wholly or partially unsuccessful applications for Rights Shares and excess Rights Shares to be posted | On or before Thursday, 27 February 2025  |
| 22.        | Despatch of share certificates for fully paid Rights Shares  | On or before Thursday, 27 February 2025  |
| 23.        | Commencement of dealings in fully paid Rights Shares   | 9:00 a.m. on Friday, 28 February 2025    |
| 24.        | Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of Shares         | 9:00 a.m. on Friday, 28 February 2025    |
| 25.        | Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of Shares         | 4:00 p.m. on Thursday, 20 March 2025     |

All times and dates in this announcement refer to Hong Kong local times and dates.

Dates or deadlines specified in the expected timetable above, and in other parts of this announcement, are indicative only and, subject to, among other things, availability of the Cayman Court and/or other reasons outside of the Company's control, may be extended or varied by the Company. The Company will notify the Shareholders by way of announcement(s) of any change to the expected timetable as soon as practicable.