

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE
ATTENTION**

**IF YOU ARE IN ANY DOUBT AS TO ANY ASPECT OF THIS DOCUMENT OR AS
TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR
SOLICITOR, PROFESSIONAL ACCOUNTANT, OR OTHER PROFESSIONAL
ADVISORS WITHOUT DELAY**

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

BETWEEN

SHIMAO GROUP HOLDINGS LIMITED
世茂集團控股有限公司

AND

THE SCHEME CREDITORS
(as defined in this Explanatory Statement)

3 February 2025

This document comprises an explanatory statement pursuant to Section 671 of the Companies Ordinance in relation to a scheme of arrangement pursuant to Sections 670, 673 & 674 of the Companies Ordinance, proposed by Shimao Group Holdings Limited (the “**Company**”).

The definitions used in this Explanatory Statement are set out in Appendix 2 (*Definitions*) to this Explanatory Statement and Clause 1 (*Definitions and Interpretation*) to the Scheme.

This Explanatory Statement is being sent to persons who it is believed are or may be Scheme Creditors at the date of this Explanatory Statement. If you have assigned, sold, or otherwise transferred, or assign, sell or otherwise transfer, your interests as a Scheme Creditor before the Record Time, you must forward this Explanatory Statement and the accompanying documents at once to the person or persons to whom you have assigned, sold or otherwise transferred your interests as a Scheme Creditor.

You are recommended to seek independent financial, legal and/or tax advice immediately with respect to the contents of this Explanatory Statement and all documents that accompany it, in respect of what action you should take.

This Explanatory Statement has been made available to you in an electronic form on the Transaction Website. You are advised that documents made available to you in electronic form may be altered or changed during the process of transmission and consequently none of the Company, the Information Agent, the Blocked Scheme Creditor Tabulation Agent nor any of their respective Affiliates, directors, officers or employees, accept any liability or responsibility whatsoever in respect of any difference between this Explanatory Statement distributed to you in electronic format and the version available to you for inspection on the Transaction Website.

WARNING – The contents of this Explanatory Statement have not been reviewed by any regulatory authority in Hong Kong, the PRC, the United States, England, Singapore or in any other jurisdiction. Neither the SEC nor any United States state securities commission has approved or disapproved of the Restructuring Consideration or determined if this Explanatory Statement is truthful or complete. Any representation to the contrary may be a criminal offence. You are strongly encouraged to exercise caution in relation to any offer pursuant to the scheme of arrangement set out in this Explanatory Statement.

This Explanatory Statement does not constitute an offer to sell or a solicitation of an offer to buy any securities. None of the securities referred to in this Explanatory Statement may be sold, issued or transferred in any jurisdiction in contravention of applicable law. The securities proposed to be issued pursuant to the Scheme will not be registered with the SEC under the U.S. Securities Act, or the securities laws of any state of the United States or other jurisdiction, and are being transferred and delivered in reliance upon certain exemptions from the registration requirements of the U.S. Securities Act. The securities proposed to be issued pursuant to the Scheme will be issued and delivered only (i) in the United States to QIBs as defined in Rule 144A and institutional Accredited Investors as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the U.S. Securities Act; and (ii) outside the United States to non-U.S. persons in offshore transactions, in reliance on Regulation S under the U.S. Securities Act.

An application will be made to the SGX-ST for the listing and quotation of each of the New Securities on the Official List (as defined in the Mainboard Rules of the SGX-ST) of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Approval in-principle from, admission of

the New Securities to the Official List of the SGX-ST and the listing and quotation of the New Securities on the SGX-ST are not to be taken as an indication of the merits of any of the New Securities, the Company, any guarantees, any guarantors, their respective subsidiaries (if any), their respective associated companies (if any) or their respective joint venture companies (if any) or the quality of disclosure in this Explanatory Statement. Under the rules of the SGX-ST, the New Securities, if traded on the SGX-ST, are required to be traded in a minimum board lot sizes of S\$200,000 (or its equivalent in foreign currencies). Accordingly, for so long as any of the New Securities are listed on the SGX-ST and the rules of the SGX-ST so require, the New Securities, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). To the extent that the Company is required to disclose additional information solely for the purposes of the application to list any of the New Securities on the SGX-ST, such information will be made available to Scheme Creditors on the Transaction Website.

Section 309B Notification – The New Securities are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This Explanatory Statement is accompanied by the Solicitation Packet, as set out at Appendix 6 (*Solicitation Packet*) to this Explanatory Statement, which is also available on the Transaction Website for Scheme Creditors to download.

The Solicitation Packet contains: (i) the Account Holder Letter (for Existing Noteholders who are not Sanctions-Affected Scheme Creditors), which also encloses the Designated Recipient Form and the Distribution Confirmation Deed, (ii) the Lender Proxy Form (for Existing Lenders who are not Sanctions-Affected Scheme Creditors), Designated Recipient Form and the Distribution Confirmation Deed, (iii) the Blocked Scheme Creditor Form for Blocked Scheme Creditors, and (iv) instructions and guidance for Scheme Creditors and any person with an interest in the Existing Debt as to how to complete those documents.

In order to receive the Scheme Consideration and the Consent Fee (if applicable), all Scheme Creditors (and Designated Recipients, if applicable) will need to hold an account (directly or indirectly through the intermediary chain) with an account holder or custodian which itself holds an account with the Clearing Systems in order to receive the Scheme Consideration and the Consent Fee (if applicable), unless otherwise agreed with the Information Agent. This includes Existing Lenders who are not Existing Noteholders but select to receive New Securities as Scheme Consideration (all Existing Noteholders will already have access to such an account, through which they hold the Existing Notes, so no further action is required from them) or as Consent Fee. Due to the necessity to receive cash component of the Consent Fee (if applicable) through such account and the potential possibilities to receive New Securities through such account as the result of reallocation set out in Section 8.5, all Existing Lenders and Designated Recipients (if applicable) are advised to open an account (directly or indirectly through the intermediary chain) with an account holder or custodian which itself holds an account with the Clearing Systems as soon as possible, and provide the Information Agent with the required details of such account (as required in the relevant Lender Proxy Form) as soon as possible, and in any event, by the Record Time, including those who have selected only the New Loan as the Scheme Consideration or as Consent Fee (if applicable). If you are unable to open the Clearing Systems account with an account holder or custodian and are not a Sanctions-

Affected Scheme Creditor, please contact the Information Agent who will inform the Company.

Further important information is set out under Section 2 (*Important Notices to Scheme Creditors*) and Section 3 (*Important Securities Law Notices*) to this Explanatory Statement.

Queries from Scheme Creditors (who are not Sanctions-Affected Scheme Creditors) in relation to this Explanatory Statement or the completion of the Account Holder Letter and/or Lender Proxy Form should be directed to the Information Agent as follows:

Kroll Issuer Services Limited

Address: Level 3, Three Pacific Place, 1 Queen's Road East, Wan Chai, Hong Kong

Telephone: +852 2281 0114 / +44 20 7704 0880

Email: shimaogroup@is.kroll.com

Transaction Website (document posting website): <https://deals.is.kroll.com/shimaogroup>

Queries from Blocked Scheme Creditors in relation to this Explanatory Statement or the completion of the Blocked Scheme Creditor Form should be directed to the Blocked Scheme Creditor Tabulation Agent as follows:

GLAS Specialist Services Limited

Address: 55 Ludgate Hill, Level 1 West, London, EC4M 7JW, UK

Telephone: +44 (0)20 3597 2940

Email: shimaorestructuring@glas.agency

Attention: Shimao – TRN00005300

For submitting Blocked Scheme Creditor Forms

please refer to the Solicitation Packet

Queries from Sanctioned Scheme Creditors in relation to this Explanatory Statement should be directed to the Company at companysecretary@shimaogroup.com.hk.

SUMMARY OF KEY DATES AND INSTRUCTIONS

- The **Custody Instruction Deadline** will be 11:00 p.m. Hong Kong time on 14 February 2025.¹
- The **Record Time**, is 11:00 p.m. Hong Kong time on 19 February 2025, being three (3) business days before the Scheme Meeting.

The **Record Time** is the deadline for Scheme Creditors, who are not Sanctions-Affected Scheme Creditors, to submit their voting instructions in their respective Account Holder Letter and/or Lender Proxy Form (as applicable) to the Information Agent, or in the case of Blocked Scheme Creditors, the deadline to submit their Blocked Scheme Creditor Form to the Blocked Scheme Creditor Tabulation Agent.

Scheme Creditors and Blocked Scheme Creditors who wish to make a specific election of what type of Scheme Consideration they wish to receive must make their non-binding Scheme Creditors' Election on or prior the **Record Time**. **If you do not submit your non-binding Scheme Creditors' Election by the Record Time, you will be deemed to have elected Option 3 only, and will receive Mandatory Convertible Bonds in a principal amount equal to the sum of (i) your Scheme Creditor's Principal Amount and (ii) accrued and unpaid interest at the Original Interest Rate thereon up to (but excluding) 31 December 2023.** If you successfully made your non-binding Scheme Creditors' Election on or prior the **Record Time**, you may continue to change your election up to the Scheme Consideration Election Deadline.

If you are an Eligible Consenting Creditor you should also make your non-binding election for what Short Term Instrument component of the Consent Fee you wish to receive on or prior to the **Record Time**. If you do not make your election by the Record Time, you will be allocated either the Short Term Notes or the Short Term Loan at the Company's sole discretion with respect to your entitlement to the Short Term Instrument component of the Consent Fee, if any.

Finally, the Existing Debt that you hold as of the **Record Time** will be assessed for the purposes of calculating your Voting Scheme Claim and Distribution Scheme Claim.

- The **Scheme Meeting** will be held at the offices of Sidley Austin at 39/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong, with any adjournment as may be appropriate, at 11:00 a.m. Hong Kong time on 24 February 2025 (or, if the Scheme Meeting is postponed, such later date and time as notified by the Company to Scheme Creditors via the Transaction Website and (if applicable) the Clearing Systems).

A formal notice convening the **Scheme Meeting** is set out in Appendix 10 (*Notice of the Scheme Meeting*) to this Explanatory Statement.

Scheme Creditors will be able to attend the **Scheme Meeting** and vote, either in person or by a duly authorised representative (if a corporation), or by proxy. Sanctioned

¹ The Custody Instruction Deadline is the latest date and time for delivery of Custody Instructions to the relevant Clearing System for blocking the Existing Notes for a Scheme Creditor (other than Sanctions-Affected Scheme Creditors) to be eligible to vote at the Scheme Meeting and/or receive Scheme Consideration and Consent Fee (if applicable) on the Restructuring Effective Date.

Scheme Creditors will not be entitled to attend the Scheme Meeting or vote on the Scheme. Scheme Creditors will also be able to attend the Scheme Meeting by video conference to listen and ask questions. However, you will not be able to vote if you attend by video conference. Dial-in details for the video conference are available upon request from the Information Agent (if you are a Scheme Creditor who is not a Sanctions-Affected Scheme Creditor)² or the Blocked Scheme Creditor Tabulation Agent (if you are a Blocked Scheme Creditor).³

- The **Scheme Consideration Election Deadline** is 11:00 p.m. Hong Kong time on 3 March 2025, being five (5) business days after the Scheme Meeting. The **Scheme Consideration Election Deadline** is the deadline for the Scheme Creditors who have submitted their elections of the Scheme Creditors' Election on or prior to the Record Time in their respective Account Holder Letter and/or Lender Proxy Form (or in the case of Blocked Scheme Creditors, their respective Blocked Scheme Creditor Form) to amend their previously submitted Scheme Creditors' Election. Your final Scheme Creditor's Election, as submitted and amended as at the Scheme Consideration Election Deadline, shall become binding.
- If the Scheme is approved by the Scheme Creditors, a separate hearing before the Court will be necessary for the Court to sanction the approved Scheme. The **Sanction Hearing** before the Court to determine whether or not the Scheme will be sanctioned is presently scheduled to take place on 13 March 2025 at the High Court of Hong Kong, High Court Building, 38 Queensway, Hong Kong, with the exact time and location to be notified by the Court Registry.

² Each Scheme Creditor (other than Sanctions-Affected Scheme Creditors) will need to give its instructions to the relevant Account Holder as to voting. The Record Time is the latest date and time for delivery of a validly completed Account Holder Letter and/or Lender Proxy Form to vote at the Scheme Meeting. All Voting Scheme Claims are determined as at the Record Time.

³ Blocked Scheme Creditors will need to submit (or procure the submission of, as applicable) a Blocked Scheme Creditor Form to the Blocked Scheme Creditor Tabulation Agent. The Record Time is the latest date and time for delivery of a validly completed Blocked Scheme Creditor Form to vote at the Scheme Meeting.

SUMMARY OF ACTION TO BE TAKEN

- **Instructions about actions to be taken by the Scheme Creditors** before the Scheme Meeting are set out in Section 11 (*Scheme Creditors and Actions to be Taken*), along with Appendix 6 (*Solicitation Packet*) to this Explanatory Statement.
- Whether or not you intend to attend the Scheme Meeting in person or by authorised representative (if a corporation), you are requested to ensure that the documents specified below are validly completed, executed and returned in accordance with the instructions set out therein so that if you are: (i) a Scheme Creditor who is not a Sanctions-Affected Scheme Creditor, they are submitted and received via the Clearing Systems (in respect of Existing Noteholders for your Custody Instruction) and the Transaction Website to the Information Agent (for your Account Holder Letter, Lender Proxy Form, Distribution Confirmation Deed and, if applicable, Designated Recipient Form); or (ii) if you are a Blocked Scheme Creditor, they are submitted to the Blocked Scheme Creditor Tabulation Agent, in each case by the applicable dates and times set out below:

Creditor	Actions to be taken ⁴	Deadline
<u>To vote at the Scheme Meeting</u>		
For Scheme Creditors who are not Sanctions-Affected Scheme Creditors.	Custody Instructions (in respect of Existing Noteholders only) to be submitted via the Clearing Systems prior to the submission of the Account Holder Letter and, in any case, by the Custody Instruction Deadline	<u>Custody Instruction Deadline (11:00 p.m. Hong Kong time on 13 March 2025)⁵</u>
	Part 1 and Part 2 of the Account Holder Letter (including the Custody Instruction Reference Number) and/or Sections 1 to 5 of the Lender Proxy Form (as applicable) to be submitted via the Transaction Website or (if agreed by the Information Agent) via email at	<u>Record Time (11:00 p.m. Hong Kong time on 19 February 2025)</u>

⁴ In relation to Scheme Creditors who are not Sanctions-Affected Scheme Creditors, all documents must be submitted to the Information Agent via the Transaction Website or (if agreed by the Information Agent) via email at shimaogroup@is.kroll.com by Account Holders. In relation to Blocked Scheme Creditors, the Blocked Scheme Creditor Form and supporting evidence must be submitted to the Blocked Scheme Creditor Tabulation Agent via email at shimaorestructuring@glas.agency.

⁵ Scheme Creditors who are not Sanctions-Affected Scheme Creditors are required to contact their Account Holders/Intermediaries to ensure that their Existing Notes are blocked and that their instructions are received with sufficient time to enable Account Holder Letters to be submitted via the Transaction Website or (if agreed by the Information Agent) via email at shimaogroup@is.kroll.com and received by the Information Agent on or prior to the Record Time.

Creditor	Actions to be taken ⁴	Deadline
	shimaogroup@is.kroll.com by the Record Time	
For Blocked Scheme Creditors.	Part 1 and Part 2 of the Blocked Scheme Creditor Form, including supporting evidence, to be submitted to the Blocked Scheme Creditor Tabulation Agent by email by the Record Time	<u>Record Time (11:00 p.m. Hong Kong time on 19 February 2025)</u>
To receive the Restructuring Consideration (including the Scheme Consideration and any applicable Consent Fee which is payable)		
For Scheme Creditors who are not Sanctions-Affected Scheme Creditors: To receive the Restructuring Consideration (including the Scheme Consideration and any applicable Consent Fee which is payable) on the Restructuring Effective Date (<i>see above if also wishing to vote at the Scheme Meeting</i>)	Custody Instructions (in respect of Existing Noteholders only) to be submitted via the Clearing Systems prior to the submission of the Account Holder Letter (and, in any case by the Custody Instruction Deadline)	<u>Custody Instruction Deadline (11:00 p.m. Hong Kong time on 14 February 2025)³</u>
	- Part 1 and Part 3 of the Account Holder Letter and/or Sections 1 to 4 and Section 6 of the Lender Proxy Form (as applicable) to be submitted via the Transaction Website or (if agreed by the Information Agent) via email at shimaogroup@is.kroll.com by the Record Time to make non-binding Scheme Creditors' Election - Part 2 of the Account Holder Letter and/or Section 4 of the Lender Proxy Form (as applicable) (for a Scheme Creditor to be eligible to receive the Consent Fee, subject to the other conditions for eligibility for such fee being satisfied) to be	<u>Record Time (11:00 p.m. Hong Kong time on 19 February 2025)</u>

Creditor	Actions to be taken ⁴	Deadline
	submitted via the Transaction Website or (if agreed by the Information Agent) via email at shimaogroup@is.kroll.com by the Record Time • Distribution Confirmation Deed to be submitted via the Transaction Website or (if agreed by the Information Agent) via email at shimaogroup@is.kroll.com by the Record Time • Designated Recipient Form (for a Scheme Creditor who is not an Eligible Person and/or who wishes to appoint a Designated Recipient to receive the Restructuring Consideration) to be submitted via the Transaction Website or (if agreed by the Information Agent) via email at shimaogroup@is.kroll.com by the Record Time	
	• (Optional and only if the Scheme Creditor has submitted a validly completed Account Holder Letter and/or Lender Proxy Form on or before the Record Time but would like to change their Scheme Consideration Election) A new Part 3 of the Account Holder Letter and/or Section 6 of the Lender Proxy Form (as applicable) submitted via the Transaction Website or (if agreed by the Information Agent) via email at	<u>Scheme Consideration Election Deadline (11:00 p.m. on the date falling five (5) Business Days after the date of the Scheme Meeting)</u>

Creditor	Actions to be taken ⁴	Deadline
	shimaogroup@is.kroll.com by the Scheme Consideration Election Deadline to amend previously submitted Scheme Creditors' Election, otherwise the previously submitted non-binding Scheme Creditors' Election will become binding	
For Scheme Creditors who are not Sanctions-Affected Scheme Creditors: To receive the Restructuring Consideration on or before the Holding Period Expiry Date (where the documents specified above, to receive the Restructuring Consideration on the Restructuring Effective Date, have not been submitted by the relevant deadlines)	• Custody Instructions (in respect of Existing Noteholders only) to be submitted via the Clearing Systems (and must be submitted prior to the submission of the Account Holder Letter and in any case by the Holding Period Custody Instruction Deadline) • Part 1 of the Account Holder Letter and/or Sections 1 to 4 of the Lender Proxy Form to be submitted via the Transaction Website or (if agreed by the Information Agent) via email at shimaogroup@is.kroll.com • Distribution Confirmation Deed to be submitted via the Transaction Website or (if agreed by the Information Agent) via email at shimaogroup@is.kroll.com • Designated Recipient Form (for a Scheme Creditor who is not an Eligible Person and/or who wishes to appoint a Designated Recipient to receive the Restructuring	<u>Bar Time, being 5:00 p.m. Hong Kong time on the date which is 140 calendar days after the Restructuring Effective Date (or, if such date is not a Business Day, the next Business Day after that date)</u>

Creditor	Actions to be taken ⁴	Deadline
	Consideration) to be submitted via the Transaction Website or (if agreed by the Information Agent) via email at shimaogroup@is.kroll.com	
Blocked Scheme Creditors: To (i) receive the Restructuring Consideration on the Holding Period Distribution Date ⁶ (if the Applicable Sanctions have been lifted by such time) or (ii) preserve their Restructuring Consideration after the Holding Period Expiry Date through the Successor Escrow, in accordance with the terms of its escrow agreement (if the Applicable Sanctions have not been lifted by the Holding Period Expiry Date)	Part 1, Part 2 and Part 3 of the Blocked Scheme Creditor Form, including supporting evidence to be submitted to the Holding Period Trustee by email	<u>Bar Time, being 5:00 p.m. Hong Kong time on the date which is 140 calendar days after the Restructuring Effective Date (or, if such date is not a Business Day, the next Business Day after that date)</u>

- Each Sanctioned Scheme Creditor must contact the Company as soon as possible in writing pursuant to the notice details set out in Clause 33 (*Notices*) of the Scheme to bring its status as a Sanctioned Scheme Creditor to the attention of the Company on or before the Bar Time. Any Sanctioned Scheme Creditor that fails to comply with this requirement shall have its rights under the Scheme extinguished from the Bar Time, including any right which it may have to receive Restructuring Consideration.

⁶ Blocked Scheme Creditors cannot receive the Restructuring Consideration on the Restructuring Effective Date due to Applicable Sanctions. Such Blocked Scheme Creditor's Restructuring Consideration will be transferred on the Restructuring Effective Date to the Holding Period Trustee to be held as Blocked Trust Assets on trust in accordance with the terms of the Holding Period Trust Deed. Such Blocked Trust Assets will be paid by the Company to the Successor Escrow upon the Holding Period Expiry Date or, if earlier, by the Holding Period Trustee to the Blocked Scheme Creditor on Holding Period Distribution Date should Applicable Sanctions are lifted.

- Further important information is set out under Section 2 (*Important Notices to Scheme Creditors*) and Section 3 (*Important Securities Law Notices*) of this Explanatory Statement.

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1. EXPECTED TIMETABLE OF PRINCIPAL EVENTS⁷

1.1 Principal events taking place *before* the date of this Explanatory Statement are set out below marked with an asterisk* and are for information purposes only.

Event	Expected date	Hong Kong time
Date of the CSA (as amended by the Amendment to the CSA dated 26 July 2024 and by the Amendment to the CSA Term Sheet on 2 October 2024)*	25 March 2024	
Early Consent Fee Deadline* (the latest time and date for Scheme Creditors to accede to the CSA in accordance with its provisions in order to be eligible to receive the Early Consent Fee under it)	29 November 2024	5:00 p.m.
Base Consent Fee Deadline* (the latest time and date for Scheme Creditors to accede to the CSA in accordance with its provisions in order to be eligible to receive the Base Consent Fee under it)	10 December 2024	5:00 p.m.
Convening Hearing*	16 January 2025	10:00 a.m.
Custody Instruction Deadline (the latest time for Account Holders to submit their Custody Instructions to block the Existing Notes held with Euroclear or Clearstream)	14 February 2025 being three (3) business days prior to the Record Time.	11:00 p.m.
Record Time⁸ (the latest time for Account Holders to submit Account Holder Letters and/or	19 February 2025	11:00 p.m.

⁷ The dates in this timetable and those mentioned throughout this Explanatory Statement assume that none of the Court hearings or the Scheme Meeting are adjourned or delayed. It is also possible that the drawing up or registration of the Sanction Order may be delayed if any person appeals the order.

⁸ Scheme Creditors should confirm as early as possible with their Account Holders whether there are any applicable deadlines to ensure that their Account Holder Letter is returned online via the Transaction Website or (if agreed by the Information Agent) via email at shimaogroup@is.kroll.com to the Information Agent prior to the Record Time in order to vote. All Voting Scheme Claims are determined as at the Record Time. Scheme Creditors who have transferred or assigned their Scheme Claims after the Record Time will not be entitled to the Restructuring Consideration and the Company and the Subsidiary Guarantors will be entitled to exercise discretion as to whether they recognise any assignment or transfer of Scheme Claims after the Record Time provided that the Scheme Administrator may (in their sole discretion and subject to the production of such other evidence as they may reasonably require) recognise such assignment or transfer for the purposes of determining entitlements to the Restructuring Consideration. 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.

Event	Expected date	Hong Kong time
Lender Proxy Forms (including each Scheme Creditor's non-binding Scheme Creditors' Election, and, if relevant Scheme Creditor is also an Eligible Consenting Creditor and if applicable, the non-binding election for the Short Term Instrument component of the Consent Fee for such Scheme Creditor) to the Information Agent via the Transaction Website or (if agreed by the Information Agent) via email at shimaogroup@is.kroll.com in order to vote at the Scheme Meeting, provide its non-binding Scheme Creditors' Election and receive the Restructuring Consideration on the Restructuring Effective Date; and the latest time for Blocked Scheme Creditors to submit Blocked Scheme Creditor Forms (including each Blocked Scheme Creditor's non-binding Scheme Creditors' Election, and, if such Blocked Scheme Creditor is also an Eligible Consenting Creditor and if applicable, the non-binding election for the Short Term Instrument component of the Consent Fee) to the Blocked Scheme Creditor Tabulation Agent in order to vote at the Scheme Meeting and provide its non-binding Scheme Creditors' Election)	being three (3) business days prior to the Scheme Meeting.	
Scheme Meeting⁹	24 February 2025	11:00 a.m.
Scheme Consideration Election Deadline for Scheme Creditors to amend their previously submitted Scheme Creditors' Election (if they wish to do so) and upon which the Scheme Creditors' Election as submitted and amended shall become binding	3 March 2025 being five (5) Business Days after the date of the Scheme Meeting	11:00 p.m.

⁹ The Scheme Meeting will commence at the time stated. Any Scheme Creditor that wishes to attend the Scheme Meeting in person should produce a duplicate copy of the Account Holder Letter and/or Lender Proxy Form (as applicable) that was executed and delivered on their behalf, 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 by no later than one hour before the scheduled time of the Scheme Meeting.

Event	Expected date	Hong Kong time
Sanction Hearing¹⁰	13 March 2025	10:00 a.m.
Scheme Effective Date	The first date on which all of the Scheme Conditions have been satisfied, as notified in the Scheme Effective Notice	
Restructuring Effective Date	The date publicly announced by the Company to be the Restructuring Effective Date, which date shall only occur on or after the date on which the Restructuring Conditions have been satisfied or, to the extent permissible, waived, which shall be on or prior to the Long-Stop Date.	
Longstop Date	29 August 2025 or such later date and time as agreed by the Company on one hand and the Majority Scheme Creditors on the other.	
Bar Time¹¹	5:00 p.m. Hong Kong time on the date which is 140 calendar days after the Restructuring Effective Date (or, if such date is not a Business Day, the next Business Day after that date).	
Holding Period Distribution Date	The date falling 182 days after the Restructuring Effective Date (or if such date is not a Business Day, the next Business Day after that date).	
Holding Period Expiry Date	The date which is expected to be on the Holding Period Distribution Date or as soon as reasonably practicable thereafter.	

¹⁰ The date of the Sanction Hearing and the Scheme Effective Date will depend on the Court's availability. Notice will be provided to all Scheme Creditors if the date of the Sanction Hearing and Scheme Effective Date changes.

¹¹ This is the last date for Scheme Creditors who missed the initial deadlines to submit the necessary documentation in order to receive Scheme Consideration on the Holding Period Expiry Date.

2. IMPORTANT NOTICES TO SCHEME CREDITORS

This section contains a number of important notices to Scheme Creditors. Scheme Creditors are strongly encouraged to carefully review the notices in this section and, if necessary, seek and obtain independent legal, tax and/or financial advice.

2.1 Defined terms

Unless the context otherwise requires, all capitalised terms used in this Explanatory Statement shall have the meanings set out in Appendix 1 (*Interpretation*) and Appendix 2 (*Definitions*) to this Explanatory Statement and Section 1 (*Definitions and Interpretation*) of the Scheme, unless otherwise specified.

2.2 Purpose of this Explanatory Statement

This Explanatory Statement has been prepared in accordance with Section 671 of the Companies Ordinance and in connection with the Scheme, and has been prepared solely for the purpose of providing information to Scheme Creditors in relation to the Scheme.

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 Scheme Creditors, in their capacity as creditors of the Company, to make a decision on the Scheme. In particular and without limitation, nothing in this Explanatory Statement should be relied on in connection with the purchase or acquisition of any Scheme Claim or any other financial instruments, securities, assets or liabilities of the Company or any other Group company.

Nothing contained in this Explanatory Statement constitutes a recommendation, or the giving of advice, by the Directors, the Company or any other member of the Group to take a particular course of action or to exercise any right conferred by the Existing Debt in relation to, buying, selling, subscribing for, exchanging, redeeming, holding, underwriting, disposing of, or converting Existing Debt or any other financial instruments, securities, assets, claims, property interests or liabilities of the Company or any other Group company.

2.3 Distribution to Scheme Creditors

This Explanatory Statement is distributed to persons who the Company believes are, or may be, Scheme Creditors at the date of this Explanatory Statement. Information on the actions that Scheme Creditors are required to take under the Scheme is set out in Section 11 (*Scheme Creditors and Actions to be Taken*) of this Explanatory Statement and at Appendix 6 (*Solicitation Packet*) to this Explanatory Statement.

2.4 Special Provisions for Blocked Scheme Creditors

Summary of restrictions on Blocked Scheme Creditors

Certain aspects of the Restructuring are impacted by the effect of the Applicable Sanctions, which for the purposes of the Scheme affect Scheme Creditors who are unable to submit instructions or settle through the Clearing Systems as a result of the Applicable Sanctions. Such Scheme Creditors are referred to herein as the Blocked Scheme Creditors.

Blocked Scheme Creditors will not be able to submit Custody Instructions or voting instructions via the Clearing Systems due to Applicable Sanctions and the Information Agent will not be able to collect information (including voting instructions) from Blocked Scheme Creditors. As a result, Blocked Scheme Creditors must submit a Blocked Scheme Creditor Form to the Blocked Scheme Creditor Tabulation Agent in order to vote on the Scheme.

While the Blocked Scheme Creditors are unable to receive their Restructuring Consideration until the Applicable Sanctions are lifted, this is due to their own personal circumstances rather than their rights as Scheme Creditors under the Scheme. The fact that the Blocked Scheme Creditors cannot receive their Restructuring Consideration 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. In particular, the Blocked Scheme Creditors are entitled to the Restructuring Consideration on an equal footing to the Scheme Creditors who are not Blocked Scheme Creditors and, therefore, Blocked Scheme Creditors are not being disadvantaged under the terms of the Scheme.

Treatment of Blocked Scheme Creditors that submit a Blocked Scheme Creditor Form prior to the Record Time

Blocked Scheme Creditors are invited to complete and submit the Blocked Scheme Creditor Form by email to the Blocked Scheme Creditor Tabulation Agent at shimaorestructuring@glas.agency prior to the Record Time in order to vote on the Scheme. A Blocked Scheme Creditor that submits a Blocked Scheme Creditor Form must provide sufficient supporting evidence to allow the Blocked Scheme Creditor Tabulation Agent to reliably establish that Blocked Scheme Creditor's identity, status as Scheme Creditor and the value of its holding. The Blocked Scheme Creditor Tabulation Agent will review each Blocked Scheme Creditor Form and the accompanying evidence submitted by the Record Time to assess whether the Blocked Scheme Creditor Form has been completed correctly and whether there is sufficient evidence to reliably establish the Blocked Scheme Creditor's identity, status as Scheme Creditor and the value of its holding. Neither the Clearing Systems nor the Information Agent will assist the Blocked Scheme Creditor Tabulation Agent with the review of this evidence and therefore the Blocked Scheme Creditor Tabulation Agent will be reliant upon the evidence provided by the Blocked Scheme Creditor to ascertain their identity, status as Scheme Creditors and the value of their holding.¹²

Blocked Scheme Creditors will not be able to receive the Restructuring Consideration on the Restructuring Effective Date due to Applicable Sanctions. Instead, on the Restructuring Effective Date, the Restructuring Consideration payable to each Blocked Scheme Creditor (which will form part of the Blocked Trust Assets) will be paid to the Holding Period Trustee to be held on trust under the terms of the Holding Period Trust Deed until the Holding Period Expiry Date.

If the Applicable Sanctions are still in place upon the Holding Period Expiry Date, the Company will appoint a Successor Escrow Agent to hold in the Successor Escrow any Blocked Trust Assets for the Blocked Scheme Creditors until the earlier of: (i) the

¹² Blocked Scheme Creditors do not need to submit a Custody Instruction because their Existing Notes are already blocked from trading as their accounts were blocked by the Clearing Systems at the time the Applicable Sanctions were put in place. As such, Blocked Scheme Creditors are unable to submit instructions to the Clearing Systems.

expiry of the Perpetuity Period; or (ii) the lifting of Applicable Sanctions, provided that the Blocked Scheme Creditors shall be given a reasonable period of time thereafter to recover their entitlement to the Blocked Trust Assets in accordance with the terms of the Successor Escrow. The terms of this Successor Escrow and the process and conditions for distribution will be notified to the Blocked Scheme Creditors on or immediately after the Holding Period Expiry Date by the Holding Period Trustee.

Treatment of Blocked Scheme Creditors that submit a Blocked Scheme Creditor Form after the Record Time

During the Holding Period, Blocked Scheme Creditors that failed to complete and submit a Blocked Scheme Creditor Form before the Record Time should complete and submit the same to the Blocked Scheme Creditor Tabulation Agent before the Bar Time in order to be entitled to receive their entitlement to the Scheme Consideration on the Holding Period Distribution Date (if the Applicable Sanctions have been lifted prior to such date) or upon the expiry of the Successor Escrow, in accordance with the terms of the applicable trust and escrow arrangement.

Such Blocked Scheme Creditors should submit (or procure the submission of, as applicable), as soon as it is possible for them to do so, all documentation and other evidence as may be reasonably requested by the Blocked Scheme Creditor Tabulation Agent in order to establish to the reasonable satisfaction of the relevant party (or parties) (i) that such Blocked Scheme Creditor held the beneficial interest in the Existing Notes as at the Record Time, (ii) that such Blocked Scheme Creditor is entitled (whether directly or through a custodian) to submit instructions and settle through the Clearing Systems and that its interest in the Existing Notes or New Debt Instruments (as applicable) are not subject to any restrictions by the Clearing Systems including as a result of Applicable Sanctions, and (iii) for the relevant party or parties to comply with all necessary "know your customer" or other similar checks that it is required to comply with in order to make the distributions to such Blocked Scheme Creditor.

For further details about the arrangements for the Blocked Scheme Creditors, please read this Explanatory Statement carefully as a whole, in particular Section 6 (*Overview of the Scheme*) and Section 11 (*Scheme Creditors and Actions to be Taken*) of this Explanatory Statement.

2.5 Sanctioned Scheme Creditors

A Sanctioned Scheme Creditor is a Scheme Creditor that is:

- (a) designated on any Applicable Sanctions List;
- (b) resident in, ordinarily located in, or incorporated or domiciled under the laws of any Sanctioned Country;
- (c) in the aggregate, 50 percent or greater owned, directly or indirectly, or otherwise controlled, directly or indirectly, (in each case with reference to Applicable Sanctions) by any Person or Persons described in (a) or (b) above; or
- (d) acting on behalf of or at the direction of any Person or Persons described in (a) or (b) above,

and which does not have a sanctions licence in respect of the Applicable Sanctions which would allow that Scheme Creditor to freely deal in the Scheme Consideration (and Consent Fee, if applicable) and submit instructions or settle through the Clearing Systems.

Sanctioned Scheme Creditors must contact the Company at companysecretary@shimaogroup.com.hk to bring its status as a Sanctioned Scheme Creditor to the attention of the Company as soon as possible and, in any event, by the Bar Time. Any Sanctioned Scheme Creditor that fails to do so shall have its rights under the Scheme extinguished from the Bar Time.

Where the Information Agent or the Blocked Scheme Creditor Tabulation Agent reasonably considers a Scheme Creditor to be a Sanctioned Scheme Creditor, it shall refer the relevant Scheme Creditor to the Company. If the Company agrees that the relevant Scheme Creditor is a Sanctioned Scheme Creditor, that Scheme Creditor shall not be entitled to vote on the Scheme or receive Restructuring Consideration.

2.6 Information

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 representation, warranty, undertaking or guarantee of any kind, express or implied, nor any admission of any fact or liability on the part of the Company or any other member of the Group 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 or any other member of the Group, 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 or determination by the Company or any other member of the Group that such person is not a Scheme Creditor.

No person has been authorised by the Company to give any information or make any representations concerning the Restructuring Documents or the Scheme which is inconsistent with this Explanatory Statement and, if made, such representations shall not be relied upon as having been so authorised.

The information contained in this Explanatory Statement has been prepared based upon 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 in any 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 and the Scheme affect them.

None of the Company Advisors, the CoCom Advisors, the AHG Advisors, Trustee Advisor, the Existing Facility Agent Advisor or any advisor of the New Facility Agent

in relation to the Scheme nor the Existing Notes Trustee, the Existing Notes Paying and Transfer Agent and Registrar, the Existing Common Depositary, the Existing Facility Agent, the New Trustee, the New Agents, the Scheme Administrators, the Holding Period Trustee, the Blocked Scheme Creditor Tabulation Agent, the Successor Escrow Agent, nor the Information Agent (nor any of its advisors) 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 way, and each of those persons expressly disclaims responsibility for such information.

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 or any other member of the Group in the Restructuring Documents, to the fullest extent permitted by law, the Company and any other member of the Group will have no tortious, contractual or any other liability to any person in connection with the use of this Explanatory Statement and the Company and any other member of the Group 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 or any other member of the Group has been advised of the possibility of such damages.

None of the Existing Notes Trustee, the Existing Notes Paying and Transfer Agent and Registrar, the Existing Common Depositary, the Existing Facility Agent, the New Trustee, the New Agents, the Scheme Administrators, the Holding Period Trustee, the Blocked Scheme Creditor Tabulation Agent, the Successor Escrow Agent nor the Information Agent nor any of their respective directors, officers, employees, agents, affiliates or advisors is acting for, or owes any duty (express or implied) to, any Scheme Creditors in relation to the Scheme, nor will any of them be responsible for providing any advice to any Scheme Creditors in relation to the terms of the New Debt Instruments. Accordingly, neither the Existing Notes Trustee, the Existing Notes Paying and Transfer Agent and Registrar, the Existing Common Depositary, the Existing Facility Agent, the New Trustee, the New Agents, the Scheme Administrators, the Holding Period Trustee, the Blocked Scheme Creditor Tabulation Agent, the Successor Escrow Agent nor the Information Agent nor any of their respective directors, officers, employees, agents, affiliates or advisors make any recommendations as to whether any Scheme Creditors should take any of the actions contemplated in the Scheme. The Existing Notes Trustee, the Existing Notes Paying and Transfer Agent and Registrar, the Existing Common Depositary, the Existing Facility Agent, the New Trustee, the New Agents, the Scheme Administrators, the Holding Period Trustee, the Blocked Scheme Creditor Tabulation Agent, the Successor Escrow Agent and the Information Agent (and their respective advisors) each express no opinion on the merits of the Scheme and the terms of the New Debt Instruments. Each of the Existing Notes Trustee, the Existing Notes Paying and Transfer Agent and Registrar, the Existing Common Depositary, the Existing Facility Agent, the New Trustee, the New Agents, the Scheme Administrators, the Holding Period Trustee, the Blocked Scheme Creditor Tabulation Agent, the Successor Escrow Agent and the Information Agent (and their respective advisors) has not been involved in negotiating or determining the terms of

this Explanatory Statement, the Scheme, the New Debt Instruments and makes no representation that all relevant information has been disclosed to the Scheme Creditors.

The Existing Notes Trustee, the Existing Notes Paying and Transfer Agent and Registrar, the Existing Common Depositary, the Existing Facility Agent, the New Trustee, the New Agents, the Holding Period Trustee, the Blocked Scheme Creditor Tabulation Agent and the Successor Escrow Agent 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). Each of the Existing Notes Trustee, the Existing Notes Paying and Transfer Agent and Registrar, the Existing Common Depositary, the Existing Facility Agent, the New Trustee, the New Agents, the Holding Period Trustee, the Blocked Scheme Creditor Tabulation Agent and the Successor Escrow Agent shall not be required to take any steps to ascertain whether a Scheme Creditor is eligible to receive any Consent Fee under the CSA.

The Existing Notes Trustee, the Existing Notes Paying and Transfer Agent and Registrar, the Existing Common Depositary, the Existing Facility Agent, the New Trustee, the New Agents, the Holding Period Trustee, the Blocked Scheme Creditor Tabulation Agent and the Successor Escrow Agent shall each 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 CSA has occurred and will not be responsible to the Scheme Creditors or any other person for any loss arising from any failure to do so.

Neither the Scheme Administrators, the Information Agent, the Blocked Scheme Creditor Tabulation Agent nor any of their respective directors, officers, employees, agents, affiliates or advisors will have any tortious, contractual or any other liability to any person in connection with the determination of whether a Scheme Creditor is a Sanctions-Affected Scheme Creditor. Neither the Information Agent, the Blocked Scheme Creditor Tabulation Agent nor any of their respective directors, officers, employees, agents, affiliates or 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 the determination of whether a Scheme Creditor is a Sanctions-Affected Scheme Creditor, even if the Information Agent, the Blocked Scheme Creditor Tabulation Agent or any of their respective directors, officers, employees, agents, affiliates or advisors have been advised of the possibility of such damages.

Neither the Scheme Administrators, the Information Agent nor any of its directors, officers, employees, agents, affiliates or advisors is obliged, under the terms of the Scheme or otherwise, to engage in any transaction or conduct that may give rise to a liability under or in connection with Applicable Sanctions and/or may result in any person becoming a sanctioned person. If compliance with any obligations under the terms of the Scheme or otherwise would result in the Information Agent or any of its directors, officers, employees, agents, affiliates or advisors breaching the Blocking Regulation, that obligation need not be complied with (but only to the extent of the breach). The Information Agent is the agent of the Company and owes no duty to any Scheme Creditor, express or implied.

None of the members of the CoCom or Ad Hoc Group, nor the CoCom Advisors or the AHG Advisors have authorised the content of this Explanatory Statement or any part of it, nor do they accept any responsibility for the accuracy, completeness or reasonableness of the statements contained within it.

2.7 Restrictions

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.

2.8 Summary of the Scheme

This Explanatory Statement has been prepared solely to assist Scheme Creditors in respect of voting on the Scheme. The full text of the Scheme is set out in Appendix 4 (*The Scheme*) to this Explanatory Statement. Each Scheme Creditor is strongly encouraged to read and consider carefully the text of the Scheme. The summary of the principal provisions of the Scheme contained in this Explanatory Statement is qualified in its entirety by reference to the Scheme itself.

2.9 Conflicts

In the event of a conflict between the information and terms described in:

- (a) this Explanatory Statement; and
- (b) the Scheme or the Restructuring Documents;

the terms of the Scheme and the Restructuring Documents shall prevail.

2.10 Modification

The Company may, following the Scheme Meeting, at any hearing to sanction the Scheme, consent on behalf of all Scheme Creditors to any modification of the Scheme, or any additional terms or conditions, which the Court may think fit to approve or impose, which are otherwise necessary for the purpose of implementing the Restructuring and which would not directly or indirectly have any material adverse effect on the interests of any Scheme Creditor under the Scheme.

In addition, and only with the approval of the Court, the terms of the Scheme may be modified in accordance with its terms following the Scheme Effective Date upon an application by the Company and/or the Scheme Administrator in accordance with the terms of the Scheme.

2.11 Forward-looking statements

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.

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 their experience and perception of historical trends, current conditions, expected future developments and other factors which they believe appropriate. No assurance can be given that such expectations will prove to be correct. Forward-looking statements involve significant risks and uncertainties, 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 performance or results to differ materially from the performance or results discussed in the forward-looking statements, including, but not limited to, the factors and uncertainties set out in Section 13 (*Risk Factors*) of this Explanatory Statement. 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 thereof of such forward-looking statements and assumptions. Without limiting the above, none of the boards of the directors of the companies within the Group 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.

2.12 Risk factors

Scheme Creditors' attention is drawn to certain risks and uncertainties associated with the Restructuring that are set out in Section 13 (*Risk Factors*) of this Explanatory Statement.

These important risk factors could cause the Company's and the Group's actual results and future prospects to differ materially from those expressed in this Explanatory Statement (including any forward-looking statements).

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 the Company and the Group's 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 which might influence the decision of Scheme Creditors as regards the Scheme or any investment decision.

2.13 Disclaimer regarding the Recovery Analysis Report

Acclime Corporate Advisory (Hong Kong) Limited ("**Acclime**") has been engaged by the Company to prepare an independent report (the "**Recovery Analysis Report**") analysing the recovery rates for the Scheme Creditors in a hypothetical liquidation scenario for the Group (the "**Liquidation Analysis**"), and analysing the recovery rates for Scheme Creditors under the Restructuring (the "**Scheme Recovery Analysis**"). A

copy of the Recovery Analysis Report is set out at Appendix 3 (*Recovery Analysis Report*) to this Explanatory Statement. Scheme Creditors should note that the Recovery Analysis Report is subject to the disclaimers, assumptions and qualifications set out therein.

2.14 Legal, tax and financial advice

Without limiting any of the above, Scheme Creditors should not construe the contents of this Explanatory Statement or any other document in connection with the Restructuring as legal, tax or financial advice. Except as otherwise expressly stated in this Explanatory Statement, none of the Company, any member of the Group, any member of the CoCom, the Ad Hoc Group, the Existing Notes Trustee, the Existing Notes Paying and Transfer Agent and Registrar, the Existing Common Depositary, the New Trustee, the Existing Facility Agent, the New Agents, the Advisors, the Holding Period Trustee, the Blocked Scheme Creditor Tabulation Agent, the Successor Escrow Agent 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.

This Explanatory Statement has been prepared without taking into account the objectives, financial or tax 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.

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 other than for Scheme Creditors to make a decision whether or not to approve the Scheme. **Scheme Creditors must rely on their own due diligence and their professional advisors in their decisions with respect to the Scheme and the Restructuring.**

2.15 Other jurisdictions

The implications of the Restructuring for Scheme Creditors who are residents or citizens of jurisdictions other than Hong Kong may be affected by the laws of other relevant jurisdictions. Such overseas Scheme Creditors should inform themselves about and observe any applicable legal requirements in their respective jurisdictions. Any person outside of Hong Kong 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.

2.16 Financial statements

The following documents are set out in Appendix 8 (*Financial Statements*) and will also be made available on the Transaction Website:

- (i) audited consolidated financial statements of the Group for the financial year ended 31 December 2023,
- (ii) unaudited consolidated financial statement of the Group for the six months ended 30 June 2024, and
- (iii) unaudited management accounts for the Company on a standalone basis for the six months ended 30 June 2024.

3. **IMPORTANT SECURITIES LAW NOTICES**

This Explanatory Statement does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction in contravention of applicable law. None of the securities referred to in this Explanatory Statement shall be sold, issued, exchanged or transferred in any jurisdiction in contravention of applicable law.

3.1 **General**

- (a) The distribution of this Explanatory Statement and the offering, sale or delivery of the New Securities are subject to restrictions and may not be made except pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Therefore, persons who may come into possession of this Explanatory Statement or any other materials relating to the New Securities are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Explanatory Statement may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.
- (b) No action has been or will be taken in any jurisdiction by the Company that would or is intended to permit a public offering, or any other offering under circumstances not permitted by applicable law, of the New Securities. Persons into whose hands this Explanatory Statement comes are required by the Company and the Group to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver New Securities or have in their possession, distribute or publish this Explanatory Statement or any other materials relating to the New Securities, in all cases at their own expense.
- (c) In order to receive the Restructuring Consideration, each Scheme Creditor who is not a Sanctions-Affected Scheme Creditor is required to submit a Custody Instruction by the Custody Instruction Deadline (only applicable for Existing Noteholders), a validly completed Account Holder Letter and/or Lender Proxy Form (as applicable), Distribution Confirmation Deed and, if applicable, a Designated Recipient Form. Blocked Scheme Creditors will need to submit (or procure the submission of, as applicable) a validly completed Blocked Scheme Creditor Form to the Holding Period Trustee, together with supporting evidence, in order to receive the Restructuring Consideration on the lifting of Applicable Sanctions (if such event occurs before expiry of the Perpetuity Period).

3.2 **U.S. securities law considerations**

- (a) The New Securities have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States, and the New Securities may not be offered or sold within the United States or to any U.S. persons (as defined in Regulation S under the U.S. Securities Act), except pursuant to an exemption from, or in a transaction not

subject to, the registration requirements of the U.S. Securities Act and applicable laws of other jurisdictions.

- (b) In connection with the issue of the New Securities to each Scheme Creditor, the Company will require each Scheme Creditor (or its Designated Recipient, as applicable) who wishes to receive its New Securities to, in their submitted the Account Holder Letter and Lender Proxy Form, confirm, amongst other things, that it (or its Designated Recipient, as applicable) is eligible to receive and hold such securities and to make certain representations and covenants in the Account Holder Letter and Lender Proxy Form (as applicable). If the confirmations required by the Account Holder Letter and Lender Proxy Form cannot be or are not given by a Scheme Creditor (or its Designated Recipient), such Scheme Creditor (or its Designated Recipient) will not be eligible to receive the relevant Restructuring Consideration.
- (c) Unless otherwise approved by the Company, the New Securities will be offered and sold (i) within the United States solely to QIBs and Accredited Investors and (ii) outside the United States, solely to non-U.S. persons in offshore transactions in reliance on Regulation S.
- (d) If you are a U.S. person or acting for the account or benefit of a U.S. person, or are located in the United States, but you are not a QIB or an Accredited Investor, you are eligible to receive this Explanatory Statement and to participate in the Scheme and the meetings described herein but you will not be eligible to receive any New Securities.
- (e) The New Securities will not be listed on any U.S. securities exchange or with any inter-dealer quotation system in the United States. The Company does not intend to take any action to facilitate a market of the New Securities in the United States. Consequently, the Company believes that it is unlikely that an active trading market in the United States will develop for the New Securities.

The New Securities have not been and will not be registered with the SEC or any U.S. federal, state or other securities commission or regulatory authority and neither the SEC nor any U.S. federal, state or other securities commission or regulatory authority in the United States has approved or disapproved of the Restructuring, including the Scheme, this Explanatory Statement, the New Securities, or any of the Restructuring Consideration or passed upon the accuracy or adequacy of the information contained in this Explanatory Statement, the Solicitation Packet or the Scheme. Any representation to the contrary is a criminal offence in the United States.

The information disclosed in this Explanatory Statement is not necessarily the same as that which would have been disclosed if this Explanatory Statement had been prepared for the purpose of complying with the registration requirements of the U.S. Securities Act, or the exemptions therefrom, or in accordance with the laws and regulations of any state of the United States.

Scheme Creditors who are citizens or residents of the United States should consult their own legal, financial and tax advisors with respect to the legal, financial and tax consequences of the Scheme in their particular circumstances.

This document is not for general release, publication or distribution in or into any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction.

3.3 European Economic Area

- (a) The New Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any EU Retail Investor in the European Economic Area ("**EEA**"). For these purposes, an "**EU Retail Investor**" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client, as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor (an "**EEA Qualified Investor**"), as defined in Article 2 of Regulation (EU) 2017/1129 (as amended, the "**EU Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**EU PRIIPs Regulation**") for offering or selling the New Securities or otherwise making them available to EU Retail Investors in the EEA has been prepared; and therefore offering or selling the New Securities or otherwise making them available to any EU Retail Investor in the EEA may be unlawful under the EU PRIIPs Regulation.
- (b) This Explanatory Statement is not a prospectus for the purposes of the EU Prospectus Regulation. In addition, this Explanatory Statement has been prepared on the basis that all offers of the New Securities in the EEA will be made pursuant to an exemption under the EU Prospectus Regulation, from the requirement to produce a prospectus for offers of the New Securities. Accordingly, any person making or intending to make any offer within the EEA of the New Securities should only do so in circumstances in which no obligation arises for the Company to produce a prospectus for such offer. The Company has not authorised and does not authorise the making of an offer of any of the New Securities through any financial intermediary, other than offers made by the Company, as contemplated by this Explanatory Statement.
- (c) In relation to each member state of the EEA ("**Member State**"), no offer of New Securities to the public in that Member State may be made other than to an EEA Qualified Investor or in any other circumstances falling within Article 1(3) or Article 1(4) of the EU Prospectus Regulation, provided that no such offer of New Securities shall require the Company to publish a prospectus pursuant to Article 3(1) or Article 3(3) of the EU Prospectus Regulation.
- (d) In connection with the issue of the New Securities, the Account Holder Letter and Lender Proxy Form will require each Scheme Creditor (or its Designated Recipient) who wishes to receive its New Securities to confirm, amongst other things, that it (or its Designated Recipient, as applicable) is an Eligible Person and will require any Scheme Creditor (or its Designated Recipient, as applicable) who is located in a Member State and intends to receive their New Securities to make certain representations and covenants in the Account Holder Letter and Lender Proxy Form (as applicable), including that it is an EEA Qualified Investor. If the confirmations required by the Account Holder Letter

and Lender Proxy Form cannot be or are not given by a Scheme Creditor (or its Designated Recipient, as applicable), such Scheme Creditor (or its Designated Recipient, as applicable) will not be eligible to receive the relevant New Securities and will not be treated as an Eligible Person.

- (e) For the purposes of this provision, the expression an "offer to the public" in relation to the New Securities in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the New Securities to be offered so as to enable an investor to decide to purchase or subscribe for New Securities.
- (f) Any distributor subject to MiFID II that is offering, selling or recommending the New Securities is responsible for undertaking its own target market assessment in respect of the New Securities and determining appropriate distribution channels for the purposes of the MiFID II product governance rules under Commission Delegated Directive (EU) 2017/593.

3.4 United Kingdom

- (a) The New Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any UK Retail Investor in the United Kingdom ("**UK**"). For these purposes, a "UK Retail Investor" means a person who is one (or more) of the following: (i) a retail client, as defined in point (8) of Article 2 of Commission Delegated Regulation (EU) 2017/565, as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the "**EUWA**") and as amended; (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**") and any rules or regulations made under the FSMA (such rules and regulations as amended) to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) no 600/2014, as it forms part of UK domestic law by virtue of the EUWA and as amended; or (iii) not a qualified investor (a "**UK Qualified Investor**"), as defined in Article 2 of Regulation (EU) 2017/1129, as it forms part of UK domestic law by virtue of the EUWA and as amended (the "**UK Prospectus Regulation**"). Consequently, no key information document required by Regulation (EU) No 1286/2014, as it forms part of UK domestic law by virtue of the EUWA and as amended (the "**UK PRIIPs Regulation**") for offering or selling the New Securities or otherwise making them available to UK Retail Investors in the UK has been prepared; and therefore offering or selling the New Securities or otherwise making them available to any UK Retail Investor in the UK may be unlawful under the UK PRIIPs Regulation.
- (b) This Explanatory Statement is not a prospectus for the purposes of the UK Prospectus Regulation. In addition, this Explanatory Statement has been prepared on the basis that all offers of the New Securities in the UK will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to produce a prospectus for offers of the New Securities. Accordingly, any person making or intending to make any offer in the UK of the New Securities should only do so in circumstances in which no obligation arises for the Company to produce a prospectus for such offer. The Company

has not authorised and does not authorise the making of an offer of any of the New Securities through any financial intermediary, other than offers made by the Company, as contemplated by this Explanatory Statement.

- (c) No offer of New Securities to the public in the UK may be made other than to a UK Qualified Investor or in any other circumstances falling within Article 1(3) or Article 1(4) of the UK Prospectus Regulation, provided that no such offer of New Securities shall require the Company to publish a prospectus pursuant to Article 3(1) or Article 3(3) of the UK Prospectus Regulation.
- (d) In connection with the issue of the New Securities, the Account Holder Letter and Lender Proxy Form will require each Scheme Creditor (or its Designated Recipient) who wishes to receive its New Securities to confirm, amongst other things, that it (or its Designated Recipient) is an Eligible Person and will require any Scheme Creditor (or Designated Recipient) who is located in the UK and intends to receive their New Securities to make certain representations and covenants in the Account Holder Letter and Lender Proxy Form (as applicable), including that it is a UK Qualified Investor. If the confirmations required by the Account Holder Letter and Lender Proxy Form cannot be or are not given by a Scheme Creditor (or its Designated Recipient), such Scheme Creditor (or its Designated Recipient) will not be eligible to receive the relevant New Securities.
- (e) For the purposes of this provision, the expression an "offer to the public" in relation to the New Securities in the UK means the communication in any form and by any means of sufficient information on the terms of the offer and the New Securities to be offered so as to enable an investor to decide to purchase or subscribe for the New Securities.
- (f) Any distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook that is offering, selling or recommending the New Securities is responsible for undertaking its own target market assessment in respect of the New Securities and determining appropriate distribution channels.
- (g) This Explanatory Statement has not been approved by an authorised person for the purposes of section 21 of the UK Financial Services and Markets Act 2000. Accordingly, this Explanatory Statement is not being distributed to, and must not be passed on to, the general public in the UK. In the UK, this Explanatory Statement is for distribution only to persons who are: (i) investment professionals who have professional experience in matters relating to investments, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Order**"); (ii) persons falling within Article 49(2)(a) to (d) (high net-worth companies, unincorporated associations, etc.), of the Order; or (iii) other persons to whom the New Securities may otherwise lawfully be communicated or directed (all such persons together being referred to as "**Relevant Persons**"). This Explanatory Statement is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. In the UK, any investment or investment activity to which this Explanatory Statement relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

3.5 Hong Kong

This Explanatory Statement has not been and will not be registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies in Hong Kong. The New Securities have not been and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the C(WUMP)O or which do not constitute an offer to the public within the meaning of the C(WUMP)O. No advertisement, invitation or document relating to the Scheme or the New Securities may be issued or may be in the possession of any person for the purpose of being issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the New Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

3.6 PRC

No New Securities shall be offered or sold in the PRC (excluding Hong Kong, Macau and Taiwan), directly or indirectly, except in compliance with applicable laws and regulations.

3.7 Singapore

- (a) This Explanatory Statement has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Explanatory Statement and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any New Securities may not be circulated or distributed, nor may any New Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than:
 - (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA,
 - (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or
 - (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.
- (b) Where the New Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:
 - (i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the New Securities pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor, or to a relevant person (as defined in Section 275(2) of the SFA), or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

3.8 Cayman Islands

There is no registration required nor will any registration be made under the Securities Investment Business Act in the Cayman Islands or with the Cayman Islands Monetary Authority in relation to this Explanatory Statement. This Explanatory Statement is only distributed to Scheme Creditors such that it does not represent an offer to the public in the Cayman Islands under any law in the Cayman Islands.

3.9 British Virgin Islands

This Explanatory Statement has not been and will not be registered with the British Virgin Islands Financial Services Commission. No security is or shall be offered to the public in the British Virgin Islands for the purchase or subscription for the purposes of the Securities and Investment Banking Act (Revised 2020).

3.10 Scheme Creditors who are not an Eligible Persons

- (a) Without limiting the information set out in this Section 3 (*Important Securities Law Notices*), the Restructuring Consideration will not be distributed to a Scheme Creditor pursuant to the Scheme where such Scheme Creditor is not an Eligible Person.

- (b) However, a Scheme Creditor who is not an Eligible Person may designate a Designated Recipient (who itself must be an Eligible Person) to receive the Restructuring Consideration, *provided, however*, that when designating a Designated Recipient, a Scheme Creditor will be required to represent and warrant to the Company that it will retain no legal or beneficial interest in the Restructuring Consideration designated to be held by the Designated Recipient.
- (c) If a Scheme Creditor is not an Eligible Person and fails to designate a Designated Recipient on or before the Record Time or the Bar Time (as applicable), all of the Residual Scheme Consideration that would otherwise have been distributed to such Scheme Creditor shall be transferred by the Holding Period Trustee to the Company and cancelled on or around the Holding Period Expiry Date. If such Scheme Creditor is also an Eligible Consenting Creditor, the Consent Fee payable by the Company or a party designated by it to such Scheme Creditor will be returned to the Company on the Restructuring Effective Date.

4. **LETTER FROM THE BOARD OF DIRECTORS TO THE SCHEME CREDITORS**

3 February 2025

Dear Scheme Creditor,

SHIMAO GROUP HOLDINGS LIMITED (THE "COMPANY")

1. INTRODUCTION

The Board writes to you in your capacity as a person who is, or appears to be, a Scheme Creditor. This letter forms part of this Explanatory Statement for the Scheme proposed by the Company as part of the Restructuring, the details of which are explained below. Please note that the information in this letter is not intended to be exhaustive or complete. Scheme Creditors should read this Explanatory Statement as a whole, in conjunction with the documents that accompany it (including the Solicitation Packet).

Unless otherwise specified, capitalised words or phrases used in this letter have the meanings attributed to them in Appendix 1 (*Interpretation*) and Appendix 2 (*Definitions*) to this Explanatory Statement and Clause 1 (*Definitions and Interpretation*) of the Scheme.

As you may be aware, the Company has been exploring various ways to improve the financial position of the Group and secure the future of its business. The Company has decided that the Restructuring, as more fully described in Section 5 (*Background to the Group and the Restructuring*) of this Explanatory Statement, is in the best interests of those with an economic interest in the Company and the Group.

Following a series of defaults in relation to the Existing Debt starting in 2022, the Company has worked closely with its legal and financial advisors to formulate a viable debt restructuring plan aimed at addressing its liquidity constraints, securing the sustainable operations of the Group and protecting the interests of all stakeholders.

The Company has maintained an active and transparent dialogue with its offshore creditors, and has taken into account their views, objectives and constraints. In this regard, most of the Company's offshore creditors have generally been patient and supportive of the Company's efforts to advance the Restructuring in an expeditious, professional and transparent manner. The Company's offshore creditors have expressed that in the circumstances, reaching an agreement on the terms of the Restructuring would provide the best means of preserving value and protecting the interests of all stakeholders.

Since the time when the CoCom and the Ad Hoc Group were constituted in March 2022 and August 2022 respectively, the CoCom Advisors, the AHG Advisors have worked closely with the Company and the Company Advisors to conduct in-depth due diligence on the Group's financial and operational condition. As part of this process, the Company responded to a wide range of

due diligence questions and provided various supporting documents requested by the creditors.

Admiralty Harbour is acting as financial advisor to the Company, and Sidley Austin is acting as international legal advisor, along with Appleby as the Cayman Islands and British Virgin Island legal advisor and Fangda Partners as the PRC legal advisor to the Company in relation to the Scheme and the Restructuring, Kroll Issuer Services Limited is acting as the Information Agent.

Further details of the formulation of the Restructuring are set out in Section 5.10 of this Explanatory Statement below.

2. THE PURPOSE OF THIS EXPLANATORY STATEMENT

This Explanatory Statement, which is provided pursuant to Section 671 of the Companies Ordinance, 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.

3. OVERVIEW OF THE RESTRUCTURING

The Restructuring involves restructuring of the Company's existing offshore indebtedness of the Company, the Existing Subsidiary Obligors and the Group under the Existing Debt, which includes debts whereby the Company is a primary obligor (either an issuer or a borrower) or a guarantor. The Restructuring will be implemented by way of the Scheme and the Restructuring Documents. For those debts of the Company that will not be restructured by the Restructuring, the group and the creditors will address the outstanding debts by way of bilateral settlement negotiations. See below Section 4, paragraph 8 (*What Happens If the Restructuring Is Implemented?*) of this Explanatory Statement.

The Restructuring is intended to allow adequate financial flexibility and sufficient runway to stabilise its business and protect the rights and interests of all stakeholders.

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 Existing Debt. In exchange for such release, Scheme Creditors will be entitled to receive the Scheme Consideration. All of the Existing Debt listed in Annex A (*Existing Debt*) to the Scheme will be subject to the Scheme.

The Scheme Creditors include, as at the Record Time, (A) an Existing Noteholder; and/or (B) Persons who have a legal interest as principal in the Existing Notes including (but without double counting, in each case) the Existing Common Depositary and the Existing Notes Trustee; and/or (C) Persons with a legal or beneficial interest as principal under any Existing Loan Finance Documents including (but without double counting, in each case) the Existing Facility Agent.

The Existing Debt comprise:

- (i) debt where the Company is the primary obligor (either as the issuer or the borrower): (A) ten (10) series of New York law-governed senior notes issued by the Company (collectively, the “**Existing Notes**”), and (B) three (3) Hong Kong law-governed syndicate loans borrowed by the Company, thirteen (13) Hong Kong law-governed bilateral loans borrowed by the Company (as also further set out under section 1 of Annex A (*Existing Debt*) to the Scheme); and
- (ii) debt where the Company is a guarantor: (A) eight (8) Hong Kong law-governed bilateral loans borrowed by the PropCo and guaranteed by the Company, (B) two (2) Hong Kong law-governed bilateral loans borrowed by the InvestCo and guaranteed by the Company and (C) one (1) Hong Kong law-governed guarantee granted by the Company in respect of a loan borrowed by Nuosi (collectively, the “**Existing Loans**”) (as also further set out under sections 1 and 2 of Annex A (*Existing Debt*) to the Scheme).

As noted, detailed descriptions of each of the Existing Debt can be found in Annex A (*Existing Debt*) to the Scheme.

The aggregate principal amount of the Existing Debt as at 30 June 2024 is approximately US\$11.5 billion, which includes:

- (i) approximately 38% of the aggregate principal amount of the Group’s overall onshore and offshore borrowings to which the Company is an obligor;
- (ii) approximately 85% of the aggregate principal amount of the Group’s overall offshore borrowings to which the Company is an obligor;
- (iii) approximately 32% of the aggregate principal amount of the Group’s consolidated overall onshore and offshore borrowings; and
- (iv) approximately 85% of the aggregate principal amount of the Group’s overall offshore borrowings.

Further details regarding the commercial terms of the Restructuring are set out at Section 5 (*Background to the Group and the Restructuring*) of this Explanatory Statement.

4. CREDITOR SUPPORT AGREEMENT (THE CSA)

On 25 March 2024, the Company, the PropCo and the InvestCo, among others, signed and launched the CSA, which sets out the commercial terms of a proposed restructuring of the Existing Debt mainly in the CSA Term Sheet appended to the CSA. Scheme Creditors were invited to accede to the CSA. Following further negotiations with the Group’s various stakeholders including certain members of CoCom and the Ad Hoc Group, the Company, the PropCo and the InvestCo entered into the Amendment to the CSA on 26 July 2024, and

further amended the CSA Term Sheet by the Amendment to the CSA Term Sheet on 2 October 2024. With each amendment, the commercial terms offered to the Scheme Creditors were improved.

Details regarding the CSA are set out in Section 5.11 (*The key terms of the CSA and the Consent Fee*) of this Explanatory Statement. A copy of the execution version of the CSA is available on the Transaction Website.

The CSA provides that the Scheme Creditors who accede to the CSA prior to the applicable Consent Fee Deadline (being either the Early Consent Fee Deadline or the Base Consent Fee Deadline) may be eligible to receive one of the applicable Consent Fee (being either the Early Consent Fee or the Base Consent Fee, but not both) if, among other conditions, they also vote in favour of the Scheme at the Scheme Meeting.

The Company's negotiations with the CoCom and the Ad Hoc Group were facilitated in part by the CoCom Advisors and the AHG Advisors, respectively. As part of the negotiations, the Company has agreed to pay the CoCom Work Fee, the AHG Work Fee, and bear the CoCom Advisor Fee and the AHG Advisor Fee, as is typical in financial restructurings such as the Restructuring. Details of the CoCom Work Fee, the AHG Work Fee, the CoCom Advisor Fee and the AHG Advisor Fee are set out at Section 5.12 below.

The Company believes that the entry into the CSA and the accession to the CSA by the CoCom and the Ad Hoc Group is beneficial to all Scheme Creditors. The CSA provides a level of certainty to the Group of the level of support for the commercial proposals that the Group has and therefore provides stability and predictability regarding the Restructuring.

As at the date of this Explanatory Statement, certain Scheme Creditors holding not less than an approximate aggregate principal amount of US\$9.2 billion of the Existing Debt (representing over 80% of the aggregate outstanding principal amount of all Existing Debt) have acceded to the CSA.

Blocked Scheme Creditors will not be entitled to receive their Restructuring Consideration on the Restructuring Effective Date. These terms of the Restructuring have been made to ensure that the Scheme and the Restructuring are fully compliant with the Applicable Sanctions. In particular, due to recent updates to the sanctions regulations of the European Union,¹³ 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 such other clearing systems in Russia, if any).

If the Applicable Sanctions are still in place on the Holding Period Expiry Date, the Company will appoint the Successor Escrow Agent to hold in the Successor Escrow any Blocked Trust Assets (including any Consent Fee payable to a Blocked Scheme Creditor who is an Eligible Consenting Creditor, referred to

¹³ 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 and Council Regulation (EU) 833/2014 of the European Union.

herein as the Residual Consent Fee) after the Holding Period Expiry Date until the earlier of (i) the expiry of the Perpetuity Period, or (ii) the lifting of Applicable Sanctions, provided that the Blocked Scheme Creditors shall be given a reasonable period of time thereafter to recover their entitlement to the Restructuring Consideration in accordance with the terms of the Successor Escrow.

Consenting Creditors who are Blocked Scheme Creditors cannot submit an Account Holder Letter to the Information Agent and therefore cannot satisfy certain obligations pursuant to Clause 7.1(b)(iii) of the CSA to the extent such obligations require the submission of an Account Holder Letter. As a result, the Company waives the requirement for Blocked Scheme Creditors to submit an Account Holder Letter in connection with their compliance with the obligations under Clause 7.1(b)(iii) of the CSA. 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 to comply with their obligations pursuant to Clause 7.1(b)(iii) of the CSA and (ii) agreed to the Company, at its discretion, waiving any other requirement for Blocked Scheme Creditors under the CSA to the extent such terms require the submission of an Account Holder Letter.

Scheme Creditors who are not already party to the CSA may continue to accede to the CSA up to the Record Time, though such Scheme Creditors will no longer be eligible to receive the Consent Fee because the Consent Fee Deadlines have now passed.

5. EFFECT OF THE SCHEME

As mentioned above, the Restructuring of the Existing Debt will be implemented by way of a scheme of arrangement to be sanctioned by the Court in Hong Kong, i.e., the Scheme.

Brief summary of the scheme of arrangement process

A scheme of arrangement is a court-sanctioned compromise or arrangement entered into between a company and its creditors, as provided for under Sections 670, 673 & 674 of the Companies Ordinance. A scheme of arrangement enables a company to agree with its creditors, or one or more classes of its creditors, a compromise or arrangement in respect of its debts or obligations owed to those creditors.

A scheme of arrangement is approved by the requisite majorities of creditors if a majority in number (more than 50%) of creditors representing at least 75% in value of the relevant Scheme Creditors (or present and voting at the Scheme Meeting, either in person or, if a corporation, by an authorised representative or by proxy), vote in favour of the scheme at the scheme meeting(s).

A scheme of arrangement cannot be sanctioned by the Court unless the Court is satisfied, among other things, that: (i) the scheme of arrangement is in all circumstances fair and reasonable, (ii) the scheme of arrangement has been properly explained to creditors and (iii) the class or classes of creditors and/or

members voting in respect of the scheme of arrangement have been properly constituted by the company proposing such scheme of arrangement.

If the Scheme is approved by the requisite majorities of Scheme Creditors and is sanctioned by the Court and a sealed copy of the Sanction Order is registered with the Registrar of Companies, the Scheme will be considered “effective” as at the Scheme Effective Date. Once the Scheme is effective, the Scheme will bind all Scheme Creditors, including those Scheme Creditors who voted in favour of the Scheme, those Scheme Creditors who voted against it, and those Scheme Creditors who did not vote at all.

Pursuant to and subject to the terms of the Scheme and the Restructuring Documents, the effect of the Scheme will be to release the Released Claims of Scheme Creditors against any Released Person, in exchange for which Scheme Creditors will be entitled to receive distributions of Scheme Consideration in accordance with the terms of the Scheme and the Restructuring Documents.

The releases under the Scheme

The Released Claims comprise any Scheme Claim, Ancillary Claim or any past, present and/or future Claim arising out of, relating to or in respect of: (i) the Existing Finance Documents (but not any Excluded Liability and/or Excluded Collateral); (ii) the preparation, negotiation, sanction or implementation of the Scheme, the Restructuring Documents and/or the CSA; and/or (iii) the execution of the Restructuring Documents and the carrying out of the steps and transactions contemplated in the Scheme in accordance with their terms.

However, claims relating to or arising from: (i) instances of wilful misconduct, wilful default, gross negligence or fraud; or (ii) any rights, remedies reimbursement, indemnities and other protections between the Existing Facility Agent and the relevant Existing Lenders under the relevant Existing Finance Documents, are not released under the Scheme. For the avoidance of doubt, the Released Claims do not prejudice or impair any rights of Scheme Creditors which arise from a failure by the Company or any party to the Scheme to comply with the terms of the Scheme or any Restructuring Document.

The “Released Person” comprises: (i) the Company, the Existing Subsidiary Obligors and any member of the Group, and their respective Affiliates, Personnel and advisors, (ii) each member of the CoCom, and their respective Personnel and advisors, (iii) each member of the Ad Hoc Group, and their respective Personnel and advisors, (iv) the Existing Notes Trustee, the Existing Notes Paying and Transfer Agent, and Registrar, the Existing Common Depositary and the Existing Facility Agent, (v) the New Agents, the New Trustee and the New Common Depositary, (vi) the Holding Period Trustee, (vii) the Information Agent, (viii) the Scheme Administrators, (ix) the Adjudicator, (x) the foreign representative appointed in connection with the recognition proceeding under Chapter 15 (if such recognition proceeding is sought), (xi) the Blocked Scheme Creditor Tabulation Agent and (xii) the Advisors; and, regarding each of the above, includes each of their respective predecessors, successors and assigns (where applicable) and their respective Affiliates, their

respective Personnel, and their respective advisors and in their capacities as such.

Please refer to Section 7.7 of this Explanatory Statement for further details.

6. THE SCHEME CONSIDERATION AND CONSENT FEE

Scheme Creditors who are not Sanctions-Affected Scheme Creditors and who satisfy the Voting Requirements as at the Record Time are “**Participating Creditors**”. The Scheme Consideration and applicable Consent Fee will be allocated to Participating Creditors on the Restructuring Effective Date.

Scheme Creditors (as set out in Section 8.3 of this Explanatory Statement) who do not satisfy the Voting Requirements as at the Record Time but have submitted to the satisfaction of the Holding Period Trustee a valid Account Holder Letter and/or Lender Proxy Form (in respect of Scheme Creditors who are not Sanctions-Affected Scheme Creditors) or Blocked Scheme Creditor Form (in respect of Blocked Scheme Creditors) during the Holding Period are the “**Residual Creditors**”. The Residual Creditors will receive Residual Scheme Consideration, without double counting, in accordance with the terms of the Holding Period Trust Deed on the Holding Period Distribution Date (and, in respect of Blocked Scheme Creditors, only where the Applicable Sanctions have been lifted before the Holding Period Expiry Date).

Assessment of Distribution Scheme Claims

The amount of Scheme Consideration that will be allocated to a Scheme Creditor will be assessed based on the value of that Scheme Creditor’s assessed Distribution Scheme Claims, which is: (i) the principal amount of Existing Debt outstanding and owed to that Scheme Creditor as at the Record Time plus (ii) all accrued and unpaid interest at the Original Interest Rate on such Existing Debt up to but excluding 31 December 2023. Subject to the Disputed Claims Resolution Procedures, such assessment will be finally determined by the Scheme Administrators (or the Blocked Scheme Creditors Tabulation Agent, if applicable).

For the avoidance of doubt, Scheme Creditors will not be entitled to any Scheme Consideration based on any default interest or other fees and charges on Existing Debt under the Existing Finance Documents. Existing Lenders are entitled to default interest ranging from 2% to 8% per annum under their applicable Existing Finance Documents. The Company does not consider the exclusion of default interest unfairly impact such Scheme Creditors more than others who are entitled to any default interest under the relevant Existing Finance Documents. As at the date of this Explanatory Statement, all of the Existing Lenders entitled to 3% or more default interest rate, and with the most significant proportions of default interest accruing, have acceded to the CSA.

Scheme Consideration Options

As a Scheme Creditor, you may choose from four Options. Full details on how to make your Scheme Creditors' Election is set out in Section 8.5 of this Explanatory Statement.

To make Scheme Creditors' Election, a Scheme Creditor must submit a valid Account Holder Letter and/or the valid Lender Proxy Form (as applicable), or in the case of a Blocked Scheme Creditor, the valid Blocked Scheme Creditor Form, via email at shimaorestructuring@glas.agency **on or prior to the Record Time**. Any Scheme Creditor (including any Blocked Scheme Creditor) who does not make its non-binding Scheme Creditors' Election on or prior to the Record Time, may not make such election at a later time. **If you do not make your Scheme Creditors' Election on or prior to the Record Time, you will be deemed to have elected Option 3 only, and will receive Mandatory Convertible Bonds in a principal amount equal to the sum of (i) your Scheme Creditor's Principal Amount and (ii) accrued and unpaid interest at the Original Interest Rate thereon up to (but excluding) 31 December 2023.**

The Scheme Creditors' Election that you submit at the Record Time is non-binding, and you can continue to change your election until the Scheme Consideration Election Deadline. To amend your non-binding Scheme Creditor's Election, you should re-submit a new Election Form via the Transaction Website or (if agreed by the Information Agent) via email at shimaogroup@is.kroll.com to amend its previously submitted Scheme Creditors' Election on or prior to the Scheme Consideration Election Deadline. If you do not submit a new Election Form before the Scheme Consideration Election Deadline, the election you made in your original Election Form will become binding upon the Scheme Consideration Election Deadline.

The four Options and how the Options will be allocated are set out in detail at Section 8.5 of this Explanatory Statement. Subject to certain limitation, re-allocation and adjustment, Scheme Creditors can select any one of, and any combination of Option 1, Option 2 and Option 3, or Option 4 (which are the same instruments as Options 1 to 3 in a fixed proportion). In summary, the four Options are:

- (a) Option 1: Short Term Instrument in the form of either Short Term Notes or a Short Term Loan with the tenor of 6 years from the Restructuring Effective Date, variable interest rate and the Company's certain option to have interest paid in kind, to be mandatorily repaid according to amortisation schedule.
- (b) Option 2: Long Term Instrument in the form of either Long Term Notes or a Long Term Loan with the tenors from 7 to 8.5 years from the Restructuring Effective Date (in the case of the Long Term Notes) or mandatory repayments scheduled at 6 months to 8.5 years from the Restructuring Effective Date (in the case of the Long Term Loan), variable interest rate and the Company's certain option to have interest paid in kind.

- (c) Option 3: Mandatory Convertible Bonds with a tenor of one year that are mandatorily convertible into new shares of the Company on maturity.
- (d) Option 4: a fixed combination of Short Term Instrument (in the form of either Short Term Notes or Short Term Loan at such Scheme Creditor's election), Long Term Instrument (in the form of either Long Term Notes or Long Term Loan at such Scheme Creditor's election) and Mandatory Convertible Bonds,

at the Scheme Creditors' selection in accordance with the selection and allocation mechanism as set forth in Section 8.5 of this Explanatory Statement. However, (i) to the extent that a Scheme Creditor elects both Short Term Instrument and Long Term Instrument as Scheme Consideration, it shall receive either the New Notes or the New Loans, not any combination of the New Notes and New Loans, and (ii) the Short Term Instrument and the Long Term Instrument have their respective maximum principal amount and the Scheme Creditors' Election will be subject to reallocation as set forth in Section 8.5 of this Explanatory Statement.

Any Scheme Creditor who fails to validly submit a non-binding Scheme Creditors' Election according to the instructions in this Explanatory Statement and the Solicitation Packet before the Record Time, will be deemed to have elected Option 3 only and will receive Mandatory Convertible Bonds in a principal amount equal to the sum of (i) their Scheme Creditor's Principal Amount and (ii) accrued and unpaid interest at the Original Interest Rate thereon up to (but excluding) 31 December 2023.

The Scheme Consideration and any Permitted *Pari Passu* Secured Indebtedness (as defined in the New Finance Documents) shall be secured by the following collateral on a *pari passu* basis (collectively, the “**Collateral**”):

- (a) pledge over 100% of the shares of each Major Offshore Subsidiary (as defined in Section 9.2 of this Explanatory Statement);
- (b) pledge over Specified SSSL Shares (as defined in Section 9.2 of this Explanatory Statement);
- (c) pledge and assignment of any receivable (excluding receivables from Brand Rise Limited, Star Achieve Limited and Adventure Success Limited) that is over US\$80 million of the Company and each Specified Offshore Subsidiary (as defined in Section 9.2 of this Explanatory Statement) from any offshore Subsidiaries of the Company;
- (d) pledge over each Designated Account (as defined in Section 9.2 of this Explanatory Statement); and
- (e) subject to compliance with applicable laws, rules, regulations, policies or measures and the receipt of all relevant regulatory, judicial and/or governmental approvals and certain priority deeds, all relevant assets relating to any Specified Offshore Assets (as defined in Section 9.2 of

this Explanatory Statement) which are subject to the security in favour of relevant Project Lenders (as defined in Section 9.2 of this Explanatory Statement).

Please refer to Section 8.5 and Section 9.2 of this Explanatory Statement for, respectively, detailed information regarding the selection mechanism and the summary of the New Debt Instruments. Illustrative examples showing what Scheme Creditors can receive depending on their Scheme Creditors' Election is set out at Section 8.7 of this Explanatory Statement.

Consent Fee

Scheme Creditors who acceded to the CSA prior to the applicable Consent Fee Deadline (being either the Early Consent Fee Deadline or the Base Consent Fee Deadline) may also be eligible to receive the applicable Consent Fee (being either the Early Consent Fee or the Base Consent Fee, but not both) on the terms and conditions set out in the CSA.

The Early Consent Fee Deadline is 5:00 p.m. Hong Kong time on 29 November 2024 and the Base Consent Fee Deadline is 5:00 p.m. Hong Kong time on 10 December 2024. Each of the Early Consent Fee and the Base Consent Fee consists of a cash component and the Short Term Instrument (in the form of either Short Term Notes or Short Term Loan at such Scheme Creditor's election). With respect to the part of the Consent Fee in the form of the Short Term Instrument, (i) Scheme Creditors who elect in their Election Form to receive New Notes as Scheme Creditors' Election are only entitled to receive Short Term Notes; (ii) Scheme Creditors who elect in their Election Form to receive New Loans as Scheme Creditors' Election are only entitled to receive Short Term Loan; and (iii) Scheme Creditors who do not elect to receive New Notes or New Loans or otherwise fail to validly submit its non-binding election for the Short Term Instrument component of the Consent Fee according to the instructions in this Explanatory Statement and the Solicitation Packet before the Record Time, will be allocated either the Short Term Notes or the Short Term Loan at the Company's sole discretion with respect to its entitlement to the Short Term Instrument component of the Consent Fee, if any.

The Company's payment obligations in respect of such Consent Fee will be settled by the Company, or another party on behalf of the Company, on or prior to the Restructuring Effective Date: (i) in terms of the cash component of the Consent Fee, by way of transfer to the cash account linked to the Clearing Systems securities account (unless otherwise agreed with the Information Agent), (ii) in terms of the Short Term Instrument component of the Consent Fee in the form of the Short Term Notes, by way of issuance to the Clearing Systems securities account in which that Eligible Consenting Creditor held its Eligible Restricted Debt, or the Clearing System Securities account which has been specified by an Eligible Consenting Creditor in its Lender Proxy Form (as applicable), and (iii) in terms of the Short Term Instrument component of the Consent Fee in the form of the Short Term Loan, by way of crediting such Short Term Loan to such Eligible Consenting Creditor as a lender of such Short Term Loan or, in the case of Blocked Scheme Creditors, by way of transfer to the account designated by the Holding Period Trustee, as explained in Section 8.3

of this Explanatory Statement. The amount of the Consent Fee to be paid to the Scheme Creditors is equivalent to US\$100.8 million, or 0.9% of the Existing Debt.

Full details of such Consent Fee are set out in Section 5.11 (*The key terms of the CSA and the Consent Fee*) of this Explanatory Statement

Any Scheme Consideration and any Consent Fee in the form of the Short Term Instruments (if applicable) that are distributed to Residual Creditors, who are not Sanctions-Affected Scheme Creditors in accordance with the Holding Period Trust Deed on the Holding Period Distribution Date will accrue interest in accordance with the terms of the relevant New Debt Instruments, ensuring that such Scheme Creditors are not worse off as compared with Scheme Creditors who received their Restructuring Consideration on the Restructuring Effective Date.

On the Restructuring Effective Date, the Company will transfer to the Holding Period Trustee, the Blocked Scheme Consideration and any Consent Fee (if applicable) allocated to each Blocked Scheme Creditor, as set out above. Any Scheme Consideration and any Consent Fee in the form of Short Term Instrument (if applicable) that are transferred to the Holding Period Trustee (and to the Successor Escrow Agent, if applicable) for the benefit of the Blocked Scheme Creditors will accrue interest in accordance to the terms of the relevant New Debt Instruments, ensuring that such Blocked Scheme Creditors are not worse off as compared with Scheme Creditors who are not Blocked Scheme Creditors.

7. WHOSE RIGHTS AND OBLIGATIONS WILL BE ALTERED BY THE SCHEME?

The Scheme will affect the rights and obligations of the Scheme Creditors and the Released Persons only.

8. WHAT HAPPENS IF THE RESTRUCTURING IS IMPLEMENTED?

The information contained in this part 8 of Section 4 (Letter from the Board of Directors to the Scheme Creditors) provides hypothetical illustrations only. It does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by references to, the more detailed information contained in the Scheme and this Explanatory Statement.

As outlined in Section 8 (*SELECTION AND DISTRIBUTION OF RESTRUCTURING CONSIDERATION*) of this Explanatory Statement, Scheme Creditors are entitled to receive Scheme Consideration on the Restructuring Effective Date in exchange for the releases under the Scheme. Eligible Consenting Creditors are also entitled to receive the applicable Consent Fee on the Restructuring Effective Date.

To the extent that a Scheme Creditor is a Residual Creditor or a Blocked Scheme Creditor (as applicable), any Scheme Consideration that they are entitled to receive shall be held for their benefit by the Holding Period Trustee until

payment can be made, as outlined in Section 8 (*SELECTION AND DISTRIBUTION OF RESTRUCTURING CONSIDERATION*) of this Explanatory Statement.

According to the Scheme Recovery Analysis prepared by Acclime in the Recovery Analysis Report at Appendix 3 (*Recovery Analysis Report*) to this Explanatory Statement, Scheme Creditors who receive Scheme Consideration will expect to recover from Scheme Consideration between approximately 19.1% and 31.2% in respect of their principal amount of the Existing Debt and accrued and unpaid interest at the Original Interest Rate thereon up to 30 June 2024 after taking into account applicable discounts. If Scheme Creditors are Eligible Early Consenting Creditors, they can expect to recover an additional 0.39% to 0.46% in respect of their principal amount of the Existing Debt and accrued and unpaid interest at the Original Interest Rate thereon up to 30 June 2024, arising from the Early Consent Fee. If Scheme Creditors are Eligible Base Consenting Creditor, they can expect to recover an additional 0.24% to 0.28% in respect of their principal amount of the Existing Debt and accrued and unpaid interest at the Original Interest Rate thereon up to 30 June 2024, arising from the Base Consent Fee. See Section 6.8 below for a summary of the Recovery Analysis Report.

The estimated recovery rate depends on a number of factors including, the Company's ability to continue as a going concern, the Group's financial performance and the creditworthiness of the Company, which are subject to assumptions, projections and uncertainties. The actual recovery of the Scheme Creditors will depend on the Company's ability to honour the Scheme Consideration and Consent Fee to be issued and in a worst-case scenario, the Company can default on its obligations under the Scheme and/or under the New Debt Instruments. **There is no guarantee that the Company can honour the Scheme Consideration and Consent Fee.**

Scheme Creditors should also note that the Company is a guarantor or borrower of certain offshore and onshore loans that will be restructured bilaterally in consultation with the creditors and not part of the Scheme, namely the Out-of-Scope Debt. The total principal amount of the Out-of-Scope Debt is approximately US\$19.2 billion as at 30 June 2024.

Additionally, the Out-of-Scope Debt includes a substantial amount of onshore debts guaranteed by the Company, namely the Company's Guaranteed Onshore Debt. The total principal amount of the Company's Guaranteed Onshore Debt as at 30 June 2024 is RMB118.6 billion (approximately US\$16.7 billion) across 174 cross-border financing arrangements where the loans are between onshore borrowers and lenders and governed by PRC law. As at the date of this Explanatory Statement, onshore loans of approximately RMB86.4 billion (US\$12.2 billion) in principal amount of the Company's Guaranteed Onshore Debt has not been restructured and are subject to ongoing bilateral negotiations between the onshore lenders and the onshore borrower, namely the Pending Out-of-Scope Debt.

There is a risk that the Group's efforts to bilaterally negotiate the Out-of-Scope Debt will fail and creditors take aggressive legal action against the

Company and/or take steps to enforce their security, which may undermine the objectives of the Restructuring. Creditors may commence legal proceedings to winding-up the Company. Scheme Creditors are strongly encouraged to carefully read the risk factors contained in Section 13 (*Risk Factors*) of this Explanatory Statement for further information before making any decision in respect of the Scheme.

9. WHAT HAPPENS IF THE RESTRUCTURING FAILS?

The Board believes that should the Restructuring not proceed, the Company will be unable to comply with its financial obligations under the Existing Debt. The Group has limited available cash and would be unable to pay its debts if the Restructuring should fail. Therefore, there is a material risk that certain of the Scheme Creditors, as well as other onshore and offshore lenders of the Group, will pursue enforcement actions against the Company and/or the Existing Subsidiary Obligors and/or any other subsidiary of the Company in respect of their outstanding obligations; this is especially the case given the prevailing conditions in the property industry and wider economic environment.

In these circumstances, the Board anticipates that members of the Group would likely be required to make, or cause the Company and/or other members of the Group to make, an application to the Court, or courts in other relevant jurisdictions, as applicable, to place the Company and/or certain other members of the Group into liquidation or other appropriate Insolvency Proceedings to facilitate an orderly winding-up and realisation of their assets for the benefit of the creditors of the Company and/or the relevant members of the Group.

The Liquidation Analysis prepared by Acclime is set out in Appendix 3 (*Recovery Analysis Report*) to this Explanatory Statement. The recovery rate of unsecured claims against the Company is estimated to be in the range between 0.8% to 2.3%. Other Scheme Creditors with rights against other obligors may benefit from additional recovery in a liquidation. For instance, according to the Recovery Analysis Report, those Scheme Creditors with claims against the Existing Subsidiary Obligors will recovery an estimated additional 0.0%-2.0% from such entities in a liquidation. See Section 6.8 below for a summary of the Recovery Analysis Report.

As demonstrated by the Recovery Analysis Report, the recovery to Scheme Creditors upon the successful implementation of the Scheme is higher than the estimated recovery to Scheme Creditors upon a Group-wide liquidation. Accordingly, the Company believes that the Scheme offers the Scheme Creditors the best prospects of obtaining any reasonable recovery compared to the potential consequences of insolvency.

10. LISTING REQUIREMENTS – SINGAPORE

An application will be made to the SGX-ST for the listing and quotation of each series of New Securities on the Official List of the SGX-ST. To the extent that the Company is required to disclose additional information solely for the purposes of the application to list any of the New Securities on the SGX-ST,

such information will be made available to Scheme Creditors on the Transaction Website.

Approval in-principle for the listing and quotation of each series of New Securities on the SGX-ST is not to be taken as an indication of the merits of any of the New Securities, the Company, any guarantees, any guarantors, their respective subsidiaries (if any), their respective associated companies (if any) or their respective joint venture companies (if any) or the quality of disclosure in this Explanatory Statement.

For so long as any of the New Securities are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that any of the New Securities which are issued in global certificated form are exchanged for any of the New Securities (as applicable) in definitive registered form, the Company will appoint and maintain a paying agent in Singapore, where the relevant New Securities may be presented or surrendered for payment or redemption. In the event that any of the New Securities which are issued in global certificated form are exchanged for any of the New Securities (as applicable) in definitive registered form, an announcement of such exchange will be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the certificates in definitive form, including details of the paying agent in Singapore.

For so long as any of the New Securities remain outstanding, each series of New Securities shall only be offered, traded and/or transferred (whether on an exchange or otherwise) in a minimum aggregate principal amount of S\$200,000 (or its equivalent in foreign currencies).

Under the rules of the SGX-ST, the New Securities, if traded on the SGX-ST, are required to be traded in a minimum board lot sizes of S\$200,000 (or its equivalent in foreign currencies). Accordingly, for so long as any of the New Securities are listed on the SGX-ST and the rules of the SGX-ST so require, each series of New Securities, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies).

11. THE DIRECTORS AND THE EFFECTS OF THE SCHEME ON THEIR INTERESTS

The current Directors are listed in Section 5 (*Background to the Group and the Restructuring*) of this Explanatory Statement.

The interests of the Directors, including in the share capital of the Company, are also set out in Section 12 (*Details Regarding the Company, Directors and Senior Managers*) of this Explanatory Statement.

12. SHAREHOLDERS

The list of the substantial shareholders of the Company as at the date of this Explanatory Statement is set out in Section 12 (*Details Regarding the Company, Directors and Senior Managers*) of this Explanatory Statement.

13. RISK FACTORS

Certain principal risk factors that the Company and the Group will likely face in connection with and following the Restructuring are set out in Section 13 (*Risk Factors*) of this Explanatory Statement. However, those risk factors are not an exhaustive list of all the potential risks and uncertainties which may be involved.

14. ACTIONS TO BE TAKEN

Existing Noteholders and Account Holders

You are an Existing Noteholder if you have a beneficial interest in the Existing Notes held in global form or global restricted form through the Clearing Systems and have a right, upon satisfaction of certain conditions, to be issued definitive registered notes in accordance with the terms of the Existing Notes and the Existing Notes Indentures.

Existing Noteholders who are not Sanctions-Affected Scheme Creditors

An Existing Noteholder may or may not also be an Account Holder. Account Holders are those Persons who are direct participants in the Clearing Systems with their interests in the Existing Notes being recorded directly in the books or other records maintained by the Clearing Systems. Each Account Holder may be holding its interests in the Existing Notes on behalf of one or more Existing Noteholders. For the avoidance of doubt, an Account Holder may also be an Existing Noteholder but only if it has a beneficial interest in the Existing Notes held in global form or global restricted form through the Clearing Systems as at the Record Time and has a right, upon satisfaction of certain conditions, to be issued definitive notes in accordance with the terms of the Existing Notes and the Existing Notes Indentures.

Existing Lenders

You are an Existing Lender if you are a lender participating in the Existing Loans.

Intermediaries

You are an Intermediary if you hold an interest at the Record Time in any Existing 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 the Existing Common Depositary, Euroclear or Clearstream.

Blocked Scheme Creditors

Blocked Scheme Creditors should complete the Blocked Scheme Creditor Form and submit it to the Blocked Scheme Creditor Tabulation Agent by email at shimaorestructuring@glas.agency, with full supporting evidence by the Record Time.

All Scheme Creditors, Account Holders and Intermediaries

Scheme Creditors and any persons with an interest in the Existing Debt (whether as an Existing Noteholder, Account Holder, Intermediary or Existing Lender) should read this Explanatory Statement in its entirety and in conjunction with the full instructions set out in the Solicitation Packet at Appendix 6:

- **if you are a Scheme Creditor, you should read this Explanatory Statement carefully;**
- **if you are an Existing Noteholder who is eligible to instruct through a Clearing System (i.e. not a Sanctions-Affected Scheme Creditor), but you are not an Account Holder, you should contact your Account Holder (through any Intermediaries, if applicable) to ensure that your Account Holder takes appropriate action(s) described in this Explanatory Statement and the Solicitation Packet appended to it;**
- **if you are an Existing Noteholder who is eligible to instruct through a Clearing System (i.e. not a Sanctions-Affected Scheme Creditor) and you are an Account Holder, you should take the appropriate action as described below and in this Explanatory Statement and the Solicitation Packet appended to it;**
- **if you are a Blocked Scheme Creditor, you should take the appropriate actions as described below and in this Explanatory Statement and the Solicitation Packet appended to it and contact the Blocked Scheme Creditor Tabulation Agent; and**
- **if you are an Existing Lender, you should take the appropriate action as described below and in this Explanatory Statement and the Solicitation Packet.**

Relevant documents

- **Account Holder Letter**

Among other things, the Account Holder Letter is the document that allows Existing Noteholders who are not Sanctions-Affected Scheme Creditors to vote on the Scheme and to become eligible to receive Restructuring Consideration should the Restructuring Effective Date occur.

Account Holders will be required to submit a Custody Instruction to block their Existing Notes via the Clearing Systems prior to submitting the Account Holder Letter and, in any case, prior to the Custody Instruction Deadline.

A failure by an Existing Noteholder who is not a Sanctions-Affected Scheme Creditor (or an Account Holder on its behalf) to submit, to the

satisfaction of the Information Agent, a valid Account Holder Letter via the Transaction Website or email at shimaogroup@is.kroll.com that is received by the Record Time, will mean that the voting instructions contained in that Account Holder Letter will be disregarded for the purposes of voting at the Scheme Meeting and the relevant Existing Noteholder will, subject to the Chairperson's discretion, not be entitled to vote at the Scheme Meeting. Additionally, this will also mean that such Existing Noteholder will not be eligible to participate in the distribution of the Restructuring Consideration on the Restructuring Effective Date. However, provided such Existing Noteholder has submitted to the satisfaction of the Holding Period Trustee a valid Account Holder Letter by the Bar Time in accordance with the terms of the Holding Period Trust Deed, it will, without double counting, be allocated its entitlement to the Restructuring Consideration on the Holding Period Distribution Date.

Due to the Applicable Sanctions, Blocked Scheme Creditors are not permitted to submit an Account Holder Letter via the Transaction Website or to submit via email at shimaogroup@is.kroll.com or a Custody Instruction via the Clearing Systems (or to procure such submissions on its behalf) and should instead submit a Blocked Scheme Creditor Form to the Blocked Scheme Creditor Tabulation Agent as described below.

- **Lender Proxy Form**

The Lender Proxy Form is the document that allows Existing Lenders to vote on the Scheme and to become eligible to receive Restructuring Consideration should the Restructuring Effective Date occur.

A failure by an Existing Lender to submit to the satisfaction of the Information Agent a valid Lender Proxy Form via the Transaction Website or email at shimaogroup@is.kroll.com that is received by the Record Time will mean that the voting instructions contained in that Lender Proxy Form will be disregarded for the purposes of voting at the Scheme Meeting and the relevant Existing Lender will, subject to the Chairperson's discretion, not be entitled to vote at the Scheme Meeting.

A failure by an Existing Lender who is not a Sanctions-Affected Scheme Creditor to submit to the satisfaction of the Information Agent a valid Lender Proxy Form via the Transaction Website or email at shimaogroup@is.kroll.com that is received by the Record Time will not be eligible to participate in the distribution of the Restructuring Consideration on the Restructuring Effective Date. However, provided such Existing Lender has submitted to the satisfaction of the Holding Period Trustee a valid Lender Proxy Form by the Bar Time in accordance with the terms of the Holding Period Trust Deed, it will, without double counting, be allocated its entitlement to the Restructuring Consideration on the Holding Period Distribution Date.

- **Distribution Confirmation Deed**

The Distribution Confirmation Deed is a document that Scheme Creditors who are not Sanctions-Affected Scheme Creditors (or their Account Holder on their behalf) must complete in order to confirm, among other things, that such Scheme Creditor (or its Designated Recipient) may lawfully be distributed the Restructuring Consideration. The Distribution Confirmation Deed is appended to the Account Holder Letter and Lender Proxy Form (as applicable). Failure to submit a Distribution Confirmation Deed will result in no Restructuring Consideration being distributed to such Scheme Creditor or its Designated Recipient on the Restructuring Effective Date. Instead, such Scheme Creditor's entitlement to the Restructuring Consideration shall be transferred to the Holding Period Trustee to be held on trust in accordance with the terms of the Holding Period Trust Deed.

- **Designated Recipient Form**

The Designated Recipient Form is a form that Scheme Creditors (other than Sanctions-Affected Scheme Creditors) may complete in order to appoint, should they wish, a Designated Recipient to be the recipient of the Restructuring Consideration that would otherwise be distributed to such Scheme Creditor. The Designated Recipient Form is appended to the Account Holder Letter and Lender Proxy Form (as applicable). Any Scheme Creditor that is not an Eligible Person will *only* be permitted to have the amount of its entitlement to the Restructuring Consideration be distributed to a Designated Recipient and *must* therefore complete and return a Designated Recipient Form in order to receive its Restructuring Consideration (through the Designated Recipient). Otherwise, such Scheme Creditor's entitlement to the Restructuring Consideration shall be transferred to the Holding Period Trustee to be held on trust in accordance with the terms of the Holding Period Trust Deed.

- **Blocked Scheme Creditor Form**

The Blocked Scheme Creditor Form is the document that allows Blocked Scheme Creditors to vote on the Scheme and to become eligible to receive Restructuring Consideration should the Restructuring Effective Date occur. A failure by a Blocked Scheme Creditor to submit, or a failure by a Blocked Scheme Creditor to procure the submission of, the Blocked Scheme Creditor Form to the Blocked Scheme Creditor Tabulation Agent by email that is received by the Record Time will mean that the voting instructions contained in that Blocked Scheme Creditor Form will be disregarded for the purposes of voting at the Scheme Meeting, and the relevant Blocked Scheme Creditor will, subject to the Chairperson's discretion, not be entitled to vote at the Scheme Meeting. Any questions from Blocked Scheme Creditors should be addressed to the Blocked Scheme Creditor Tabulation Agent.

Scheme Meeting

On 16 January 2025, the Court ordered that a meeting of Scheme Creditors be convened to consider and if thought fit, approve the Scheme (with or without modification) proposed by the Company, that is, the Scheme Meeting.

The formal notice convening the Scheme Meeting, which will be sent to Scheme Creditors by the Information Agent via (i) the Clearing Systems and/or electronic mail, and (ii) publication on the Transaction Website, is set out at Appendix 10 (*Notice of the Scheme Meeting*) to this Explanatory Statement.

The Scheme Meeting will be held at the offices of Sidley Austin at 39/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong, with any adjournment as may be appropriate, at 11:00 a.m. Hong Kong time on 24 February 2025 (or, if the Scheme Meeting is postponed, such later date and time as notified by the Company to the Scheme Creditors via the Transaction Website and (if applicable) the Clearing Systems).

Scheme Creditors will be able to attend the Scheme Meeting and vote in person or by an authorised representative (if a corporation), or by proxy. Scheme Creditors will also be able to attend the Scheme Meeting (but not be able to vote on the Scheme) by video conference using dial-in details which may be obtained on request from the Information Agent (if you are a Scheme Creditor who is not a Sanctions-Affected Scheme Creditor) or the Blocked Scheme Creditor Tabulation Agent (if you are a Blocked Scheme Creditor).

Voting at the Scheme Meeting

In order to attend the Scheme Meeting, vote on the Scheme and be eligible to receive Restructuring Consideration, it is of the utmost importance that Scheme Creditors follow the voting and other documentary instructions set out below and throughout this Explanatory Statement.

If you are an Existing Noteholder who is not a Sanctions-Affected Scheme Creditor and wish to vote in respect of the Scheme, please ensure that (1) the relevant Custody Instruction is submitted via the Clearing Systems prior to the Custody Instruction Deadline, and (2) the Account Holder Letter (including the submission of your non-binding Scheme Creditors' Election) is validly completed, executed and returned in accordance with the instructions set out therein so that it is submitted to and received via the Transaction Website or (if agreed by the Information Agent) via email at shimaogroup@is.kroll.com by the Information Agent by the Record Time, being no later than 11:00 p.m. Hong Kong time on 19 February 2025.

If you are an Existing Lender and wish to vote in respect of the Scheme, please ensure that the Lender Proxy Form (including your non-binding Scheme Creditors' Election) is validly completed, executed and returned in accordance with the instructions set out therein so that it is submitted to and received via the Transaction Website or (if agreed by the Information Agent) via email at shimaogroup@is.kroll.com by the Information Agent by the Record Time, being no later than 11:00 p.m. Hong Kong time on 19 February 2025.

If you are a Blocked Scheme Creditor and you wish to vote in respect of the Scheme, please ensure that the Blocked Scheme Creditor Form (including the submission of your non-binding Scheme Creditors' Election) is validly completed, executed and returned in accordance with the instructions set out therein so that it is submitted to and received via email at shimaorestructuring@glas.agency by the Blocked Scheme Creditor Tabulation Agent by the Record Time, being no later than 11:00 p.m. Hong Kong time on 19 February 2025.

Making your Scheme Creditors' Election

As noted above, Scheme Creditors may elect to receive its Scheme Consideration from four different options.

If you are not a Blocked Scheme Creditor, you may make your non-binding Scheme Creditors' Election as part of the Account Holder Letter and/or Lender Proxy Form (as applicable) to be submitted to the Information Agent on or prior to the Record Time. If you are also an Eligible Consenting Creditor, you may make your non-binding election for the Short Term Instrument component of the Consent Fee (in the form of either Short Term Notes or Short Term Loan) to which you are entitled as part of the Account Holder Letter and/or Lender Proxy Form (as applicable) to be submitted to the Information Agent on or prior to the Record Time; provided that Scheme Creditors who elect to receive New Notes as Scheme Creditors' Election are only entitled to receive Short Term Notes and Scheme Creditors who elect to receive New Loans as Scheme Creditors' Election are only entitled to receive Short Term Loan.

You may amend your Scheme Creditors' Election and election for the Short Term Instrument component of the Consent Fee up until the Scheme Consideration Election Deadline, being 11:00 p.m. Hong Kong time on 3 March 2025 (being five (5) Business Days after the Scheme Meeting). If you wish to amend your previously submitted Scheme Creditors' Election or election for the Short Term Instrument component of the Consent Fee, you must complete, execute and return a new and duly completed Election Form in accordance with the instructions set out on the Transaction Website so that it is submitted and received via the Transaction Website or (if agreed by the Information Agent) via email at shimaogroup@is.kroll.com by the Information Agent by the Scheme Creditors' Election Deadline.

Any Scheme Creditors' Election made by a Scheme Creditor, and if applicable, the election for the Short Term Instrument component of the Consent Fee, shall be non-binding as against such Scheme Creditor until the Scheme Consideration Election Deadline. Upon the Scheme Consideration Election Deadline, the Scheme Creditors' Election as submitted and amended shall become binding with respect to the relevant Scheme Creditor.

Any Scheme Creditor (other than the Blocked Scheme Creditors) who does not make non-binding Scheme Creditors' Election, and any Eligible Consenting Creditor (other than the Blocked Scheme Creditors) who does not make non-binding election for the Short Term Instrument component of the Consent Fee, in each case as part of the Account Holder Letter and/or Lender Proxy Form (as

applicable) to be submitted to the Information Agent on or prior to the Record Time, may not make such an election at a later time.

If you are a Blocked Scheme Creditor, you may make your Scheme Creditors' Election as part of the Blocked Scheme Creditor Form to be submitted to the Blocked Scheme Creditor Tabulation Agent on or prior to the Record Time. If you are also an Eligible Consenting Creditor, you may make your non-binding election for the Short Term Instrument component of the Consent Fee (in the form of either Short Term Notes or Short Term Loan) to which you are entitled as part of the Account Holder Letter and/or Lender Proxy Form (as applicable) to be submitted to the Information Agent on or prior to the Record Time; provided that Blocked Scheme Creditors who elect to receive New Notes as Scheme Creditors' Election are only entitled to receive Short Term Notes and Blocked Scheme Creditors who elect to receive New Loans as Scheme Creditors' Election are only entitled to receive Short Term Loan.

You may amend your Scheme Creditors' Election and election for the Short Term Instrument component of the Consent Fee up until the Scheme Consideration Election Deadline, being 11:00 p.m. Hong Kong time on 3 March 2025 (being five (5) Business Days after the Scheme Meeting). If you wish to amend your previously submitted Scheme Creditors' Election or election for the Short Term Instrument component of the Consent Fee, you must complete, execute and return a new and duly completed Election Form in accordance with the instructions set out therein so that it is submitted and received via email at shimaorestructuring@glas.agency by the Blocked Scheme Creditor Tabulation Agent by the Scheme Consideration Election Deadline.

Any Scheme Creditors' Election made by a Blocked Scheme Creditor, and if applicable, the election for the Short Term Instrument component of the Consent Fee, shall be non-binding as against such Blocked Scheme Creditor until the Scheme Consideration Election Deadline. Upon the Scheme Consideration Election Deadline, the Scheme Creditors' Election as submitted and amended shall become binding with respect to the relevant Blocked Scheme Creditor.

Any Blocked Scheme Creditor who does not make non-binding Scheme Creditors' Election, and any Blocked Scheme Creditor who is also an Eligible Consenting Creditor does not make non-binding election for the Short Term Instrument component of the Consent Fee, in each case as part of the Blocked Scheme Creditor Form to be submitted to the Blocked Scheme Creditor Tabulation Agent on or prior to the Record Time, may not make such an election at a later time.

Any Scheme Creditor (including any Blocked Scheme Creditor) who fails to validly submit a non-binding Scheme Creditors' Election (including the election of notes or loan form of any Short Term Instrument and/or Long Term Instrument elected) according to the instructions in this Explanatory Statement and the Solicitation Packet before the Record Time, will be deemed to have elected Option 3 only and will receive Mandatory Convertible Bonds in a principal amount equal to the sum of (i) their Scheme Creditor's Principal Amount and (ii) accrued and unpaid interest at the Original Interest Rate thereon

up to (but excluding) 31 December 2023. Any Eligible Consenting Creditor (including any Blocked Scheme Creditor who is also an Eligible Consenting Creditor) who elects Option 3 for the Scheme Creditors' Election but fails to validly submit its non-binding election for the Short Term Instrument component of the Consent Fee according to the instructions in this Explanatory Statement and the Solicitation Packet before the Record Time, will be allocated either the Short Term Notes or the Short Term Loan at the Company's sole discretion with respect to its entitlement to the Short Term Instrument component of the Consent Fee, if any.

To receive the Restructuring Consideration on the Restructuring Effective Date

Scheme Creditors are eligible to receive Scheme Consideration and Consent Fee (if applicable), collectively, the Restructuring Consideration.

If you are a Scheme Creditor who is not a Blocked Scheme Creditor, in order to receive the Restructuring Consideration on the Restructuring Effective Date, please ensure that the Account Holder Letter and/or Lender Proxy Form (as applicable), and Distribution Confirmation Deed are validly completed, executed and returned in accordance with the instructions set forth therein so that they are submitted via the Transaction Website or (if agreed by the Information Agent) via email at shimaogroup@is.kroll.com and received by the Information Agent by the Record Time.

If you are a Blocked Scheme Creditor, as a result of the Applicable Sanctions, you will be unable to receive the Restructuring Consideration on the Restructuring Effective Date. Instead, such Blocked Scheme Creditors' Restructuring Consideration will be paid to the Holding Period Trustee to hold on trust for the relevant Blocked Scheme Creditor (as part of the Blocked Trust Assets) until the Holding Period Expiry Date. If the Applicable Sanctions are still in place on the Holding Period Expiry Date, the Company will appoint the Successor Escrow Agent to hold in the Successor Escrow any Blocked Trust Assets after the Holding Period Expiry Date (including any Consent Fee due to Eligible Consenting Creditors that are Blocked Scheme Creditors which the Company shall pay to the Successor Escrow Agent following the Holding Period Expiry Date) until the earlier of (i) the expiry of the Perpetuity Period, or (ii) the lifting of Applicable Sanctions, provided that the Blocked Scheme Creditors shall be given a reasonable period of time thereafter to recover their entitlement to the Restructuring Consideration in accordance with the terms of the Successor Escrow.

To nominate a Designated Recipient to receive your Restructuring Consideration

If you wish to nominate a Designated Recipient to receive any Restructuring Consideration to which you may be entitled, please ensure that a validly completed and executed Designated Recipient Form is also submitted by the Record Time (1) online via the Transaction Website or (if agreed by the Information Agent) via email at shimaogroup@is.kroll.com with the other documents to be submitted to the Information Agent (for Scheme Creditors who are not Sanctions-Affected Scheme Creditors), or (2) via email at

shimaorestructuring@glas.agency to the Blocked Scheme Creditor Tabulation Agent with full supporting evidence (for Blocked Scheme Creditors).

Upload of documents for Scheme Creditors who are not Sanctions-Affected Scheme Creditors

All completed documents should be validly completed and submitted online on the Transaction Website at <https://deals.is.kroll.com/shimaogroup> or (if agreed by the Information Agent) via email at shimaogroup@is.kroll.com before the important deadlines set out above and further detailed in this Explanatory Statement and the Solicitation Packet.

The Company strongly encourages all Scheme Creditors to start the process for submitting their votes for the Scheme Meeting and submitting the documentation required to participate in the distribution of Restructuring Consideration as soon as possible.

If you are in any doubt as to what action you should take in connection with this Explanatory Statement and/or the Scheme, the proposals contained in them or the documents that accompany them, you are recommended to:

- contact the Information Agent (for Scheme Creditors who are not Sanctions-Affected Scheme Creditors);
- contact the Blocked Scheme Creditor Tabulation Agent (for Blocked Scheme Creditors); and
- seek your own independent advice immediately from your legal, financial, tax or other independent advisor.

All documents relevant to the Scheme such as this Explanatory Statement, the Scheme, the Solicitation Packet and all relevant announcements will be available for download on the Transaction Website.

ANY SCHEME CREDITOR WHO IS NOT A SANCTIONS-AFFECTED SCHEME CREDITOR THAT FAILS TO ENSURE THAT A VALID CUSTODY INSTRUCTION (IF APPLICABLE) IS SUBMITTED VIA THE CLEARING SYSTEMS AND THAT A VALIDLY COMPLETED AND EXECUTED ACCOUNT HOLDER LETTER, LENDER PROXY FORM, DISTRIBUTION CONFIRMATION DEED AND DESIGNATED RECIPIENT FORM, IF APPLICABLE, ARE SUBMITTED TO, AND RECEIVED BY, THE INFORMATION AGENT, VIA THE TRANSACTION WEBSITE OR (IF AGREED BY THE INFORMATION AGENT) VIA EMAIL AT SHIMAOGROUP@IS.KROLL.COM BY NO LATER THAN THE DEADLINES SET OUT IN THE SOLICITATION PACKET IN APPENDIX 6 (SOLICITATION PACKET) AND IN ACCORDANCE WITH THE INSTRUCTIONS SET OUT THEREIN, SHALL NOT RECEIVE ANY RESTRUCTURING CONSIDERATION ON THE RESTRUCTURING EFFECTIVE DATE BUT SHALL HAVE ITS SCHEME CLAIMS RELEASED IN ACCORDANCE WITH THE TERMS OF THE SCHEME AND THE RESTRUCTURING

CONSIDERATION TO WHICH THAT SCHEME CREDITOR WOULD HAVE BEEN ENTITLED WILL BE TRANSFERRED TO THE HOLDING PERIOD TRUSTEE TO BE HELD ON TRUST PURSUANT TO THE TERMS OF THE HOLDING PERIOD TRUST AND, TO THE EXTENT NOT VALIDLY CLAIMED BY SUCH SCHEME CREDITOR, RETURNED TO THE COMPANY AND CANCELLED AFTER THE HOLDING PERIOD EXPIRY DATE.

SUCH SCHEME CREDITOR WILL STILL BE BOUND BY THE TERMS OF THE SCHEME (SHOULD IT BECOME EFFECTIVE) AND ANY EXISTING DEBT HELD BY SUCH SCHEME CREDITOR WILL BE CANCELLED ON THE RESTRUCTURING EFFECTIVE DATE IN ACCORDANCE WITH THE TERMS OF THE SCHEME.

14. DIRECTORS' RECOMMENDATION

The Board has reviewed this Explanatory Statement and the documents referred to therein and approve the form and content of this Explanatory Statement. For the reasons set out herein, the Board believes that the Scheme and the Restructuring are in the best interests of the Scheme Creditors, the Company's shareholders and its creditors as a whole. Accordingly, the Board strongly recommends that the Scheme Creditors vote in favour of the Scheme at the Scheme Meeting.

[Signature page follows]

Yours faithfully,

.....
for and on behalf of the Board of
Shimao Group Holdings Limited

5. BACKGROUND TO THE GROUP AND THE RESTRUCTURING

5.1 The Company

- (a) The Company was incorporated in the Cayman Islands under the Cayman Islands Companies Act on 29 October 2004 as an exempted company with limited liability (registration number 140189). The Company's shares have been listed on the main board of the HKEx since 5 July 2006 with Stock Code 0813. As at the date of this Explanatory Statement, the authorised share capital of the Company is HK\$500,000,000 divided into 5,000,000,000 shares of par value HK\$0.10 each.
- (b) The Company is the issuer of the Existing Notes and the Company and/or certain of its subsidiaries are the borrower and/or obligors of the Existing Loans.
- (c) The principal assets of the Company include shares in the following subsidiaries:
 - (i) 100% of Best Cosmos Limited, an investment holding company incorporated with limited liability in the British Virgin Islands with company number 2026211, which, in turn, holds 62.87% of Shimao Services Holdings Limited (“**Shimao Services**”). Shimao Services is an investment holding company incorporated with limited liability in the Cayman Islands, the shares of which are also listed on the HKEx (Stock Code 0873);
 - (ii) 100% of Shimao Property Holdings (BVI) Limited 世茂房地產控股 (BVI) 有限公司 (formerly known as Shimao Property Holdings Limited) (“**PropCo**”), an investment holding company incorporated with limited liability in the British Virgin Islands with company number 510464;
 - (iii) through other intermediate holding companies, 100% of Shimao Investment Holdings Limited 世茂投資控股有限公司 (“**InvestCo**”), an investment holding company incorporated with limited liability in Hong Kong with business registration number 17910666;
 - (iv) 100% of Ease Reach Group Limited 宜達利集團有限公司 (formerly known as Easy Reach Group Limited), an investment holding company incorporated with limited liability in the British Virgin Islands with company number 1373778;
 - (v) 100% of Peak Gain International Limited 峰盈國際有限公司, an investment holding company incorporated with limited liability in the British Virgin Islands with company number 1373786;
 - (vi) through other intermediate holding companies, 100% of Peak Castle Assets Limited, an investment holding company incorporated with limited liability in the British Virgin Islands with company number 501974;

- (vii) through other intermediate holding companies, 100% of Shanghai Shimao Jianshe Co., Ltd. (“**Shimao Jianshe**”), Shimao Jianshe is an onshore financing platform incorporated with limited liability in the PRC; and
- (viii) through other intermediate holding companies, 66.18% of Shanghai Shimao Co., Ltd. (“**Shanghai Shimao**”). Shanghai Shimao a property development company incorporated with limited liability in the PRC.

Further details in respect of the Company are set out in Section 12 (*Details Regarding the Company, Directors and Senior Managers*) below.

5.2 Business operations

- (a) The Company is the ultimate holding company of the Group. The Group primarily carries on the business of property development, commercial properties operation, hotel operation and property management in the PRC, among other things.
- (b) The Group first commenced its property development business in Shanghai in 2000 and had successfully carried out its nationwide expansion, leveraging its broad experience and capabilities. The premium land bank and relatively reasonable land cost have provided a solid and good foundation for long term development of the Group.
- (c) With respect to each of the Group's main business segments:
 - (i) *Property Development:* The Group primarily focusses on the property development business. As at 30 June 2024, the Group had over 270 projects and a total gross floor area of approximately 47.83 million sq.m. (before adjustment based on the Group’s ownership interests) land bank, which provided the necessary support for the Group’s future sales and development. As at 30 June 2024, the Group had an area under construction of approximately 27.03 million sq.m. and an area completed of approximately 2.01 million sq.m for the six months ended 30 June 2024.
 - (ii) *Property Management:* In respect of property management business, Shimao Group is engaged in property management business through Shimao Services. Shimao Services recorded revenue of RMB8,202.7 million, gross profit of RMB1,646.4 million and net profit attributable to equity holders of RMB647.7 million for the year of 2023. Shimao Services recorded revenue of RMB4,031.8 million, gross profit of RMB811.5 million and net profit attributable to equity holders of RMB184.0 million for the six months ended 30 June 2024. As at 30 June 2024, the gross floor area under management of Shimao Services amounted to 246.9 million sq.m. and the contracted gross floor area of Shimao Services reached 332.6 million sq.m.
 - (iii) *Hotel Operation:* As at 30 June 2024, the Group had a total of 24 hotels in operation, with more than 8,200 hotel guest rooms. In addition, the

Group had four directly managed leased hotels, offering around 800 hotel guest rooms. The Group's hotel operation recorded revenue of RMB2.3 billion in 2023, representing a year-on-year increase of 31.4% as compared to 2022. The total revenue in the six months ended 30 June 2024 amounted to RMB1.07 billion, representing a year-on-year increase of 1.4%.

- (iv) *Commercial Properties Operation:* In respect of commercial properties operation, the Group is principally engaged in the development of commercial properties through Shanghai Shimao. Shanghai Shimao is determined to develop premium commercial complexes, and regards fulfilling the growing public demand for a better life as its impetus for development. In respect of commercial projects under management, during the six months ended 30 June 2024, the cumulative sales fell 5% as compared with the same period in 2023, while there has been a year-on-year increase in foot traffic of 8%. As at 30 June 2024, the overall occupancy rate was close to 90%, which was approximate to that as at 31 December 2023.
- (d) In 2023, the revenue of the Group was approximately RMB59,464 million, representing a decrease of 5.7% from approximately RMB63,040 million for the year ended 31 December 2022, which was mainly due to the slower completion progress than expected. 79.0% of such revenue was generated from the sales of properties and 21.0% from hotel operation, commercial properties operation, property management and others.
- (e) For the six months ended 30 June 2024, the revenue of the Group was approximately RMB29,195 million representing a decrease of 3.9% from approximately RMB30,394 million for the six months ended 30 June 2023. 79.4% of such revenue was generated from the sales of properties and 20.6% from hotel operation, commercial properties operation, property management and others.

5.3 Assets and liabilities of the Company

- (a) Based on the Company's unaudited standalone management account for the six months ending 30 June 2024, the total assets of the Company as at 30 June 2024 amounted to approximately RMB95.63 billion (US\$13.45 billion), comprising current assets of approximately RMB43.8 billion and non-current assets of approximately RMB51.83 billion.

The Company's current assets as at 30 June 2024 primarily include, among other things:

- (i) Other receivables of approximately RMB3.53 million;
- (ii) Dividend receivable from subsidiaries of approximately RMB43.79 billion; and
- (iii) Cash and cash equivalent of approximately RMB2.08 million.

The Company's non-current assets as at 30 June 2024 are primarily interests in subsidiaries.

- (b) Based on the Company's unaudited standalone management account for the six months ending 30 June 2024, the total liabilities of the Company as at 30 June 2024 amounted to approximately RMB92.83 billion (US\$13.06 billion), all classified as current liabilities.

The Company's current liabilities as at 30 June 2024 primarily include, among other things:

- (i) Current borrowings of approximately RMB78.95 billion;
- (ii) Other payables and accrued expenses of approximately RMB9.84 billion;
- (iii) Amounts due to subsidiaries of approximately RMB33.96 million;
- (iv) Amounts due to entities controlled by the controlling shareholder of approximately RMB3.13 billion; and
- (v) Dividend payable of approximately RMB879.45 million.

5.4 Assets of the Group

- (a) Based on the Group's audited financial statements for the financial year ending 31 December 2023, the total assets of the Group on a consolidated basis as at 31 December 2023 amounted to approximately RMB543.25 billion (US\$76.41 billion).

The majority of Group's assets, which are predominantly current assets, are located in the PRC and held through various intermediary offshore and onshore companies. The majority of the Group's current assets cannot be collected or converted into cash immediately.

As at 31 December 2023, the Group's current assets may be summarised as follows:

- (i) Inventories of approximately RMB276.52 billion;
- (ii) Amounts due from related parties of approximately RMB70.58 billion;
- (iii) Trade and other receivables and prepayments of approximately RMB40.29 billion;
- (iv) Cash and cash equivalents of approximately RMB15.19 billion;
- (v) Restricted cash of approximately RMB6.25 billion;
- (vi) Prepayment for acquisition of land use rights of approximately RMB4.07 billion; and

- (vii) Prepaid income taxes of approximately RMB2.54 billion.
- (b) Based on the Group's unaudited financial statements for the six months ending 30 June 2024, the total assets of the Group on a consolidated basis as at 30 June 2024 amounted to approximately RMB485.58 billion (US\$68.30 billion).

The majority of Group's assets, which are predominantly current assets, are located in the PRC and held through various intermediary offshore and onshore companies.

The majority of the Group's current assets cannot be collected or converted into cash immediately. As at 30 June 2024, the Group's current assets may be summarised as follows:

- (i) Inventories of approximately RMB246.59 billion;
- (ii) Amounts due from related parties of approximately RMB67.50 billion;
- (iii) Trade and other receivables and prepayments of approximately RMB39.56 billion;
- (iv) Cash and cash equivalents of approximately RMB12.88 billion;
- (v) Restricted cash of approximately RMB5.80 billion;
- (vi) Prepayment for acquisition of land use rights of approximately RMB3.99 billion; and
- (vii) Prepaid income taxes of approximately RMB1.97 billion.

5.5 Liabilities of the Group

- (a) As at 31 December 2023, the Group's total liabilities on a consolidated basis amounted to RMB492.00 billion (US\$69.20 billion). Major liabilities items include:
 - (i) Current borrowings of approximately RMB199.41 billion;
 - (ii) Trade and other payables of approximately RMB86.81 billion;
 - (iii) Contract liabilities of approximately RMB85.83 billion;
 - (iv) Non-current borrowings of approximately RMB64.56 billion;
 - (v) Income tax payables of approximately RMB20.37 billion; and
 - (vi) Amounts due to related parties of approximately RMB19.55 billion.
- (b) As at 30 June 2024, the Group's total liabilities on a consolidated basis amounted to RMB461.04 billion (US\$64.84 billion). Major liabilities items include:
 - (i) Current borrowings of approximately RMB201.59 billion;

- (ii) Trade and other payables of approximately RMB78.57 billion;
- (iii) Contract liabilities of approximately RMB67.43 billion;
- (iv) Non-current borrowings of approximately RMB55.01 billion;
- (v) Income tax payables of approximately RMB20.39 billion; and
- (vi) Amounts due to related parties of approximately RMB18.51 billion.

5.6 The Group's deteriorating financial condition and mitigating actions taken

- (a) During the second half of 2021, Chinese property developers and the capital markets that have funded growth and development of the sector have experienced an inflection point. Reduced bank lending for real estate development has resulted in reduced access by property developers to onshore capital. In addition, reduced bank lending for mortgage finance for buyers, as well as concerns of buyers about the ability of property developers to complete projects, has resulted in reduced property sales. Adverse reaction to these onshore events by offshore capital markets has limited the Group's funding sources to address upcoming maturities.
- (b) In 2022, the property sector in China has continued to experience volatility. Reduced bank lending for real estate development, coupled with the adverse impact of the COVID-19 pandemic on macroeconomic conditions and certain negative credit events, have intensified market concerns over the operations of Chinese property developers. As a result, the pre-sales of properties by Chinese developers has generally decreased and the Group experienced a noticeable decline in its aggregate contracted sales. Against the backdrop of the adverse market conditions, the Group is facing liquidity pressures due to limited access to external capital to refinance its existing indebtedness and reduced cash generated from contracted sales. As a result, the Company did not make payment for the principal amount and interest due under certain offshore indebtedness, including some of the Existing Debt. As at the date of this Explanatory Statement, all of the Existing Debt is in default, either as a result of a failure to pay principal at maturity, a failure to pay interest when due or by the triggering of cross-default clauses. No forbearance agreement is in place in respect of the outstanding Existing Debt.
- (c) In 2023, the overall downturn in the real estate market remained unchanged, and the industry continued to move forward under pressure. To adapt to the market conditions, the Group adjusted its supply strategies and construction plans by accurate and efficient organization of resource needs, and classification of projects into different groups and grades for management and control. After comprehensive assessment of the land market supply and the Group's current land bank, the Group did not acquire any lands during 2023. In face of the complicating market conditions, the Group kept on reviewing and reflecting itself and developed case-by-case strategies for each project. In 2023, the Group achieved contracted sales of RMB42.822 billion, with cumulative contracted gross floor area of 2.947 million sq.m., and the average selling price for the year was RMB14,532 per sq.m.

- (d) As at 31 December 2023, the Group had borrowings of RMB263,963.2 million (of which RMB64,555.6 million were classified as non-current borrowings and RMB199,407.6 million were classified as current borrowings). The borrowings of the Group mainly comprised bank and other institution borrowings, senior notes, medium-term notes and corporate bonds. Further details of the indebtedness situation of the Group as at 31 December 2023 are set out in the annual report of the Group for the year ended 31 December 2023, published on the website of the SEHK on 29 April 2024 and made available to Scheme Creditors on the Transaction Website.
- (e) In the first half of 2024, the property market of China continued to undergo adjustments, and there was no sign of rebound from weak sales in commercial properties. The Group's contracted sales for the first half of 2024 amounted to RMB17.09 billion; contracted gross floor area was 1.313 million sq.m.
- (f) As at 30 June 2024, the Group had borrowings of RMB256,602.9 million (of which RMB55,011.7 million were classified as non-current borrowings and RMB201,591.2 million were classified as current borrowings). The borrowings of the Group mainly comprised bank and other institution borrowings, senior notes, medium-term notes and corporate bonds. Further details of the indebtedness situation of the Group as at 30 June 2024 are set out in the interim report of the Group for the year ended 30 June 2024, published on the website of the SEHK on 26 September 2024 and made available to Scheme Creditors on the Transaction Website.
- (g) With regard to the Existing Debt, in an aggregate principal amount of approximately US\$11.5 billion, the Company has been continuously communicating and constructively engaging with (i) certain holders of the Existing Loans, comprising the CoCom, and who collectively hold or control more than 27% in aggregate principal amount of the Existing Loans, and their advisors, and (ii) certain holders of the Existing Notes, comprising the Ad Hoc Group, and who collectively hold or control more than 25% in aggregate principal amount of the Existing Notes, and their advisors, to facilitate the formulation of a consensual restructuring proposal for the Existing Debt. During the course from 2022 to 2025, the CoCom, the Ad Hoc Group and their respective advisors worked closely with the Company to conduct in-depth due diligence on the Group's financial and operational conditions.
- (h) The Company and the Group are subject to ongoing litigation proceedings as further explained in Section 12.7 below.

5.7 The Group's other offshore financing arrangements

- (a) The Group has entered into various secured and unsecured financing arrangements including publicly issued securities, project loans and loan facilities. The Company's Existing Debt will be subject to the Scheme. Further, the Company's indebtedness that are Out-of-Scope Debt and will not be dealt with in the Scheme are detailed at Section 6.5 of this Explanatory Statement. The treatment of the Shareholder Loans is detailed at Section 6.12 of this Explanatory Statement.

- (b) Aside from the financing arrangements described above, PropCo is the borrower in respect of five bilateral banking facilities supported by standby letters of credit. The Company is not originally an obligor of any of these loans and therefore the loans will not be compromised by the Scheme.

PropCo Loans 1

- (c) There are four facility agreements extended by different branches of the same lending bank supported by standby letters of credit and borrowed by PropCo (the “**PropCo Loans 1**”). As at the date of this Explanatory Statement, the lender, with the agreement of PropCo, has drawn down the standby letters of credit of each of the PropCo Loans 1 and there is no outstanding principal in respect of each of the PropCo Loans 1. The aggregate outstanding interest amounts is approximately US\$15.7 million as at 31 December 2023. As at the date of this Explanatory Statement, PropCo and the lender remains in amicable discussions regarding the payment terms to settle the remaining outstanding interest amounts under the PropCo Loans 1.

PropCo Loan 2

- (d) PropCo is the borrower in relation to a facility agreement dated 22 October 2021 in respect of the HK\$750,000,000 revolving loan facility and the relevant creditor (the “**PropCo Loan 2**”). PropCo Loan 2 is also supported by standby letters of credit. As at the date of this Explanatory Statement, the lender has drawn down the standby letters of credit of the PropCo Loan 2 and there is no outstanding principal in respect of the PropCo Loan 2. The outstanding amount of the PropCo Loan 2 is approximately US\$4 million, being the unpaid accrued interest (excluding default interest) as at 31 December 2023 (the “**PropCo Loan 2 Remaining Amount**”).
- (e) The Company, the PropCo and the relevant lender will enter into a global settlement agreement (the “**PropCo Loan 2 GSA**”), pursuant to which (i) the Company will assume the payment obligation of the PropCo Loan 2 Remaining Amount, (ii) all of PropCo Loan 2 obligations against PropCo will be discharged in its entirety and the existing financing agreement will be terminated; (iii) the PropCo Loan 2 Remaining Amount will be repaid by way of issuing the additional amount of the Short Term Notes to the relevant lender (the “**Additional Short Term Notes**”); (iv) the PropCo Loan 2 GSA will be governed by Hong Kong law; and (v) the effective date of the PropCo Loan 2 GSA will be inter-conditional on the occurrence of the Restructuring Effective Date.

5.8 The Group’s onshore financing arrangements

- (a) Apart from the Existing Debt set out in Annex A (*Existing Debt*) to the Scheme which relate to the Group’s offshore financing arrangements, the Group also has secured and unsecured financing arrangements onshore banks and other financial institutions.
- (b) As at 30 June 2024, the Group’s outstanding onshore debts in principal amount totalled RMB160.5 billion.

- (c) As at 30 June 2024, the Group issued the following corporate bonds onshore (together, the “**Shimao Onshore Bonds**”):
- (i) Shanghai Shimao issued nine tranches of onshore corporate bonds and medium-term notes and one tranche of private placement notes, with the aggregate outstanding principal amount of RMB7.59 billion.
 - (ii) Shimao Jianshe issued eight series of corporate bonds listed on The Shanghai Stock Exchange, with an aggregate outstanding principal amount of RMB14.32 billion.
- (d) The Group failed to make principal and interest payments due in June 2024 under seven series of corporate bonds issued by Shimao Jianshe with an aggregate outstanding principal amount of RMB11.46 billion at 30 June 2024. The Group is currently working with its onshore advisors to formulate a plan to negotiate with the relevant creditors in order to restructure such overdue corporate bonds as well as the remaining Shimao Onshore Bonds that are not in default as at the date of this Explanatory Statement.
- (e) The Group’s onshore indebtedness includes debts incurred by the Group’s onshore subsidiaries, joint ventures or associates and other third parties. Certain of the Group’s onshore indebtedness (not including the Shimao Onshore Bonds) are guaranteed by the Company. As at 30 June 2024, the principal amount of the Group’s onshore indebtedness that benefits from PRC law-governed cross-border guarantees granted by the Company (such guarantees, the “**Company’s Guaranteed Onshore Debts**”) was approximately RMB118.6 billion. The guarantees related to: (1) the Company’s onshore subsidiaries’ bank loans and loans from other financial institutions, and (2) debts to support the Company’s onshore joint ventures or associates’ business operations, or (3) debts from cooperative relationship with the third parties. The Group’s onshore indebtedness to which the Company’s Guaranteed Onshore Debts relate include both secured and unsecured liabilities, where such security is only granted by the onshore subsidiaries rather than the Company itself. None of such onshore indebtedness governed by PRC law will be subject to the Scheme. Further details on how the Group is addressing the Out-of-Scope Debt, being the Company’s Guaranteed Onshore Debts, is set out at Section 6.5 of this Explanatory Statement.
- (f) One cross-border guarantee granted by the Company governed by Hong Kong law, being the CPYM Guarantee, is part of the Existing Debt to be compromised by the Scheme. The corresponding primary obligation and onshore security will not be subject to the Scheme.

5.9 The appointment of Advisors

As disclosed in the Company’s announcement dated 3 July 2022, the Company appointed Admiralty Harbour as its financial advisor and Sidley Austin as its legal advisor to work with its board and management to assess the Group’s capital structure, evaluate the liquidity of the Group and explore feasible solutions to ease the current liquidity issue and reach an optimal solution for the benefit of all the stakeholders.

5.10 Negotiations in respect of the Restructuring

- (a) Since 2022, the Company and the Company Advisors have been formulating a holistic and comprehensive restructuring of the Group's offshore indebtedness. The Company entered into the CSA and announced the proposed terms of the Restructuring to offshore creditors on 25 March 2024.
- (b) Following the launch of the CSA, the Company held extensive negotiations and discussions with the CoCom, the CoCom Advisors, the Ad Hoc Group, the AHG Advisors and several other Existing Lenders. As a result of such negotiations, the Amendment to the CSA was entered into between, among others the Company and certain members of the CoCom on 26 July 2024. As at the date of this Explanatory Statement and based on representations from the CoCom Advisors, the CoCom collectively hold more than 11% in principal amount of the Existing Debt.
- (c) Furthermore, on 2 October 2024, the Company reached in-principle agreement with members of the Ad Hoc Group with respect to proposed terms of the Restructuring as further amended by the Amendment to the CSA Term Sheet, and the Company subsequently announced the Amendment to the CSA Term Sheet on the same date. As at the date of this Explanatory Statement and based on representations from the AHG Advisors, the Ad Hoc Group collectively hold more than 15% in principal amount of the Existing Debt.
- (d) Further details of the CSA and the terms of the Restructuring, as set out in the CSA Term Sheet (as amended by the Amendment to the CSA and further amended by the Amendment to the CSA Term Sheet), are set out in this Section 5 of this Explanatory Statement.

5.11 The key terms of the CSA and the Consent Fee

- (a) As at the date of this Explanatory Statement, the Company has received Accession Letters (or Lock-Up Notice, as applicable) from Scheme Creditors holding over approximately 80% of the aggregate outstanding principal amount of the Existing Debt being approximately US\$9.2 billion in principal amount.
- (b) Sub-paragraphs 5.11(c) - 5.11(m) below are a summary only of the principal terms of the CSA (as amended) made available to the Scheme Creditors. The full terms of the CSA can be found on the Transaction Website.
- (c) Clauses 5.1(a) and 5.2 of the CSA provides for obligations of each CSA Participant in order to implement the Restructuring, Scheme and Restructuring Documents.
- (d) Clause 6.2 of the CSA provides that, until the CSA is terminated, the Company will, amongst other things, implement the Restructuring, and the Scheme in the manner envisaged by, and on terms and conditions materially the same as the terms and conditions of the CSA and prepare, review, finalise, execute and deliver (as applicable) the Restructuring Documents such that they are consistent in all material respects with the CSA and use reasonable best

endeavours to procure that the Restructuring Effective Date occurs and the Restructuring is fully implemented on or before the Longstop Date.

- (e) Clause 6.4 of the CSA provides that the Company shall, promptly and in any event within 5 business days after it has become aware of the following, notify the Consenting Creditors of:
 - (i) any representation or statement made or deemed to be made by it under the CSA which is or proves to have been incorrect or misleading in any material respect when made or deemed to be made;
 - (ii) the details of any breach by it of any undertaking given by it under the CSA; and
 - (iii) the details of any fact, matter or circumstance which permits (or would permit if not cured within any applicable grace period) a CSA Participant or CSA Participants to terminate the CSA.
- (f) Clauses 7.1 and 7.2 of the CSA provides that,
 - (i) until the CSA is terminated, each Consenting Lender will, amongst other things:
 - (A) upon becoming a party and within seven business days of a request by the Company, the Company's counsel or the Information Agent, notify the Information Agent:
 - (I) of the amount of its Restricted Debt; and
 - (II) of the amount of any debt held by it as lender of record;
 - (B) promptly notify the Information Agent of the amount of any increase or decrease in the amount of its Restricted Debt as set out in any Accession Letter; and
 - (C) duly establish its standing to vote at the Scheme Meeting by submitting to the Information Agent a duly completed Proxy Form in respect of the outstanding principal amount of the Existing Loan(s) in which it holds a beneficial or legal interest as principal for the purposes of voting its holdings at the Record Time for the Scheme at the relevant deadline;
 - (ii) until the CSA is terminated, each Consenting Noteholder will, amongst other things:
 - (A) upon becoming a party and within seven business days of a request by the Information Agent, notify the Information Agent of the principal amount of its Restricted Debt (using the form of Lock-Up Notice set out in Schedule 1 (Form of Lock-Up Notice) in the CSA);

- (B) promptly notify the Information Agent of the amount of any increase or decrease in the amount of its Restricted Debt as set out in any Lock-Up Notice or Accession Letter (as applicable); and
 - (C) duly establish its standing to vote at the Scheme Meeting by causing its Account Holder to submit to the Information Agent a duly completed Account Holder Letter in respect of the outstanding principal amount of the Existing Notes in which it holds a beneficial or legal interest as principal for the purposes of voting its holdings at the Record Time for the Scheme at the relevant deadline; and
- (iii) in addition, subject to the Company's compliance with its obligations under the CSA, each Consenting Creditor will, amongst other things:
- (A) work in good faith with the Company and its advisers to implement the Restructuring and in a manner consistent with the terms of the CSA;
 - (B) review, negotiate, finalise, execute and deliver (as applicable) the Restructuring Documents as soon as practicable, such that they are consistent in all material respects with the terms of the CSA and the terms set out in the CSA Term Sheet;
 - (C) take all such actions as are necessary to:
 - (I) attend the Scheme Meeting either in person or by proxy; and
 - (II) vote (or cause the relevant person to vote, to the extent it is legally entitled to cause that person to vote) in person or by proxy all votes which it is entitled to exercise in respect of its debts or any other claims against the Group company in relation to the debt, in favour of the Restructuring and deliver within any applicable time periods any proxies, instructions, directions or consents in respect of all Restricted Debt which it holds a beneficial or legal interest as principal;
 - (D) vote (or causing the relevant person to vote, to the extent it is legally entitled to cause that person to vote) and exercise any powers or rights available to it irrevocably and unconditionally in favour of:
 - (I) any matter requiring approval under the relevant Existing Debt Documents, including instructing a facility agent or Existing Notes Trustee as applicable;
 - (II) any other matter requiring a resolution, instruction, amendment, waiver, consent or other proposal; and

- (III) a composition, compromise, assignment, Scheme or other arrangement in respect of any Group company or of any holding company of the Company, in each case, which is consistent with and reasonably necessary or desirable to implement and consummate the Restructuring;
- (E) (at the Company's cost) provide support and assistance to any Group company to prevent the occurrence of or in connection with an Insolvency Proceeding (other than the Scheme or any petition for recognition of any Scheme under Chapter 15 or similar recognition, moratorium or protection proceedings in the United States or elsewhere) in respect of the Group, including, without limitation:
 - (I) supporting any application, filing and petition to the courts of any jurisdiction in connection with the same, including (but not limited to) filing any necessary application, submission or evidence in support of:
 - 1) any Group company's application to adjourn proceedings following a creditor's application to wind up the respective Group company; and
 - 2) any proceeding which a Group company has initiated which may assist in the implementation of the Restructuring;
- (F) (at the Company's cost) support any actions taken by the Company or a Group company to obtain recognition or protection of the Restructuring in a relevant court of any competent jurisdiction (including any petition for recognition of any Scheme under Chapter 15) and take all other commercially reasonable actions reasonably requested by the Company or a Group company to implement or protect the Restructuring, but without incurring any additional liability or cost, unless at the expense of the Group.
- (g) The CSA also imposes certain restrictions on the actions of each of the parties that have entered into, or acceded to, it. In particular, Clause 5.1(b) of the CSA provides that, until the CSA is terminated, each party shall not (and the Company shall procure that no other Group company will), amongst other things, take, encourage, assist or support (or procure that any other person takes, encourages, assists or supports) any action which would, or would reasonably be expected to, breach or be inconsistent with the CSA or the CSA Term Sheet, or delay, frustrate, impede or prevent the implementation or consummation of the Restructuring, including opposing the making of any temporary restraining order or other similar injunctive relief necessary or desirable to implement or consummate the Restructuring, including:

- (i) challenging, objecting to, encouraging or supporting any challenge or objection to any terms of the Restructuring or any other step proposed to support, facilitate, implement, consummate or otherwise give effect to all or any part of the Restructuring;
- (ii) commencing, taking, supporting or actively assisting (or requesting, instructing or procuring that any other person commence, take, support or actively assist) any judicial, arbitration or regulatory proceedings or any other action inconsistent with the terms of the CSA or the CSA Term Sheet, which would, or would reasonably be expected to:
 - (A) be inconsistent with, or otherwise delay, impede, frustrate, or prevent the implementation of the Restructuring; or
 - (B) breach or be inconsistent with any term of the CSA (taken as a whole),
 including supporting, negotiating or preparing any alternative restructuring, refinancing, recapitalisation, arrangement, composition or other procedure, in respect of any Group company, that is inconsistent with the terms of the CSA or the CSA Term Sheet;
- (iii) soliciting, encouraging, discussing, facilitating, consenting to or entering into any other proposal or transaction for the restructuring of the Group other than the Restructuring; or
- (iv) voting (or instructing its proxy or other relevant person to vote, to the extent it is legally entitled to instruct that person to vote) in favour of any scheme, company voluntary arrangement, application, compromise, insolvency proceeding, alternative restructuring, refinancing, recapitalisation, amendment, waiver, consent or other proposal which would:
 - (A) be inconsistent with, or otherwise delay, impede, frustrate or prevent the implementation of the Restructuring; or
 - (B) breach or be inconsistent with any term of the CSA Term Sheet.
- (h) Clause 5.3 of the CSA also imposes certain restrictions on the enforcement actions of the Consenting Creditors. In particular, it provides that, subject to certain limitations set out in the CSA, each Consenting Creditor shall not (in respect of any Restricted Debt), amongst other things:
 - (i) take, commence or continue any Enforcement Action;
 - (ii) direct or encourage any other person to take any Enforcement Action;
 - (iii) vote, or allow any proxy appointed by it to vote, in favour of any Enforcement Action; or
 - (iv) do any other thing, exercise any other remedy or take any other action which it would, but for the CSA, be entitled to do, exercise or take as a

consequence of or in relation to any default, event of default or termination right howsoever described under the Existing Debt Documents (as applicable).

- (i) The CSA also imposes certain restrictions on dealing with the Restricted Debt. In particular, Clause 8.1(a) of the CSA provides that, until the CSA is terminated and subject to certain exemptions, no Consenting Creditor may assign any of its rights or transfer any of its rights or obligations in respect of, or declare or create any trust of any of its rights, title, interest or benefits in respect of, its Restricted Debt or the CSA (including any monies and other assets owing to it under or in connection with its Restricted Debt or the CSA) to, or in favour of, any person. However, a Consenting Creditor may transfer Restricted Debt to a Qualified Market-maker (as defined therein) if such Qualified Market-maker has the purpose and intent of acting as a Qualified Market-maker in respect of the relevant Restricted Debt in which case such Qualified Market-maker shall not be required to accede to the CSA or otherwise agree to be bound by the terms and conditions of the CSA in respect of such Restricted Debt provided that: (i) the relevant transferring Participating Creditor shall make such transfer conditional on any person to whom the relevant Restricted Debt is transferred by the Qualified Market-maker either (x) already being a Consenting Creditor or (y) agreeing to execute and deliver an Accession Letter, and (ii) the relevant transferring Consenting Creditor uses reasonable endeavours to procure that the Qualified Market-maker transfers the relevant Restricted Debt within five business days of the settlement date in respect of its acquisition of Restricted Debt to a Consenting Creditor or to a transferee who executes and delivers an Accession Letter in accordance with the terms of the CSA.
- (j) Consenting Creditors who are Blocked Scheme Creditors cannot submit an Account Holder Letter to the Information Agent and therefore cannot satisfy certain obligations pursuant to Clause 7.1(b)(iii) of the CSA to the extent such obligations require the submission of an Account Holder Letter. As a result, the Company waives the requirement for Blocked Scheme Creditors to submit an Account Holder Letter in connection with their compliance with the obligations under Clause 7.1(b)(iii) of the CSA. 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 to comply with their obligations pursuant to Clause 7.1(b)(iii) of the CSA and (ii) agreed to the Company, at its discretion, waiving any other requirement for Blocked Scheme Creditors under the CSA to the extent such terms require the submission of an Account Holder Letter.
- (k) Under the CSA, the Company makes the representations and warranties as at, among others, the date of the CSA and the Restructuring Effective Date that, among others:
 - (i) no Group Company is the legal owner of, or has any beneficial interest in, any Existing Debt;
 - (ii) to the best of its knowledge having made all reasonable enquiries, no order has been made or resolution passed for the winding up of or appointment of a liquidator, receiver, administrative receiver,

administrator, compulsory manager or other similar officer in respect of it or any other Group Company, and no analogous procedure has been commenced in any jurisdiction; and

- (iii) other than the Shareholder Loans, there are no other loans or debts owing by the Company (and/or its direct or indirect Subsidiaries) to the Ultimate Controlling Shareholder, any of his affiliated or related individuals, entities or representatives (including any companies wholly owned by either the Ultimate Controlling Shareholder and/or his affiliated or related individuals, entities or representatives).
- (l) The CSA will terminate automatically without any further action being taken by any party on the earlier to occur of:
- (i) the Restructuring Effective Date;
 - (ii) if not already terminated, 11:59 p.m. on the CSA Longstop Date;
 - (iii) the Court not granting an order to convene the Scheme Meeting at the Convening Hearing and there being no reasonable prospect of the Restructuring being effected prior to the CSA Longstop Date and the Company has exhausted all avenues of appeal;
 - (iv) the Court not granting a Sanction Order at a Sanction Hearing and there being no reasonable prospect of the Restructuring being effected prior to the CSA Longstop Date and the Company has exhausted all avenues of appeal; and
 - (v) any Scheme not being finally approved by the requisite statutory majorities of the Scheme Creditors at the relevant Scheme Meeting (provided that the relevant Scheme Meeting may be postponed or adjourned to a subsequent date in order to obtain the requisite approval) and there being no reasonable prospect of the Restructuring being effected prior to the CSA Longstop Date.
- (m) The CSA may otherwise be terminated:
- (i) with immediate effect by mutual written agreement of the Company on one hand and the Majority Consenting Creditors or the Core Consenting Creditors on the other;
 - (ii) by written notice from the Company to the Consenting Creditors, if the Company makes a reasonable good faith determination that there is no reasonable prospect of successfully completing the Restructuring prior to the CSA Longstop Date, other than as a result of any breach by the Company of any term or condition of the CSA;
 - (iii) by a written notice of termination to the Company (which shall notify the other parties) by the Majority Consenting Creditors, following the occurrence of any of the following:

- (A) if the Company does not comply with any terms in the CSA in any material respect, in each case unless the failure to comply is capable of remedy and is remedied within 15 business days of the Majority Consenting Creditors delivering a notice to the Company alleging such a failure to comply;
 - (B) if an order of a governmental body or court of competent jurisdiction restraining or otherwise preventing the implementation of the Restructuring has been made and such order is not revoked or dismissed within 30 days of it being made;
 - (C) if any representation or warranty of the Company under the CSA proves to have been incorrect or misleading, in each case, in any material respect unless the circumstances giving rise to the misrepresentation or breach of warranty are capable of remedy and are remedied within 15 business days of the Majority Consenting Creditors delivering a notice to the Company alleging such misrepresentation or breach of warranty;
 - (D) if the Company launches a Scheme that is materially inconsistent with the terms set out in the CSA Term Sheet (as amended, if applicable, in accordance with the CSA);
 - (E) if the Company has finally determined, and notified the Consenting Creditors in writing, that the completion of the Restructuring by the CSA Longstop Date is not possible (and, in each case, such notification, shall be promptly provided by the Company following any such determination);
 - (F) a final winding-up order is made by the Court or any other court with competent jurisdiction against the Company; or
 - (G) a provisional liquidator with the power to sell assets is appointed over, and exercises its powers to sell any assets directly held by the Company.
- (iv) by written notice to the Company by a Consenting Creditor in respect of that Consenting Creditor only, if:
- (A) an order of a governmental body or court of competent jurisdiction restraining or otherwise preventing implementation of the Restructuring has been made and has not been revoked, withdrawn or dismissed within 60 days of it being made; or
 - (B) entry into the Restructuring would (in the reasonable opinion of that Consenting Creditor and according to written advice on the matter provided by a reputable international law firm) put the Consenting Creditor in breach of any law or regulation applicable to it.

- (n) The terms relating to the Consent Fee are as follows:
- (i) the Early Consent Fee will be paid to a Consenting Creditor who validly held Eligible Restricted Debt (as defined therein) as at the Early Consent Fee Deadline and still holds such Eligible Restricted Debt at the Record Time, provided that:
 - (A) it fully complies with the requirements of Clause 10.4 of the CSA, which include, amongst other things,
 - (I) to vote the entire aggregate amount of the Existing Debt held by it at the Record Time in favour of the Scheme at the Scheme Meeting (whether in person or by proxy), and
 - (II) not to have exercised its rights to terminate the CSA in accordance with the terms thereof; and
 - (B) no Transfer (as defined therein) or purported Transfer of such Eligible Restricted Debt has occurred after the Early Consent Fee Deadline;
 - (ii) the Base Consent Fee will be paid to a Consenting Creditor who validly held Eligible Restricted Debt as at the Base Consent Fee Deadline and still holds such Eligible Restricted Debt at the Record Time, provided that:
 - (A) it fully complies with the requirements of Clause 10.4 of the CSA, which include, amongst other things,
 - (I) to vote the entire aggregate amount of the Existing Debt held by it at the Record Time in favour of the Scheme at the Scheme Meeting (whether in person or by proxy), and
 - (II) not to have exercised its rights to terminate the CSA in accordance with the terms thereof; and
 - (B) no Transfer (as defined therein) or purported Transfer of such Eligible Restricted Debt has occurred after the Base Consent Fee Deadline;
 - (iii) the “**Early Consent Fee**” refers to an early consent fee comprising:
 - (A) an amount in cash (“**Early Cash Consent Fee**”) equal to 0.1% of the Scheme Creditor’s Principal Amount of the Eligible Restricted Debt of such Eligible Early Consenting Creditor; and
 - (B) Short Term Instrument (in the form of either Short Term Notes or Short Term Loan at such Scheme Creditor’s election) (the “**Early STI Consent Fee**”) in a principal amount equal to 1% of the Scheme Creditor’s Principal Amount of the Eligible Restricted Debt to each Eligible Early Consenting Creditor;

- (iv) the “**Base Consent Fee**” refers to a base consent fee comprising:
 - (A) an amount in cash (“**Base Cash Consent Fee**”) equal to 0.1% of the Scheme Creditor’s Principal Amount of the Eligible Restricted Debt of such Eligible Base Consenting Creditor; and
 - (B) Short Term Instrument (in the form of either Short Term Notes or Short Term Loan at such Scheme Creditor’s election) (the “**Base STI Consent Fee**”) in a principal amount equal to 0.5% of the Scheme Creditor’s Principal Amount of the Eligible Restricted Debt of such Eligible Base Consenting Creditor.
- (o) For the avoidance of doubt, an Eligible Consenting Creditor shall be entitled to either the Early Consent Fee or the Base Consent Fee, but not both.
- (p) The settlement of cash component of the Early Cash Consent Fee and the Base Cash Consent Fee is a Restructuring Condition.
- (q) An Eligible Consenting Creditor who elects to receive New Notes as Scheme Creditors’ Election will receive Early STI Consent Fee or Base STI Consent Fee (as applicable) only in the form of Short Term Notes. An Eligible Consenting Creditor who elects to receive New Loans as Scheme Creditors’ Election will receive Early STI Consent Fee or Base STI Consent Fee (as applicable) only in the form of Short Term Loan.
- (r) Due to the effects of the Applicable Sanctions, those Eligible Consenting Creditors who are Blocked Scheme Creditors will be unable to receive their Consent Fee on the Restructuring Effective Date. If the Applicable Sanctions are still in place on the Holding Period Expiry Date, the Company will appoint the Successor Escrow Agent to hold in the Successor Escrow any Blocked Trust Assets (including any Residual Consent Fee) after the Holding Period Expiry Date until the earlier of (i) the expiry of the Perpetuity Period, or (ii) the lifting of Applicable Sanctions provided that the Blocked Scheme Creditors shall be given a reasonable period of time thereafter to recover their entitlement to the Restructuring Consideration in accordance with the terms of the Successor Escrow.
- (s) A Scheme Creditor may also be entitled to a Consent Fee if there has been a valid and effective Transfer (as defined in the CSA) (or, if applicable, a chain of valid Transfers) of the Eligible Restricted Debt after the Consent Fee Deadlines but prior to the Record Time in accordance with the terms of the CSA, including that the relevant transferee is either a Consenting Creditor or has first agreed to be bound by the terms of the CSA as a Consenting Creditor by acceding to the CSA in accordance with its terms, and the transferee complies with the applicable terms of the CSA.
- (t) The Consent Fee is considered by the Company to be appropriate in order to secure early support for the Restructuring from the Scheme Creditors and to provide the Group with stability and visibility over the implementation of the Restructuring. All Scheme Creditors had the opportunity to become eligible to

receive the Consent Fee provided that they satisfied the aforementioned conditions, subject to the sole discretion of the Company.

- (u) The Company has also considered whether the terms of the applicable Consent Fee offered to those creditors who accede to the CSA and agree to vote in favour of the Scheme pursuant to the CSA should have an impact on the classification of creditors for the purposes of the Scheme. For the reasons set out in Section 6.3 below, the Company has considered that they do not.
- (v) *For the purpose of Section 5.11(u) above, the following sub-paragraphs set out hypothetical illustrations of the Consent Fee a Scheme Creditor may receive on the basis of the assumptions set out below. The information contained in this Section 5.11(v) provides a hypothetical illustration only of some possible outcomes, does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by references to, the more detailed information contained in the Scheme and this Explanatory Statement.*
 - (i) The nominal value of the Early Consent Fee is 1.1% of the aggregate principal amount of the Eligible Restricted Debt held by each Eligible Early Consenting Creditor as at the Record Time. The total Base Consent Fee comprises a nominal amount equal to 0.6% of the aggregate principal amount of the Eligible Restricted Debt held by each Eligible Base Consenting Creditor as at the Record Time.
 - (ii) The different recovery rates, on a discounted basis, to those Scheme Creditors who will receive the Consent Fee in addition to Scheme Consideration, and those who will not, as assessed by Acclime, are summarized in the table below. The estimated recovery rate assumes the Scheme Consideration, Early Consent Fee and Base Consent Fee are distributed on the Restructuring Effective Date.

	Discounted estimated recovery rate on the basis of total principal of Existing Debt and accrued interest up to 30 June 2024
Early Consent Fee and Scheme Consideration for Eligible Early Consenting Creditors	23.5%-31.7% ¹⁴
Base Consent Fee and Scheme Consideration for Eligible Base Consenting Creditors	23.3%-31.5% ¹⁴
Scheme Consideration only	23.1%-31.2%

¹⁴ Certain Scheme Creditors who acceded to the CSA within the relevant Consent Fee Deadlines will not receive any Consent Fee because the principal amount of the Eligible Restricted Debt held by them is estimated to be nil, and therefore their recovery rates are excluded from this table.

- (iii) Therefore the difference in recovery rates to those Scheme Creditors that will receive the Early Consent Fee or Base Consent Fee, and those that will not, is not material. Additionally, the estimated recovery rate from the Company and Existing Subsidiary Obligors in a Group-wide liquidation is estimated to be in the range between 0.8% to 4.3%. The Company therefore believes that the value of the Consent Fee when compared against the difference in predicted returns that Scheme Creditors will receive under the Scheme is not material and in particular is not of such a value that would affect a Scheme Creditor's decision as to how to vote on the Scheme.

5.12 CoCom Work Fee, CoCom Advisor Fee, AHG Work Fee and AHG Advisor Fee

- (a) On or prior to the Restructuring Effective Date, as a Restructuring Condition, the Company shall pay:
 - (i) the CoCom Work Fee in accordance with the terms set out in the CSA and the CoCom Work Fee Letter;
 - (ii) the CoCom Advisor Fee;
 - (iii) the AHG Work Fee in accordance with the terms set out in the CSA and the AHG Work Fee Letter; and
 - (iv) the AHG Advisor Fee.
- (b) The total nominal amount of the CoCom Work Fee, AHG Work Fee, the CoCom Advisor Fee and the AHG Advisor Fee represents less than 0.59% of the aggregate outstanding principal amount of the Existing Debt and less than 0.54% of the total value of the Scheme Consideration to be issued in the Scheme. Since the quantum of the aggregate fees is relatively immaterial, the Company is of the view that the payment of such fees will not have a bearing on whether a Scheme Creditor votes in favour of the Scheme.

The CoCom Work Fee and AHG Work Fee

- (c) The CoCom Work Fee and AHG Work Fee are for work performed by certain bank lenders who are members of the CoCom and certain noteholders who are members of the Ad Hoc Group in respect of the Restructuring and for the Scheme. The CoCom Work Fee and AHG Work Fee are in addition to the Consent Fee payable to each of the CoCom and Ad Hoc Group.
- (d) The agreed nominal value of the CoCom Work Fee is US\$19,029,687. The agreed nominal value of the AHG Work Fee is US\$29,956,215.
- (e) The CoCom Work Fee and AHG Work Fee are payable by the Company's issuance of Mandatory Convertible Bonds. According to the Scheme Recovery Analysis, the aggregate value of the CoCom Work Fee and AHG Work Fee on a discounted basis is estimated to be from US\$11,214,887 to US\$11,714,874 ("**Work Fee Assessed Value**"). The reason the Work Fee Assessed Value is less than the nominal agreed value is because the Work Fee Assessed Value

takes into account, among other things, the time value of money and the estimated market capitalisation divided by Net Asset Value shares that will be issued when the Mandatory Convertible Bonds are converted to equity 1 year from the Restructuring Effective Date.

Work fee	Nominal amount (US\$)	Work Fee Assessed Value (US\$)
CoCom Work Fee	US\$19,029,687	US\$4,356,678- US\$4,550,909
AHG Work Fee	US\$29,956,215	US\$6,858,209- US\$7,163,965
Aggregate total	US\$48,985,902	US\$11,214,887- US\$11,714,874

- (f) The Work Fee Assessed Value represents less than 0.36% of the aggregate principal amount of the Existing Debt held by the CoCom and by the Ad Hoc Group as at 30 June 2024. Further, the Work Fee Assessed Value represents approximately 0.10% of the aggregate outstanding principal amount of the Existing Debt as at 30 June 2024.
- (g) The CoCom Work Fee and AHG Work Fee are payable by way of the Company's issuance of Mandatory Convertible Bonds. This is an alternative to requiring the Company to pay the entire CoCom Work Fee and AHG Work Fee upfront in cash on the Restructuring Effective Date. This allows the Company to maintain its liquidity position and keep more cash for ongoing business operations.
- (h) Comparable work fee arrangements by other Chinese real estate companies in similar recent sanctioned scheme of arrangement transactions are as follows:

Scheme company	Work fees	Jurisdiction(s) of scheme(s) of arrangement
Powerlong Real Estate Holdings Limited	Total amount of work fees payable to the ad hoc group represents approximately 0.4% of the aggregate outstanding principal amount of the public notes issued by the Company subject to the restructuring (approximately US\$2.79 billion)	Hong Kong (2025)
Yuzhou Group Holdings Company Limited	Total amount of work fees payable to the ad hoc group and the existing lenders represents approximately 0.15% - 0.22% of the aggregate outstanding principal amount of the existing debt subject to the	Cayman Island and Hong Kong (2024)

Scheme company	Work fees	Jurisdiction(s) of scheme(s) of arrangement
	restructuring (approximately US\$6.7 billion)	
China Aoyuan Group Limited	Total amount of adviser fees and work fees represent less than 0.84% of the aggregate outstanding principal amount of the existing debt subject to the restructuring (approximately US\$6.2 billion)	Cayman Island, BVI and Hong Kong (2024)
Sunac China Holdings Limited	Total amount of work fees and ad hoc group adviser fees represents less than 0.272% of the aggregate outstanding principal amount of the existing notes subject to the restructuring (approximately US\$7.9 billion)	Hong Kong (2023)
Modern Land (China) Co., Limited	Total amount of the work fees and ad hoc group legal fees represents less than 0.4% of the aggregate outstanding principal amount of the existing notes subject to the restructuring (approximately US\$1.34 billion)	Cayman Islands (2022)
Hilong Holding Limited	Total amount of work fees was approximately US\$3,790,000 , representing 1.00% of the aggregate outstanding principal amount of the existing notes subject to the restructuring, plus all accrued and unpaid interest on such notes (approximately US\$365 million) up to a capped amount of US\$3,800,000	Cayman Islands (2021)

- (i) The Company has considered whether the payment of the CoCom Work Fee and AHG Work Fee has an impact on the constitution of classes of Scheme Creditors, and whether the CoCom Work Fee and AHG Work Fee mean that the CoCom and the Ad Hoc Group should be placed in a separate class in the Scheme. The Company has concluded that it does not, for the following reasons:
- (i) The CoCom Work Fee and AHG Work Fee are not to induce the CoCom and the Ad Hoc Group to vote in favour of the Scheme. Rather, they represent the commercial compensation for the time and effort expended by certain bank lenders who are members of the CoCom and certain noteholders who are members of the Ad Hoc Group, acting in the interests and for the benefit of the Company's creditors as a whole, in assisting the Company to formulate and negotiate the Restructuring as a

whole. Members of the CoCom and Ad Hoc Group receiving the work fee constructively and actively participated in negotiations with the Company and Company Advisors to formulate the commercial terms of the Scheme. The commercial terms put forward as explained in this Explanatory Statement represent a reasonable compromise, and is expected to enjoy the support of the majority of Scheme Creditors.

- (ii) The payment of the CoCom Work Fee and AHG Work Fee is not conditional on the outcome or success of the Restructuring or Scheme, and not conditional on members of the CoCom or the Ad Hoc Group voting in favour of the Scheme. The Company has undertaken to each of them that the relevant Mandatory Convertible Bonds will be issued on the earlier of: (1) the occurrence of the Restructuring Effective Date, or (2) 31 December 2027.
- (iii) Specific documents that were negotiated between the parties include the CSA Term Sheet and CSA. The commercial terms in the CSA Term Sheet offer to all Scheme Creditors better economic terms than in a liquidation. Other work that has been performed by members of the CoCom and the Ad Hoc Group includes conducting due diligence into the affairs of the Group for the purposes of negotiating the Restructuring. Additionally, the negotiation period of the Restructuring was lengthy, more than two years from the time the CoCom and Ad Hoc Group commenced negotiations with the Company until the date of this Explanatory Statement. Further, such negotiation may continue to the anticipated Restructuring Effective Date in the first half of 2025.
- (iv) Additionally, the AHG Work Fee represents compensation to the Ad Hoc Group for restricting themselves from trading for extended periods at various points during the Restructuring negotiation due to being in receipt of “material non-public information”.
- (v) When considered in the context of the anticipated additional discounted recovery arising from the CoCom Work Fee and AHG Work Fee (on the one hand) compared to the CoCom and the Ad Hoc Group’s discounted recovery arising from Scheme Consideration (on the other hand), the CoCom Work Fee and AHG Work Fee is immaterial. By way of an approximation and illustration only, the Scheme Creditors who are eligible to receive the CoCom Work Fee or AHG Work Fee will receive additional discounted recovery of up to 0.36% of the principal amount of their Scheme Claims up to 30 June 2024 (excluding interest), based on Work Fee Assessed Value. In comparison, the CoCom and the Ad Hoc Group expect to recover up to 34.7% of the principal amount of their Scheme Claims up to 30 June 2024 (excluding interest) as Scheme Consideration after taking into account applicable discounts (excluding Early Consent Fee and Base Consent Fee).¹⁵

¹⁵ As stated above in Section 4 of this Explanatory Statement, the estimated discounted recovery rate from Scheme Consideration in the Scheme Recovery Analysis based on Scheme Claims including principal and accrued interest up to 30 June 2024 is approximately 19.1%-31.2%.

- (vi) Finally, the alternative of an insolvent liquidation would result in the Scheme Creditors receiving significantly lower returns than the anticipated returns under the Scheme. In this context, the CoCom Work Fee and AHG Work Fee would not be a material factor that would influence Scheme Creditor's decision to vote.

The CoCom Advisor Fee and AHG Advisor Fee

- (j) Pursuant to the CSA and the Scheme, the Company has agreed to pay, among other things, the professional fees, costs and expenses of the CoCom's and Ad Hoc Group's Advisors that are associated with the Restructuring in accordance with the terms of the relevant fee letters.
- (k) The total estimated professional fees payable to the CoCom Advisors and AHG Advisors is US\$18,723,772, being approximately 0.16% of the aggregate outstanding principal amount of the Existing Debt as at 30 June 2024 and approximately 0.57% of the aggregate outstanding principal amount of Existing Debt collectively held by the CoCom and the Ad Hoc Group as at 30 June 2024.
- (l) The payment of the professional fees, costs and expenses of the CoCom Advisors and AHG Advisors does not confer a direct or additional benefit upon a member of the CoCom and Ad Hoc Group. Instead, such costs are reimbursement for costs incurred by the CoCom and Ad Hoc Group in relation to engaging their own legal and financial advisors for the purposes of negotiating the Restructuring, and the payment of the CoCom Advisor Fee and AHG Advisor Fee do not confer an additional benefit or "disguised consideration" on the relevant creditors. Such CoCom Advisor Fee and AHG Advisor Fee are found in other similar debt restructuring transactions.

6. OVERVIEW OF THE SCHEME

This Section contains a brief overview of the Scheme. Please refer to the full text of the Scheme as set out in Appendix 4 (*The Scheme*) of this Explanatory Statement for further details. If there is any inconsistency between the terms of the Scheme or any Restructuring Document on one hand and this Explanatory Statement on the other, the terms of the Scheme and/or the Restructuring Documents (as applicable) shall prevail.

6.1 Objectives of the Scheme

- (a) The principal object and purpose of the Scheme is to effect a compromise and arrangement between the Company and the Scheme Creditors so as to implement a financial restructuring of certain Liabilities of the Company, the Existing Subsidiary Obligors and the Group under and/or in connection with the Existing Debt, and to enable the Company to continue to operate on a going concern basis.
- (b) The principal compromise and arrangement to be given effect by the Scheme is the release in full of all the Released Claims of the Scheme Creditors. In exchange for the release, the Scheme Creditors and each Designated Recipient will be entitled to receive a share of the Scheme Consideration in accordance with the terms of the Scheme.
- (c) The Restructuring has the following objectives:
 - (i) to avoid the Company, the Existing Subsidiary Obligors and other members of the Group entering into insolvent liquidation at some point in the near future, as a result of which the anticipated recoveries for Scheme Creditors would be significantly less than if the Restructuring were to be completed successfully;
 - (ii) to reduce the total indebtedness of the Group, thereby creating a more stable capital structure for the Group and allowing the Group and its subsidiaries to comply with their post-Restructuring obligations and liabilities and to continue to operate on a going concern basis; and
 - (iii) to increase the prospect of generating long-term value for Scheme Creditors and other stakeholders of the Company.

6.2 What is required for the Scheme to be effective?

- (a) In Hong Kong, a scheme of arrangement requires the following to occur in order for it to become legally binding:
 - (i) the convening of a meeting of the Company's creditors or meetings of classes of its creditors who are proposed to be bound by the scheme of arrangement in accordance with directions given by the Court;
 - (ii) at each such meeting, the approval of at least a majority in number representing 75% or more in value of the relevant creditors of the Company present and voting at the meeting in person (including by authorised representative if a corporation) or by proxy;

- (iii) the approval of the Court by the making of an order sanctioning the scheme of arrangement; and
 - (iv) the registration of an office copy of the court order sanctioning the scheme of arrangement with the Registrar of Companies.
- (b) If the Scheme is approved by the requisite majorities of creditors at the Scheme Meeting and sanctioned by the Court, and a copy of the sealed Sanction Order is registered with the Registrar of Companies as set out above, the Scheme will bind all Scheme Creditors, including those Scheme Creditors who voted in favour of the Scheme, those Scheme Creditors who voted against it, and those Scheme Creditors who did not vote at all.
- (c) The Scheme will not be sanctioned by the Court unless the Court is satisfied, among other things, that:
 - (i) the Scheme Meeting was summoned and held in accordance with the Convening Order;
 - (ii) the Scheme was approved by the requisite majorities of those who voted at the Scheme Meeting in person (including by authorised representative if a corporation) or by proxy;
 - (iii) the Scheme is, in all circumstances, fair and reasonable and the class or classes of creditors voting in respect of the Scheme have been properly constituted;
 - (iv) the provisions of the applicable statute have been complied with;
 - (v) the class or each class was 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
 - (vi) sufficient information is provided to the creditors and that the Scheme is such that an intelligent and honest man, being a member of the class concerned and acting in respect of his interest, might reasonably approve.

6.3 Structure of the Scheme and class composition

- (a) The Scheme involves one Scheme in Hong Kong with creditors voting as a single class.
- (b) The Company has considered the existing rights of each of the Scheme Creditors against the Company and the way in which those rights would be affected by the Scheme. The Company has concluded that the Scheme Creditors fall into a single class for the purposes of voting on the Scheme. This is because:
 - (i) in the event the Scheme fails it is likely that the Company will enter liquidation in Hong Kong. In those circumstances, the rights of all Scheme Creditors against the Company would rank *pari passu* as

between themselves as unsecured claims in such liquidation and the Scheme Creditors would have substantially the same rights against the Company to receive a *pari passu* dividend on such claims;

- (ii) although there are differences in maturity date, interest rates and instruments in respect of the Existing Debt, those differences are not material since in such a liquidation all of the Scheme Creditors would have liquidated claims against the Company which would rank *pari passu*;
 - (iii) all obligations under the Existing Debt against the Company are unsecured (further details of the Existing Debt are set out in Annex A to the Scheme);
 - (iv) although some of the Existing Debt are guaranteed by certain Existing Subsidiary Obligors, while other portions of the Existing Debt are not, those differences are not material since these guarantees would have little value in a liquidation of the Group;
 - (v) one Scheme Creditor, being the creditor of the CPYM Guarantee, stands to retain rights against third parties after the Scheme whereas other Scheme Creditors do not (as further set out in Section 6.7 below). However, this difference in treatment will not make it impossible for all Scheme Creditors to vote as a single class because: (1) the CPYM Guarantee ranks *pari passu* with other Scheme Creditors in a liquidation, and (2) such creditor will receive Scheme Consideration from the Company in exchange for the full release of its claim against the Company;
 - (vi) if the Scheme becomes effective, all of the Scheme Creditors' rights will be compromised in materially the same way as between themselves; and
 - (vii) all Scheme Creditors will be entitled to the same Scheme Consideration (and the same right to elect between options of Scheme Consideration).
- (c) The Company has also considered whether paying the applicable Consent Fee to only certain Scheme Creditors who satisfy the conditions set out in the CSA should have an impact on the classification of creditors for the purposes of the Scheme. The Company has considered that they do not for the following reasons:
- (i) All Scheme Creditors were given an opportunity to, amongst other things, accede to the CSA according to its terms and agree to vote in favour of the Scheme, and therefore to become entitled to receive the Consent Fee.
 - (ii) The Consent Fee is not material when considered against the differential in predicted returns that the Scheme Creditors will receive under the Scheme and in a liquidation which is the relevant alternative. The total Early Consent Fee comprises an amount equal to 1.1% of the aggregate principal amount of the Eligible Restricted Debt held by each Eligible

Early Consenting Creditor as at the Record Time, and the total Base Consent Fee comprises an amount equal to 0.6% of the aggregate principal amount of the Eligible Restricted Debt held by each Eligible Base Consenting Creditor as at the Record Time. Therefore, it is 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 CSA and to vote in favour of the Scheme.

- (d) Therefore, in all the circumstances, there is more to unite than divide all of the Scheme Creditors, so as to make any further classes unnecessary and inappropriate.

6.4 Are you a "Scheme Creditor"?

- (a) Scheme Creditors are those with legal or beneficial interests as principal in the Existing Debt. The Existing Debt is listed in Annex A (*Existing Debt*) to the Scheme. Information regarding which persons constitute Scheme Creditors and on the actions that Scheme Creditors are required to take under the Scheme is set out in the following clauses:
 - (i) Section 11 (*Scheme Creditors and Actions to be Taken*) to this Explanatory Statement; and
 - (ii) Appendix 6 (*Solicitation Packet*) to this Explanatory Statement.
- (b) For the avoidance of doubt, the Account Holders and the Intermediaries are not Scheme Creditors unless they also have a beneficial interest as principal in the Existing Notes held in global form through the Clearing Systems as at the Record Time (for voting purposes).

6.5 The Out-of-Scope Debt

- (a) The Scheme is part of the Group's Restructuring of its offshore indebtedness. All of the Existing Debt, as set out in Annex A (*Existing Debt*) to the Scheme, which is approximately US\$11.5 billion in principal amount as at 30 June 2024, will be the subject of the Scheme.
- (b) Not all of the Company's debts will be subject to the Scheme. The Company is a guarantor or borrower of certain offshore and onshore loans that will be restructured bilaterally in consultation with the creditors (the "**Out-of-Scope Debt**"). The total principal amount of the Out-of-Scope Debt is approximately US\$19.2 billion as at 30 June 2024. Some of the Out-of-Scope Debt are partially or fully secured, and some have been restructured on a bilateral basis and are no longer in default. Broadly, the Out-of-Scope Debt comprises: (i) certain Shareholder Loans where the Company is a borrower, (ii) financing arrangements from offshore banks where the Company is a borrower or guarantor and (iii) the Company's Guaranteed Onshore Debts. The reasons why the Out-of-Scope Debt have been excluded from the Scheme and how the debts are being restructured bilaterally are detailed below.

- (c) As at 30 June 2024, the aggregate outstanding principal amount of the Out-of-Scope Debt represents approximately 63% of the Company's total principal amount of existing indebtedness (being the aggregate outstanding principal amount of the Existing Debt and the Out-of-Scope Debt) and approximately 35% of the Group's total current assets.

Shareholder Loans

- (d) There are three Shareholder Loans of aggregate HK\$3.96 billion in principal amount borrowed by the Company, which are not included in the Scheme, and all will be restructured. See further details at Section 6.12 of this Explanatory Statement on how the Shareholder Loans will be restructured.

Company's offshore obligations

- (e) The Company's total offshore Out-of-Scope Debt arising from facilities from various banks and financial institutions is approximately US\$2.0 billion in principal amount as at 30 June 2024. These are five (5) discrete loans and all of them are project loans or bilateral loans borrowed or guaranteed by the Company. All five (5) loans benefit from collateral relating to development projects and other assets granted in favour of the lender. The Group has entered into various agreements with such lenders to bilaterally restructure each of the loans. The Company has no other offshore loans that are Out-of-Scope Debt.
- (f) There are two facility agreements dated 9 September 2022 in respect of the HK\$10,300,000,000 loan facilities and Hong Kong Dollar term loan facility (the "**TWP Facilities**"), guaranteed by the Company. Adventure Success Limited (a wholly-owned subsidiary of the Company) is the borrower. The TWP Facilities are secured by valuable security being the New Kowloon Inland Lot No. 6542 (situated at Yin Ping Road, Tai Wo Ping, Kowloon) (the "**Tai Wo Ping Site**"), which has a site area of approximately 20,401 square metres (the "**Tai Wo Ping Project Debt**"). The outstanding principal amount of the Tai Wo Ping Project Debt as at 30 December 2024 is HK\$11.0 billion and is not in payment default. Following the Restructuring, the Company will continue to work with the relevant lender to repay the outstanding amounts, including out of the proceeds arising from the Tai Wo Ping Project.
- (g) There is a facility agreement dated 27 July 2020 (as amended and supplemented by a supplemental deed dated 28 June 2023) entered into between, among others, Brand Rise Limited (a wholly-owned subsidiary of the Company) as borrower and the relevant creditors (the "**Tung Chung Facility**"). The Tung Chung Facility is guaranteed by the Company and secured valuable security, being a certain portion of Tung Chung Town Lot No. 38, together with the hotels erected thereon (the "**Tung Chung Hotels**") known as Four Points by Sheraton Hong Kong, Tung Chung and Sheraton Hong Kong Tung Chung Hotel (the "**Tung Chung Hotels Debt**"). The outstanding principal amount of the Tung Chung Hotels Debt as at 30 December 2024 is HK\$4.9 billion and is not in payment default. Following the Restructuring, the Company will continue to work with the relevant lender to repay the outstanding amounts, including out of the proceeds arising from the Tung Chung Hotels.

- (h) There is a 1.27% Hong Kong law governed HK\$420 million secured term and revolving loan pursuant to a facilities agreement dated 29 December 2021 borrowed by the Company with a maturity date of 4 January 2027 (the “**December 2021 Bilateral Loan**”). As at the date of this Explanatory Statement, the outstanding principal amount of the December 2021 Bilateral Loan is HK\$256 million. The December 2021 Bilateral Loan is supported by valuable security and/or other forms of credit enhancement (the “**December 2021 Bilateral Loan Credit Support Package**”), and the Company is of the view that it would not be fair to include such secured creditors in the same Scheme as the other unsecured Scheme Creditors. The aggregate accrued and unpaid principal, interest and other sums under the December 2021 Bilateral Loan will be restructured into two tranches of new loans (the “**December 2021 Bilateral Loan Restructuring**”) as follows:
- (i) the first tranche (the “**Extended December 2021 Bilateral Loan**”), subject to the terms of its governing documents, in the principal amount of HK\$150 million with a new maturity of 18 months secured by the existing December 2021 Bilateral Loan Credit Support Package and benefited from first ranking priority in the distribution of net proceeds from the enforcement of the December 2021 Bilateral Loan Credit Support Package and second ranking priority (behind the Short Term Loan D) in the distribution of net proceeds from the enforcement of the July 2021 Bilateral Loan Credit Enhancement Package (as defined below); and
 - (ii) the second tranche (the “**Short Term Loan C**”), subject to the terms of its governing documents, in the principal amount of the difference between (x) the accrued but unpaid principal, interest and other sums under the December 2021 Bilateral Loan as of the date on which the December 2021 Bilateral Loan Restructuring becomes effective and (y) the principal amount under the first tranche as described in the preceding paragraph, with terms substantially similar to the Short Term Loan, including the same security package and other credit enhancement mechanisms as the Short Term Loan, and the Short Term Loan C continues to benefit from the existing December 2021 Bilateral Loan Credit Support Package and second ranking priority (behind the Extended December 2021 Bilateral Loan) in the distribution of net proceeds from the enforcement of the December 2021 Bilateral Loan Credit Support Package and third ranking priority (behind the Short Term Loan D and the Extended December 2021 Bilateral Loan) in the distribution of net proceeds from the enforcement of the July 2021 Bilateral Loan Credit Enhancement Package (as defined below).
- (i) Finally, there is a 2.30% Hong Kong law governed HK\$500 million secured term loan pursuant to a facilities agreement dated 6 July 2021 borrowed by the Company and payable on demand (the “**July 2021 Bilateral Loan**”). As at the date of this Explanatory Statement, the outstanding principal amount of the July 2021 Bilateral Loan is HK\$500 million. The July 2021 Bilateral Loan is supported by valuable security and/or other forms of credit enhancement (the “**July 2021 Bilateral Loan Credit Enhancement Package**”). The Company is

of the view that it would not be fair to include such secured creditors in the same Scheme as the other unsecured Scheme Creditors. The July 2021 Bilateral Loan will be restructured into a new loan (“**Short Term Loan D**”) in the principal amount of the sum of the original principal amount of the July 2021 Bilateral Loan and accrued and unpaid interest thereon up to 31 December 2023. The new loan agreement will be on substantially similar terms to the Short Term Loan, including the same security package and other credit enhancement mechanisms as the Short Term Loan, but the relevant lender will, among other things, continue to benefit from its existing July 2021 Bilateral Loan Credit Enhancement Package and first ranking priority in the distribution of net proceeds from the enforcement of the July 2021 Bilateral Loan Credit Enhancement Package, and third ranking priority (behind the Extended December 2021 Bilateral Loan and the Short Term Loan C) in the distribution of net proceeds from the enforcement of the December 2021 Bilateral Loan Credit Support Package.

The Company’s cross-border guarantee in respect of the Group’s onshore indebtedness

- (j) The Company’s cross-border guarantee obligations governed by PRC law in respect of certain Group’s onshore indebtedness are the Company’s Guaranteed Onshore Debts. As at 30 June 2024, the total outstanding amount of the Company’s Guaranteed Onshore Debts is RMB118.6 billion (approximately US\$16.7 billion) across 174 onshore loans. The Company’s Guaranteed Onshore Debts relate to debts where the primary obligation is borrowed or issued by a Group subsidiary located in the PRC and guaranteed by the Company. The Company’s Guaranteed Onshore Debts is 87% of the Out-of-Scope Debt and 31% of the Group’s total current assets.
- (k) The reasons for not including the Company’s Guaranteed Onshore Debts in the Scheme are as follows:
 - (i) The relevant creditors are primarily onshore banks, government regulated institutions, private investors and other financial institutions based in the PRC. Based on feedback from various relevant creditors, the Company understands that a majority of such lenders are not able to participate in an offshore scheme of arrangement, including the Scheme. Among other reasons, some onshore financial institutions are restricted from holding the Scheme Consideration to be issued offshore by the Company due to internal policies or regulatory constraints. They have therefore not indicated that they want to, or can, participate in and vote in favour of the Scheme. In the circumstances, since the underlying primary obligation of the Company’s Guaranteed Onshore Debt are governed by PRC law and all of the Company’s guarantee obligations for such debts are also governed by PRC law, the discharge of the guarantee by the Scheme would not be substantially effective,¹⁶ or resolve the underlying loan obligations.

¹⁶ In accordance with the rule established in the case of *Antony Gibbs & sons v La Société Industrielle et Commerciale des Métaux* (1890) (“**Rule in Gibbs**”), which is followed in Hong Kong and the Cayman Islands.

- (ii) Approximately 78.7% of the Company's Guaranteed Onshore Debts are partially or fully secured by assets onshore. These secured creditors have the benefit of mortgages over certain of the Group's property guarantees provided by the underlying project company, debentures, account charges and /or share charges over the issued shares in the relevant borrower. The relevant creditors are expected to receive substantial recoveries from onshore collateral and therefore it is unlikely these secured creditors will agree to participate in the Scheme, in which these secured creditors would be expected to participate with their crystallized deficiency claims. The Group has been informed by various lenders that if the Company's guarantee obligations are released under the Scheme, the relevant creditors may take steps to enforce the onshore security. This would be detrimental to the Group's operations generally and would also diminish the potential returns available to all of the Group's unsecured creditors generally, including the Scheme Creditors.
- (l) Following engagement with various creditors of Company's Guaranteed Onshore Debt, the Group has decided that it would be in the best interest of all creditors to deal with each tranche on a bilateral basis. None of the creditors of the Company's Guaranteed Onshore Debt have objected to not being subject to the Scheme. The Group has engaged, and continues to actively engage, with the relevant creditors under these financing arrangements to extend the maturity of the debts, waive default or organise an orderly sale of the secured assets to replay the relevant debts.
- (m) As at the date of this Explanatory Statement, RMB32.3 billion of the Company's Guaranteed Onshore Debts (approximately 27.2% of the amount of the Company's Guaranteed Onshore Debts) have already been restructured and are no longer in default. As at the date of this Explanatory Statement, no payment defaults have occurred under such debts.
- (n) As at the date of this Explanatory Statement, the remaining RMB86.4 billion of the Company's Guaranteed Onshore Debts (approximately 72.8% of the amount of the Company's Guaranteed Onshore Debts) are subject to ongoing bilateral negotiations between the onshore lenders and the onshore borrower (the **"Pending Out-of-Scope Debt"**). The Group has proposed concrete terms to restructure each of the Pending Out-of-Scope Debt and remains in active discussions with each of the relevant creditors. In summary, and subject to ongoing discussions with each of the lenders:
 - (i) RMB52.0 billion will be restructured through asset disposal or debt-to-equity arrangements.
 - (ii) RMB30.7 billion will be restructured through maturity extension.
 - (iii) RMB3.7 billion will be settled in cash or other forms of payment-in-kind.
- (o) Of the Pending Out-of-Scope Debt:

- (i) approximately 76.1% of the debts (RMB65.7 billion) are partially or fully secured by valuable onshore collateral. The Group has engaged, and continues to actively engage, with the relevant creditors under these financing arrangements to extend the maturity of the debts, waive default or organise an orderly sale of the secured assets to repay the relevant debts. If creditors take steps to enforce their security, the Group will work with the creditors to realise such collateral to repay the relevant indebtedness.
- (ii) the remaining 23.9% of the debts (RMB20.7 billion) are unsecured and the Group is exploring the restructuring options with each of the onshore lenders as described in Section 6.5(n) above. The Group has initiated, and continues to have, ongoing dialogue with such creditors, and negotiations are in progress. Specifically, the restructuring proposals put for the remaining debts take different forms: (x) RMB10.5 billion are intended to be restructured through asset disposal or debt-to-equity arrangements; (y) RMB8.3 billion are intended to be restructured through maturity extension; and (z) RMB1.9 billion are intended to be settled in cash or other forms of payment-in-kind. The majority of these creditors have not expressed any opposition to the Restructuring and/or the Scheme. The Company views the implementation of the same as necessary to provide a stable platform for the Company's continued engagement with such lenders and the Group being able to continue to operate as a going concern to service its liabilities as they fall due.
- (p) The Company's management is of the view that even in the unlikely circumstances that the creditors take steps to enforce their onshore security, the Company's and the Group's operations and ability to continue as a going concern will not be impacted. Critically, approximately 89% of the Company's Guaranteed Onshore Debt, approximately RMB105.5 billion, are also guaranteed by Shimao Jianshe. Shimao Jianshe is an onshore intermediary holding entity that in turn holds substantially all of the Group's onshore operating subsidiaries and assets. It has a total equity of RMB591.6 million. The Company's Guaranteed Onshore Debt, including those debts that are unsecured, will benefit from value of substantially all of the Group's onshore assets and any future recovery of the Group's onshore assets overall. As at 30 June 2024, Shimao Jianshe's reported total assets of RMB282.0 billion, which is more than double the amount of the Company's Guaranteed Onshore Debt co-guaranteed by Shimao Jianshe. In the circumstances, even if bilateral settlement discussions with the Group's onshore lenders are not successful, onshore lenders have recourse against Shimao Jianshe and Shimao Jianshe's onshore assets. In the Company management's view, assuming the Restructuring and onshore restructuring are successfully implemented, the Company's Guaranteed Onshore Debt are expected to be adequately covered by onshore assets as onshore residential real estate markets recover.
- (q) While the Company's management believes that the Restructuring and the Scheme represents a best outcome for the Company's creditors as a whole, the Group is still in discussions with creditors of certain of the Company's Guaranteed Onshore Debts that will not be included in the Scheme, including

the Pending Out-of-Scope Debt. As at the date of this Explanatory Statement, none of the holders or lenders of the Company's Guaranteed Onshore Debts have expressed any objection to the Restructuring or the Scheme, and negotiations remain ongoing. However, there is no guarantee that the Company or Group will be able to successfully amend and/or extend all of the Company's Guaranteed Onshore Debts currently in default, whether by the Restructuring Effective Date or thereafter. If the Pending Out-of-Scope Debt are not restructured successfully following the Restructuring Effective Date, the creditors holding approximately RMB 86.4 billion in principal amount may take aggressive legal action and/or security enforcement action in the PRC and/or outside the PRC against the Company or the Group, including presenting a petition to winding-up the Company. In those circumstances, the Company cannot guarantee it will be able to successfully settle each claim in a manner that is in the best interest of all creditors as a whole, which may undermine the objectives of the Scheme and Restructuring to enable the Company to continue to operate on a going concern basis. Scheme Creditors' attention is drawn to disclosure in relation to ongoing legal proceedings against the Company and Group in Section 12.7 of this Explanatory Statement and the risks and uncertainties associated with the Restructuring that are set out in Section 13 (*Risk Factors*) of this Explanatory Statement.

6.6 Treatment of the in-scope Existing Syndicated Loans and Existing RCF

- (a) One of the Scheme Creditors (the "**Lender A**") is a lender in respect of four Existing Loans, namely (i) the three 2.5% Hong Kong law governed multicurrency syndicated loan facility agreements borrowed by the Company; and (ii) the 1.0% Hong Kong law governed HK\$975 million revolving credit facility due on demand (the "**In-Scope Lender A Loans**"). Further, Lender A is also a lender in respect of two Out-of-Scope Debts, namely (i) the December 2021 Bilateral Loan and (ii) the July 2021 Bilateral Loan (together with the four In-Scope Lender A Loans, the "**Lender A Loans**"). Lender A has the benefit of certain all-monies security and guarantees with respect of the Lender A Loans. Lender A and the Company have reached an agreement (the "**Lender A Restructuring Agreement**") to the effect that the In-Scope Lender A Loans will be unsecured. Broadly, the Lender A Restructuring Agreement includes: (A) an undertaking from Lender A to limit its application of enforcement proceeds with respect to the aforesaid all-monies guarantees and security granted in favour of Lender A from being used to repay the In-Scope Lender A Loans; and (B) the agreement that the In-Scope Lender A Loans shall rank behind the liabilities and indebtedness under, among other things, the December 2021 Bilateral Loan and the July 2021 Bilateral Loan, as detailed above at Sections 6.5(h) and 6.5(i) of this Explanatory Statement.
- (b) As set out in paragraphs 114 to 119 of the Recovery Analysis Report, the outstanding amount due under the restructured December 2021 Bilateral Loan and July 2021 Bilateral Loan will, in the event of a liquidation of the Company, exceed the estimated realisable value of the security, thus no residual recovery will be available to repay the In-Scope Lender A Loans.

6.7 The obligors that will be released by the Scheme in respect of the Existing Debt

- (a) The Company is either (i) a primary obligor, being a note issuer or borrower under the Existing Debt, or (ii) a guarantor of Existing Loans borrowed by PropCo or InvestCo. The Scheme will release the obligations of the Company arising from the Existing Debt.
- (b) In addition, the Scheme will also release the obligations of the Existing Subsidiary Obligors and other members of the Group (while leaving in place the Excluded Liabilities and Excluded Collateral, as further set out at Section 6.7(e) below). All Existing Subsidiary Obligors, including PropCo and InvestCo, are wholly-owned offshore subsidiaries of the Group. Of the Existing Subsidiary Obligors, PropCo and InvestCo are the borrowers of certain Existing Loans guaranteed by the Company and InvestCo is also a guarantor of certain Existing Loans borrowed by the Company. The obligations of PropCo and InvestCo will be released under the Scheme. Aside from PropCo and InvestCo, the remaining Existing Subsidiary Obligors are guarantors of certain Existing Loans borrowed by the Company, and some of the remaining Existing Subsidiary Obligors are also guarantors of certain Existing Loan borrowed by PropCo.
- (c) The Company considers that the release of such other members of the Group to be necessary in order to comprehensively address the Group's offshore indebtedness and streamline the Group's capital structure. In addition, PropCo and InvestCo are holding companies that in turn hold valuable offshore assets of the Group that will form part of the collateral package for the Scheme Consideration, for the benefit of all the Scheme Creditors.
- (d) Claims against the Company, the Existing Subsidiary Obligors and other members of the Group arising out of instances of wilful misconduct, wilful default, gross negligence or fraud will not be affected by the Scheme.
- (e) In relation to the CPYM Loan and the CPYM Guarantee, the Scheme will only release the CPYM Guarantee granted by the Company. The underlying obligations of the onshore borrower, co-guarantor Shimao Jianshe and security providers (generally referred to as Excluded Liabilities and Excluded Collateral) are not released by the Scheme and CPYM can continue to claim against such entities following the Restructuring Effective Date. Such Scheme Creditors may potentially benefit from additional recovery from such third party rights from onshore entities, potentially eventually recovering the entire amount of the CPYM Loan. Other Scheme Creditors will not be entitled to claim against existing third party rights following the Scheme.
- (f) Please refer to Section 7.7 of this Explanatory Statement for further details.

6.8 Comparator analysis of the return to Scheme Creditors should the Restructuring succeed and should the Restructuring fail

Description	Estimated recovery rate on the basis of total principal of Existing Debt and accrued interest up to 30 June 2024
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	Liquidation Analysis		Scheme Recovery Analysis (discounted basis)	
	<i>Low case</i>	<i>High case</i>	<i>Low case</i>	<i>High case</i>
Range of recovery rates to Scheme Creditors from the Company	0.8%	2.3%	19.1%	31.2%
Range of recovery rates to Scheme Creditors with additional rights against Existing Subsidiary Obligors	0.0%	2.0%	N/A	N/A
Additional recovery from Early Consent Fee for Eligible Early Consenting Creditors	N/A	N/A	0.39%	0.46%
Additional recovery from Base Consent Fee for Eligible Base Consenting Creditors	N/A	N/A	0.24%	0.28%

6.9 Debt and Capital Structure of the Group following the Restructuring Effective Date

The Group's liabilities after the Restructuring Effective Date

- (a) The effect of the Restructuring on the assets and liabilities of the Company and the Group, please also refer to Part 1 of Appendix 14 (*Pro Forma Balance Sheets*) for the pro forma balance sheet of the Company on a standalone basis and Part 2 of Appendix 14 (*Pro Forma Balance Sheets*) for the pro forma balance sheet of the Group on a consolidated basis. Following the Restructuring Effective Date, it is expected that the aggregate amount of the Group's borrowings, trade and other payables and amounts due to related parties will be reduced in an aggregate amount of approximately RMB36.5 billion (US\$5.1 billion). Specifically,
- (i) the current portion of the Group's borrowing will be reduced in an amount of approximately RMB82.1 billion, primarily attribute to the cancellation of the principal amount of the Existing Debt and certain other offshore indebtedness of the Group on the Restructuring Effective Date;
 - (ii) the trade and other payables will be reduced in an amount of approximately RMB9.9 billion, primarily attribute to the cancellation of the accrued and unpaid interest in relation to the Existing Debt and certain other offshore indebtedness of the Group on the Restructuring Effective Date;

- (iii) the amounts due to related parties will be reduced in an amount of approximately RMB2.8 billion, primarily attribute to the cancellation of the Shareholder Loans; and
 - (iv) the non-current portion the Group's borrowing will increase in an amount of approximately RMB58.3 billion, primarily attribute to the issuance of the New Debt Instrument.
- (b) As can be seen, the Restructuring will result in the Group having a more sustainable capital structure that will allow it to comply with its debt obligations and liabilities and to trade on a going-concern basis and deliver long-term value for all of its stakeholders.

Changes to the Company's shareholding before and after conversion of the Mandatory Convertible Bonds

- (c) As part of the Restructuring, the Company will issue Mandatory Convertible Bonds as part of the Scheme Consideration, the CoCom Work Fee, the AHG Work Fee and the Shareholder New Instruments. The Mandatory Convertible Bonds will convert into newly issued Shares in accordance with the schedule explained in Section 9.2 of this Explanatory Statement. Upon conversion of the Mandatory Convertible Bonds, the Company's issued and outstanding share capital will be enlarged and existing shareholders will be diluted.
- (d) The amount of Mandatory Convertible Bonds and Shares that will be issued will primarily depend on how many Scheme Creditors elect Options 1, 2, 3 or 4. Illustrative examples of the changes to the Company's shareholding in various scenarios are set out below. The dilution impact of the Share issuances and number of Shares finally issued could vary significantly depending on how many Mandatory Convertible Bonds are finally issued.
- (e) *Illustrative example 1.* In an extreme case where all Scheme Creditors only elect Option 3, the dilution impact of the Share issuance is as follows:

	As at the date of this Explanatory Statement		Upon full conversion of the Mandatory Convertible Bonds to be issued as part of the Scheme Consideration, the CoCom Work Fee and the AHG Work Fee		Upon full conversion of the Mandatory Convertible Bonds to be issued as part of the Scheme Consideration, the CoCom Work Fee, the AHG Work Fee and part of the Shareholder New Instruments	
	<i>No. of Shares</i>	<i>%</i>	<i>Estimated no. of Shares</i>	<i>%</i>	<i>Estimated no. of Shares</i>	<i>%</i>
Mr. Hui Wing Mau	2,422,840,586	63.8	2,422,840,586	11.9	2,941,252,530	14.1
Scheme Creditors	-	-	16,549,972,116	81.3	16,549,972,116	79.3

Other Shareholders	1,374,991,302	36.2	1,374,991,302	6.8	1,374,991,302	6.6
Total	3,797,831,888	100.0	20,347,804,004	100.0	20,866,215,948	100.0

- (f) *Illustrative example 2.* In another extreme case where the Short Term Instruments and the Long Term Instruments are over-subscribed because all Scheme Creditors elect Option 1, 2, or 4, i.e., being the minimum amount of the Mandatory Convertible Bonds that will be issued as Scheme Consideration, the dilution impact of the Share issuance is as follows:

	As at the date of this Explanatory Statement		Upon full conversion of the Mandatory Convertible Bonds to be issued as part of the Scheme Consideration, the CoCom Work Fee and the AHG Work Fee		Upon full conversion of the Mandatory Convertible Bonds to be issued as part of the Scheme Consideration, the CoCom Work Fee, the AHG Work Fee and part of the Shareholder New Instruments	
	<i>No. of Shares</i>	<i>%</i>	<i>Estimated no. of Shares</i>	<i>%</i>	<i>Estimated no. of Shares</i>	<i>%</i>
Mr. Hui Wing Mau	2,422,840,586	63.8	2,422,840,586	24.7	2,941,252,530	28.5
Scheme Creditors	-	-	6,009,720,080	61.3	6,009,720,080	58.2
Other Shareholders	1,374,991,302	36.2	1,374,991,302	14.0	1,374,991,302	13.3
Total	3,797,831,888	100.0	9,807,551,968	100.0	10,325,963,912	100.0

6.10 Overseas recognition

- (a) All of the Existing Loans, representing 40.9% of the Existing Debt in principal amount are governed by Hong Kong law. To the best of the Company's knowledge, as at the date of this Explanatory Statement, holders representing 66.9% of the Existing Loan in principal amount have acceded to the CSA in support of the Scheme. As at the date of this Explanatory Statement, no holders of the Existing Loans have commenced or threatened to commence legal proceedings against the Company.
- (b) The Company has taken advice from local counsel in the Cayman Islands and in the British Virgin Islands in relation to recognition of the Scheme in respect of the release of the Hong Kong law governed Existing Loans. Local Counsel has advised the Company that, whilst there is no formal recognition process under Cayman Islands law or British Virgin Islands law, the Cayman Islands courts and the British Virgin Islands courts are likely to give effect to the compromise under the Scheme applying common law principles as the Existing Loan will be discharged in accordance with its governing law.

- (c) All of the Existing Notes, representing 59.1% of the Existing Debt in principal amount, are governed by New York law. To the best of the Company's knowledge, as at the date of this Explanatory Statement holders representing 89.9% of the Existing Notes in principal amount have acceded to the CSA in support of the Scheme. As at the date of this Explanatory Statement, no holders of the Existing Notes have commenced or threatened to commence legal proceedings against the Company.
- (d) After the Scheme is sanctioned by the Court, the Company will consider, following consultation with its advisers, whether it is desirable and in the best interest of its creditors, including the Scheme Creditors, to also make an application for a suitable order under any other applicable law, legal doctrine or Proceeding concerning Cross-Border Recognition, including a Chapter 15 Order pursuant to Chapter 15 and/or other suitable order under any other applicable law, legal doctrine or Proceeding in the Cayman Islands or the British Virgin Islands, and for such other additional relief and/or assistance as the Company so decides. Obtaining foreign recognition of the Scheme is not a condition to the Restructuring Effective Date.
- (e) The Company has taken advice from local counsel in the Cayman Islands and in the British Virgin Islands in respect of the New York law governed debt Existing Notes. Assuming that the Chapter 15 Order results in a discharge of the New York law governed Existing Notes as a matter of New York law, the Scheme (together with the Chapter 15 Order) should be effective in the Cayman Islands and British Virgin Islands, as the Existing Notes would be discharged in accordance with their governing law.

6.11 Costs and expenses relating to the Restructuring

- (a) The Company has incurred, and will incur, various costs and expenses arising directly from the preparation and implementation of the Scheme. These include:
 - (i) costs and expenses of drafting and negotiating the documentation of the Restructuring Documents (including the Scheme and this Explanatory Statement);
 - (ii) costs and expenses of the Convening Hearing;
 - (iii) costs and expenses of convening and holding the Scheme Meeting;
 - (iv) costs and expenses of the petitions to the Court to sanction the Scheme;
 - (v) costs and expenses of executing the Restructuring Documents listed in Section 10.1(b) of this Explanatory Statement and satisfying the related conditions precedent; and
 - (vi) fees, costs, expenses and disbursements of all Advisors, the Existing Facility Agent and their counsel, the Information Agent, the Holding Period Trustee, the Blocked Scheme Creditor Tabulation Agent, the Existing Notes Trustee and their counsel, the New Trustee and their counsel, the Chairperson, the Scheme Administrators and other relevant

professional parties pursuant to the terms agreed between the Company and the relevant party.

- (b) Set out below is the breakdown of the total estimated costs and expenses arising directly from the preparation and implementation of the Scheme, some of which have already been settled and some will be settled on the Restructuring Effective Date:

Professional Parties	US\$ approximately
Company Advisors and Counsel	32,949,978
CoCom Advisors and AHG Advisors	18,723,772
Information Agent	1,511,830
Existing Notes Trustee	16,000
New Trustee, New Agents, Holding Period Trustee, Blocked Scheme Creditor Tabulation Agent, New Trustee and New Agents	500,000
Other fees and expenses for the purposes of the Scheme	2,203,195 ¹⁷

- (c) The Company plans to fund the costs and expenses in relation to the preparation and implementation of the Scheme by, among other things, using its offshore cash resources. The Company may also consider selling certain offshore assets, including certain shares of Shimao Services beneficially owned by the Company, and use the proceeds to fund such costs and expenses.

6.12 Treatment of Shareholder Loans

- (a) As stated in the CSA Term Sheet, Mr. Hui Wing Mau, the Ultimate Controlling Shareholder, is, via entities controlled by him, the lender of certain shareholder loans. The total aggregate principal amount of Shareholder Loans is HK\$7.9 billion. The Shareholder Loans are interest free and without a maturity date. The Shareholder Loans were made to the Company and various subsidiaries of the Group as follows:
- (i) HK\$3,963 million to the Company.
 - (ii) HK\$3,839 million to subsidiaries of the Company.
- (b) The Shareholder Loans, including those made directly to the Company, will not be compromised as part of the Scheme. Instead, as set out in the Term Sheet, the entirety of the Shareholder Loans will be converted into instruments to be issued by the Company to the Ultimate Controlling Shareholder (“**Shareholder New Instruments**”):

¹⁷ This includes, but is not limited to, the fees for the Recovery Analysis Report, Chairperson and Scheme Administrators and SGX Listing Fees. Fees that could be incurred in relating to any proceedings under Chapter 15 have not been include.

- (i) US\$600 million principal amount of outstanding Shareholder Loans will be exchanged into US\$600 million principal amount of Long Term Notes B.
 - (ii) The balance of the remaining Shareholder Loans (i.e., excluding the US\$600 million in principal amount exchanged into Long Term Notes B) will be exchanged into such principal amount of Mandatory Convertible Bonds (the principal amount of such Mandatory Convertible Bonds issued, “**Mandatory Convertible Bonds Additional Amount**”). The Mandatory Convertible Bonds in the Mandatory Convertible Bonds Additional Amount will form a single series as the Mandatory Convertible Bonds to be issued as Scheme Consideration.
- (c) The Shareholder New Instruments reflects Scheme Creditors’ priority over claims of the Ultimate Controlling Shareholder in respect of the Shareholder Loans, because (i) the Long Term Notes B are different than the Short Term Instrument and the Long Term Instrument to be issued to the Scheme Creditors, which is further explained in the following paragraph; and (ii) a part of the Ultimate Controlling Shareholder’s claims in respect of the Shareholder Loans is equitised by issuance of the Mandatory Convertible Bonds to the Ultimate Controlling Shareholder.
- (d) In particular, compared to the Short Term Instrument and the Long Term Instrument, the Long Term Notes B are different than the Short Term Instrument and the Long Term Instrument to be issued to the Scheme Creditors:
- (i) the Long Term Notes B have longer tenor;
 - (ii) the interest on the Long Term Notes B can be entirely paid in kind, while certain portion of interest on the Short Term Instrument and the Long Term Instrument is required to be paid in cash; and
 - (iii) the Long Term Notes B may not be repaid, prepaid or repurchased with the net proceeds from asset disposals or offshore financing until the repayment in full of the Short Term Instrument and the Long Term Instrument.
- (e) The Shareholder New Instruments will be issued on the Restructuring Effective Date. Please refer to Section 9.2 of this Explanatory Statement for summary of the Long Term Notes B and the Mandatory Convertible Bonds.
- (f) It was agreed between the Ultimate Controlling Shareholder, the Company and other relevant borrowers in the Group that upon receipt of the Shareholder New Instruments on the Restructuring Effective Date, the Shareholder Loans will be considered repaid in entirety.

6.13 Undertakings by the Ultimate Controlling Shareholder

- (a) In accordance with the CSA Term Sheet, Gemfair Investments Limited and Shiyang Finance Limited 世盈財經有限公司, each an entity through which the

Ultimate Controlling Shareholder and any parties acting in concert with him hold the capital stock of the Company, will make certain undertakings pursuant to a deed poll to be entered into by them on the Restructuring Effective Date (the “**Controlling Shareholders Deed Poll**”).

- (b) Subject to the terms of the Controlling Shareholders Deed Poll, Gemfair Investments Limited and Shiying Finance Limited 世盈財經有限公司 will undertake that, among other things:
 - (i) until the Short Term Instrument, the Long Term Instrument and the Mandatory Convertible Bonds are repaid, cancelled, discharged or redeemed in full, they shall remain directly and wholly owned by Mr. Hui;
 - (ii) until the Short Term Instrument, the Long Term Instrument and the Mandatory Convertible Bonds are repaid, cancelled, discharged or redeemed in full, they shall only elect to receive scrip dividend if any dividend is declared and distributed on the capital stock of the Company after the Restructuring Effective Date;
 - (iii) they will not voluntarily sell, transfer or otherwise dispose of the capital stock of the Company, unless (i) such sale, transfer or disposition shall not result in them being the beneficial owners of less than 20% of the total voting power of the capital stock of the Company, and (ii) net proceeds from such sale, transfer or disposition are used:
 - (A) for the purposes of keeping the Company’s shares of capital stock listed on the SEHK,
 - (B) to repay interest on the Short Term Instrument and/or Long Term Instrument, and/or
 - (C) for payment of major litigation or other expenses and costs relating to solvency of the Company.
- (c) The undertakings under the Controlling Shareholders Deed Poll will be made in favour of New Notes Trustee for the benefit of the holders of the New Notes, the MCB Trustee for the benefit of the holders of the Mandatory Convertible Bonds, the New Facility Agent for the benefit of the finance parties under the New Facility Agreements, subject to the terms of the Controlling Shareholders Deed Poll.

7. IMPLEMENTING THE SCHEME AND EFFECT OF THE SCHEME

7.1 Determination of Voting Scheme Claims and Distribution Scheme Claims

Voting Scheme Claims

- (a) A Scheme Creditor's Voting Scheme Claim is the amount of a Scheme Creditor's Scheme Claim assessed for the purpose of voting. A Scheme Creditor's Distribution Scheme Claim is the amount of a Scheme Creditor's Scheme Claim assessed for the purpose of calculating a Scheme Creditor's entitlement to Scheme Consideration.
- (b) The Scheme Creditor's Principal Amount constituting the Voting Scheme Claims and Distribution Scheme Claims will be determined as at the Record Time.
- (c) In relation to the calculation of Voting Scheme Claims for Scheme Creditors who are not Sanctions-Affected Scheme Creditors:
 - (i) all Persons claiming to be Existing Noteholders must submit a Custody Instruction and provide (or arrange for their Intermediaries and Account Holder to provide on their behalf) the Information Agent with a validly completed Account Holder Letter (in respect of Existing Noteholders who are not Sanctions-Affected Scheme Creditors) in respect of their Scheme Claims;
 - (ii) all Persons claiming to be Existing Lenders must provide the Information Agent with a validly completed Lender Proxy Form in respect of their Scheme Claims;
 - (iii) the Chairperson shall assess Voting Scheme Claims for the purposes of determining the number of votes to be assigned to a Scheme Creditor by reference to the sum of (i) the outstanding principal amount of the Existing Debt in which each Scheme Creditor held the legal or beneficial interest at the Record Time (without double counting) and (ii) all accrued and unpaid interest at the Original Interest Rate on such Existing Debt up to (but excluding) the date of the Record Time.
 - (iv) where appropriate, the Chairperson may convert foreign currency Claims (if any) to U.S. dollar, applying the foreign currency exchange rates set out in Clause 10.3 of the Scheme;
 - (v) the Chairperson shall use the Account Holder Letter and/or Lender Proxy Form submitted by or on behalf of a Scheme Creditor, as verified against any relevant information provided (i) in respect of Existing Noteholders, in the Custody Instruction through the relevant Clearing System through which that Scheme Creditor holds its interest in the Existing Debt at the Record Time, and (ii) in respect of Existing Lenders, in the supporting evidence provided with the Lender Proxy Form or by the Existing Facility Agent (if applicable), to determine the Voting Scheme Claims of each Scheme Creditor, and any such

determinations shall (in the absence of manifest error, gross negligence, wilful misconduct, fraud or bad faith) be conclusive and binding on the Scheme Creditors and the Company.

- (d) In relation to the calculation of Voting Scheme Claims for Blocked Scheme Creditors:
 - (i) all persons claiming to be Blocked Scheme Creditors must submit to (or procure the submission of on their behalf) the Blocked Scheme Creditor Tabulation Agent a validly completed Blocked Scheme Creditor Form in respect of their Scheme Claims;
 - (ii) the Blocked Scheme Creditor Tabulation Agent shall assess Voting Scheme Claims for the purposes of determining the number of votes to be assigned to a Blocked Scheme Creditor by reference to the sum of (i) the outstanding principal amount of the Existing Debt in which each Blocked Scheme Creditor held the legal or beneficial interest at the Record Time (without double counting) and (ii) all accrued and unpaid interest at the Original Interest Rate on such Existing Debt up to (but excluding) the date of the Record Time. Where appropriate, the Blocked Scheme Creditor Tabulation Agent may convert foreign currency Claims (if any) to U.S. dollar, applying the foreign currency exchange rates set out in Clause 10.3 of the Scheme;
 - (iii) the Blocked Scheme Creditor Tabulation Agent shall use the Blocked Scheme Creditor Form submitted by or on behalf of a Blocked Scheme Creditor, as verified against all supporting evidence provided with the Blocked Scheme Creditor Form, to determine the Voting Scheme Claims and the Distribution Scheme Claims of each Blocked Scheme Creditor and any such determinations shall (in the absence of manifest error, gross negligence, wilful misconduct, fraud or bad faith) be conclusive and binding on the Blocked Scheme Creditors and the Company; and
- (e) at the Scheme Meeting, 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, notwithstanding that the Account Holder Letter, Lender Proxy Form or Blocked Scheme Creditor Form (as applicable) has not been validly completed in accordance with the instructions set out in Appendix 6 (*Solicitation Packet*) to this Explanatory Statement or has been submitted to the Information Agent or the Blocked Scheme Creditor Tabulation Agent (as applicable) 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.

Distribution Scheme Claims

- (f) In respect of the assessment of the Distribution Scheme Claims:

- (i) the Scheme Administrators shall assess Distribution Scheme Claims (except for Blocked Scheme Creditors) for the purposes of determining entitlements to Scheme Consideration by reference to the principal amount of Existing Debt outstanding and owed to that Scheme Creditor as at the Record Time and all accrued and unpaid interest at the Original Interest Rate on such Existing Debt up to but excluding 31 December 2023. Where appropriate, the Scheme Administrators may convert foreign currency Claims (if any) to U.S. dollar, applying the foreign currency exchange rates set out in Clause 10.3 of the Scheme.
- (ii) the Blocked Scheme Creditor Tabulation Agent shall assess Distribution Scheme Claims for the purposes of determining entitlements to Scheme Consideration by reference to the sum of (i) the outstanding principal amount of the Existing Debt in which each Blocked Scheme Creditor held the legal or beneficial interest at the Record Time (without double counting) and (ii) all accrued and unpaid interest at the Original Interest Rate on such Existing Debt up to (but excluding) 31 December 2023. Where appropriate, the Blocked Scheme Creditor Tabulation Agent may convert foreign currency Claims (if any) to U.S. dollar, applying the foreign currency exchange rates set out in Clause 10.3 of the Scheme.
- (iii) The Scheme Administrators and the Blocked Scheme Creditor Tabulation Agent shall, to the extent necessary or desirable in fulfilling their respective duties in connection with the Scheme, be in consultation with each other (both acting reasonably).

7.2 Sales, assignments and transfers

None of the Company, the Scheme Administrators, the Information Agent, the Blocked Scheme Creditor Tabulation Agent or the Holding Period Trustee shall be under any obligation to recognise any sale, assignment or transfer of any Scheme Claim after the Record Time, provided that each of the Company the Scheme Administrators, the Information Agent, the Blocked Scheme Creditor Tabulation Agent and the Holding Period Trustee may (in its sole discretion and subject to the production of such other evidence as it may reasonably require) recognise such sale, assignment or transfer for the purposes of determining entitlements to the Restructuring Consideration. 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.

7.3 Conduct of the Scheme Meeting

- (a) The Company has obtained the Convening Order, that is an order from the Court granting permission to convene a single Scheme Meeting for the Scheme Creditors to consider and vote on the Scheme. A copy of the Convening Order (regarding the convening of such meeting of Scheme Creditors) is at Appendix 9 (*Convening Order*) to this Explanatory Statement.
- (b) The Chairperson of the Scheme Meeting shall be Mr. Patrick BANCE, or failing him, Ms. GE Jun, both of AlixPartners Singapore Pte. Ltd. or its affiliates.

- (c) The Scheme Meeting will be held at the offices of Sidley Austin at 39/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong, with any adjournment as may be appropriate, at 11:00 a.m. Hong Kong time on 24 February 2025 (or, if the Scheme Meeting is postponed, such later date and time as notified by the Company to the Scheme Creditors via the Transaction Website and (if applicable) the Clearing Systems).
- (d) Scheme Creditors will be able to attend the Scheme Meeting and vote in person, or, if a corporation, by an authorised representative or by proxy. Scheme Creditors will also be able to attend the Scheme Meeting (but not be able to vote on the Scheme) by video conference using dial-in details which may be obtained on request from the Information Agent (if you are a Scheme Creditor who is not a Sanctions-Affected Scheme Creditor) or the Blocked Scheme Creditor Tabulation Agent (if you are a Blocked Scheme Creditor).
- (e) A formal notice convening the Scheme Meeting is set out in Appendix 10 (*Notice of the Scheme Meeting*) to this Explanatory Statement.
- (f) The Chairperson will oversee the procedure of the Scheme Meeting. The Information Agent will collate the votes from each Scheme Creditor (other than Sanctions-Affected Scheme Creditors) and will be responsible for counting those votes and informing the Chairperson of the total number of those votes for and against the Scheme. The Blocked Scheme Creditor Tabulation Agent will collate the votes from each Blocked Scheme Creditor and will be responsible for counting those votes and informing the Chairperson of the total number of those votes for and against the Scheme. The Chairperson will determine the total number of votes of Scheme Creditors (including, for the avoidance of doubt, Blocked Scheme Creditors) for and against the Scheme based on votes collated by the Information Agent and the Blocked Scheme Creditor Tabulation Agent. The Chairperson shall then report to the Scheme Creditors as to whether the Scheme has been approved.
- (g) The Chairperson, in its sole discretion, shall be entitled to defer the announcement of the result of the vote until after the Scheme Meeting should the Chairperson consider it appropriate to do so.

7.4 Voting at the Scheme Meeting

- (a) 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 (including by authorised representative if a corporation) or by proxy (“**majority in number**”) representing at least 75% in value of the Voting Scheme Claims of the Scheme Creditors present and voting at the Scheme Meeting either in person (including by authorised representative if a corporation) or by proxy (“**majority in value**”). The Scheme Creditors present and voting at the Scheme Meeting (in person (including by authorised representative if a corporation) or by proxy) will be counted for the “majority in number” requirement, and the Voting Scheme Claims of the Scheme Creditors present and voting at the Scheme Meeting (in person (including by authorised representative if a corporation) or by proxy) will be counted for the “majority in value” requirement.

Prior to the Scheme Meeting

- (b) To vote at the Scheme Meeting, Scheme Creditors will be required to carry out the applicable actions as detailed in Section 11.4 of this Explanatory Statement (*Actions to be taken before the Record Time*).

Voting at the Scheme Meeting

- (c) Any Scheme Creditor that wishes to attend the Scheme Meeting should produce a duplicate copy of the Account Holder Letter, Lender Proxy Form or Blocked Scheme Creditor Form (as applicable) that was executed and delivered on their behalf, 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). If appropriate personal identification and authorisation evidence is not produced, that person may not be permitted to attend or vote.
- (d) A Scheme Creditor's professional advisors will be allowed to attend the Scheme Meeting 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 or she considers this to be necessary.
- (e) 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\$1.00 of the Voting Scheme Claims in which it holds the beneficial interest as at the Record Time (without double counting).
- (f) If a Scheme Claim is unascertained, contingent or disputed, the Chairperson may admit the Scheme Claim for voting purposes at the Scheme Meeting only at a value which the Chairperson considers is a fair and reasonable assessment of the sums owed by the Company in respect of that Scheme Claim.
- (g) 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.
- (h) 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.
- (i) Pursuant to the Deed of Undertaking, each of the Existing Notes Trustee, the Existing Notes Paying and Transfer Agent and Registrar and the Existing Facility Agent are expected to undertake to the Company that they will not exercise any voting rights in respect of the Existing Notes and the Existing Loans (as applicable) at the Scheme Meeting. The Existing Common Depositary in respect of the Existing Notes is Scheme Creditor under the Scheme, but will not be permitted to exercise any voting rights and will not receive any Restructuring Consideration in respect of the Existing Debt proposed to be compromised under the Scheme (to avoid double counting).

7.5 Sanction of the Scheme and the Scheme Effective Date

- (a) Once the requisite majorities of the Scheme Creditors have voted to approve the Scheme at the Scheme Meeting, the Sanction Hearing will be held for the Court to determine whether to sanction the Scheme.
- (b) Any Scheme Creditor is entitled, but not obliged, to attend the Sanction Hearing.
- (c) The Sanction Hearing is expected to take place on 13 March 2025, with the exact time to be fixed by the Court.
- (d) The Scheme Effective Date will occur once, among other things, a sealed copy of the Sanction Order has been registered with the Registrar of Companies in Hong Kong. From the Scheme Effective Date, the Scheme will become effective and bind all Scheme Creditors, including those Scheme Creditors who voted in favour of the Scheme, those Scheme Creditors who voted against it, and those Scheme Creditors who did not vote at all.

7.6 Restructuring Effective Date

- (a) On the Restructuring Effective Date, all of the rights, title and interest of Scheme Creditors in the Released Claims whether before, at or after the Record Time shall be subject to each of the arrangements and compromises set out in the Scheme.
- (b) The Restructuring Effective Date shall only occur on or after the day of the following conditions have been satisfied or waived by (i) the Company on one hand and (ii) the Majority Consenting Creditors on the other and with respect only to Section 7.6(b)(xiii) below, the applicable specified parties to which such fees relate:
 - (i) the satisfaction of each of the Scheme Conditions and the occurrence of the Scheme Effective Date;
 - (ii) the obtaining of all relevant approvals or consents, including without limitation,
 - (A) such approvals or consents that may be necessary or required from applicable government or regulatory authorities for the consummation of the Restructuring, the occurrence of the Scheme Effective Date(s), relevant listing/quotation approvals-in-principle or conditional approvals for the Short Term Notes, the Long Term Notes and the Mandatory Convertible Bonds on the SGX-ST or another stock exchange with international standing, and
 - (B) to the extent required by applicable law, in respect of the Required NDRC Registration:
 - (I) the Required NDRC Registration is duly completed and a scanned copy of the NDRC Registration Certificate has been obtained;

- (II) evidence of submission of application by or on behalf of the Company to the NDRC for the Required NDRC Registration and having obtained a written confirmation issued by the NDRC indicating that such application is unnecessary or not required under the applicable laws and/or regulations; or
- (III) evidence of submission of application by or on behalf of the Company to the NDRC for the Required NDRC Registration (the “**NDRC Application**”) and the NDRC's acceptance of the NDRC Application for further processing and approval, and no written rejection has been issued by the NDRC on or before the Restructuring Effective Date, *provided* that
 - 1) no less than three calendar months have elapsed since the NDRC's acceptance of the NDRC Application for further processing and approval; and
 - 2) a reputable law firm qualified to practice PRC law verifies in a legal opinion:
 - a) registration of the New Notes and/or New Loans and/or the Mandatory Convertible Bonds (as applicable) with the NDRC is unnecessary or not required under the applicable laws and/or regulations; and
 - b) the validity or enforceability of the New Notes and/or New Loans and/or the Mandatory Convertible Bonds (as applicable) will not be negatively affected by the non-registration with NDRC and necessary post issuance reporting to NDRC shall be complied with (if applicable),
- (iii) the obtaining by the Company of all relevant authorisations approvals or consents that may be necessary or required for the issuance and conversion of Mandatory Convertible Bonds, including (without limitation) listing approval or conditional approval for the shares to be issued upon conversion of the Mandatory Convertible Bonds,
- (iv) the obtaining by the Company of any board or other corporate approvals of the Company required to consummate the Restructuring;
- (v) the obtaining by the Company of the unconditional approval from the shareholders of the Company as required for the issuance of new shares as contemplated with respect to the Mandatory Convertible Bonds;

- (vi) the confirmation by the Company (acting reasonably and in good faith) that it holds all parties' signatures to each Restructuring Document (other than the Deeds of Release) to order;
 - (vii) payment of the applicable Early Cash Consent Fee to each Eligible Early Consenting Creditor (excluding Sanctions-Affected Scheme Creditors) who is eligible to receive the Early Cash Consent Fee in accordance with the terms of the CSA, by way of transfer to the cash account linked to the Clearing Systems securities account in which that Eligible Early Consenting Creditor holds its Eligible Restricted Debt (unless otherwise agreed with the Information Agent) and payment of the applicable Base Cash Consent Fee to each Eligible Base Consenting Creditor (excluding Sanctions-Affected Scheme Creditors) who is eligible to receive the Base Cash Consent Fee in accordance with the terms of the CSA, by way of transfer to the cash account linked to the Clearing Systems securities account in which that Eligible Base Consenting Creditor holds its Eligible Restricted Debt (unless otherwise agreed with the Information Agent);
 - (viii) the Company shall remain listed and traded on SEHK;
 - (ix) all loans and other debt owing by any member of the Group to the Ultimate Controlling Shareholder or any of his affiliated or related individuals, entities or representatives (including any companies wholly owned by either the Ultimate Controlling Shareholder and/or his affiliated or related individuals, entities or representatives) shall have been converted into Mandatory Convertible Bonds and/or Long Term Notes B in accordance with CSA Term Sheet, or otherwise irrevocably released and discharged;
 - (x) the satisfaction of each of the specific conditions precedent contained in each of the Restructuring Documents (if any);
 - (xi) the delivery of a notice by the Company to the Information Agent and the New Trustee notifying it of the date set for the Restructuring Effective Date and the Information Agent has delivered such notice to Scheme Creditors in accordance with Clause 33 (*Notice*) of the Scheme; and
 - (xii) payment of the CoCom Work Fee and AHG Work Fee in accordance with the terms set out in the CoCom Work Fee Letter and AHG Work Fee Letter (as applicable); and
 - (xiii) the settlement in full by the Company of all the fees, costs and expenses of all of the parties listed in Clause 7.2(m) of the Scheme and subject to the provisions thereunder.
- (c) On the Restructuring Effective Date, as applicable, and conditional on completion of each of the steps outlined in Section 8.2 below:

- (i) the Company shall ensure that the Existing Global Notes are cancelled and marked down by the Existing Common Depositary and shall give all such instructions as are required to be given by it (or for and on behalf of each Scheme Creditor) to the Existing Notes Trustee, the Existing Common Depositary and/or the Existing Notes Paying and Transfer Agent and Registrar for such purpose;
- (ii) the Company shall, for and on behalf of each Scheme Creditor, execute and deliver the Deeds of Release; and
- (iii) the respective rights and obligations of the Scheme Creditors (including, for the avoidance of doubt, any Person that acquires an interest in the Existing Notes after the Record Time), the Company, the Group, the Existing Notes Trustee, the Existing Notes Paying and Transfer Agent and Registrar and the Existing Common Depositary and the Existing Facility Agent towards one another under the Existing Finance Documents will terminate.

7.7 Scheme Creditor undertakings and releases

- (a) In exchange for its entitlement to the Scheme Consideration each Scheme Creditor gives the undertakings, releases and waivers summarised below and set out in Clause 2.1 of the Deeds of Release, subject to the relevant exclusions and carve outs listed in Clause 2.5 of the Deeds of Release.
- (b) A deed of release is a legal instrument that releases one party from their obligations or liabilities to another party. The Deeds of Release outline the specific obligations or claims being released, including any relevant details such as dates, descriptions of the obligations, and the context of the release. Upon execution, the Deeds of Release preclude the relevant releasing parties from pursuing claims which have been released pursuant to the Deeds of Release.
- (c) In summary, upon the Restructuring Effective Date and entry into the Deeds of Release, all Scheme Creditors, regardless of whether you voted for the Scheme, against the Scheme or not at all, and regardless of whether you came forward to receive your Scheme Consideration, will release and discharge certain of your claims in connection with (a) the Existing Debts and (b) the CSA, the Scheme and the Restructuring.
- (d) Please refer to the Deeds of Release, the forms of which are set out at Appendix 5 to this Explanatory Statement, for full details of the releases contemplated by the Scheme. In particular, pursuant to Clause 2.5 of the Deeds of Release, the releases, waivers and undertakings under the Scheme shall not:
 - (i) in any way prejudice or impair any rights of any Scheme Creditor:
 - (A) arising under any report or advice provided by an Advisor, on which report or advice such Scheme Creditor is entitled to rely;
 - (B) created under, or in connection with, the Scheme, the CSA or any other Restructuring Document including, without limitation,

any right to commence and/or continue and/or instruct any other person to commence or continue any Proceeding to enforce its rights under or in relation to the New Finance Documents, the Scheme, the CSA or any other Restructuring Document, as the case may be;

- (C) arising as a result of a failure by the Company, any member of the Group or any party to the Deeds of Release to comply with the terms of the Scheme or any Restructuring Document;
 - (D) in respect of the Excluded Liabilities or any of the Excluded Collateral; or
 - (E) under any remedy in respect of any such rights arising under the documents described at (A) to (D) hereof;
 - (ii) exempt a director of the Company from any liability that would otherwise attach to such director in connection with any breach of that director's general law or statutory duties, any fraud, gross negligence, wilful default or wilful misconduct in relation to the Company, the New Finance Documents and/or the Scheme;
 - (iii) extend to any Claims, causes of action of any Scheme Creditor in respect of any Liability of a Released Person arising from or relating to (i) the New Finance Documents or (ii) fraud, wilful default, gross negligence or wilful misconduct;
 - (iv) extend to any Claims or causes of action arising solely between the Existing Facility Agent and the relevant Existing Lenders only in respect and to the extent of any rights, remedies or Liabilities arising solely between the Existing Facility Agent and the relevant Existing Lenders, including any reimbursement, compensation, indemnities and other protections pursuant to the terms of the relevant Existing Loan Finance Documents to which the Existing Facility Agent is a party; and
 - (v) extend to any Liability of any Advisor arising under a duty of care to its client.
- (e) As it is intended that the Existing Debts are discharged in full by the Scheme (except for the Excluded Liabilities and Excluded Collateral), it is appropriate that releases of claims arising from the Existing Debts are provided with respect to the Company, Existing Subsidiary Obligors, members of the Group and the agents and trustees administering the Existing Debts, so as to properly ensure that the Existing Debts are discharged in full, thereby safeguarding the intended effect of the Scheme. Accordingly, the release of Ancillary Claims is necessary to release those claims which may otherwise arise as a result of giving effect to or complying with the releases of claims arising from the Existing Debts in accordance with the implementation of the Scheme.
- (f) As detailed in the Deeds of Release and as summarised here, the Deeds of Releases also provide for the releases of "Released Persons" (which include

directors, professional advisors to the Company, and a number of other agents and persons involved in the Restructuring) from any liability arising out of the preparation, negotiation and implementation of the CSA, Restructuring and the Scheme. Such approach has been considered in a line of cases which have established that such releases are common, have been held to fall within the concept of a compromise or arrangement between a company and its creditors in their corresponding capacity, and can be justified by a need to safeguard the intended effect and implementation of the scheme of arrangement by preventing the Scheme Creditors from undermining the terms of the Scheme. The Scheme follows the same approach.

- (g) The release of these claims against third parties are limited to those that are necessary to ensure the successful implementation of the Scheme and maintain its efficacy. The cooperation of certain entities and individuals has been or is required in the preparation and/or implementation of the Scheme and the Restructuring. The releases thus include releasing claims against those involved in the preparation, negotiation or implementation of the CSA, Scheme and the Restructuring. For the Company's directors and officers, the release is justified as it provides clarity and protection for their actions taken in good faith to implement the Scheme and the Restructuring, ensuring they can continue their role effectively.
- (h) The scope of the releases has also been discussed and agreed upon between the Company, CoCom and the Ad Hoc Group during the preparation stage of the Scheme. Such releases aimed to reduce the exposure of the relevant parties that are involved in the negotiation, preparation and implementation of the CSA, Scheme and the Restructuring, and would reduce the cost of the Restructuring, thereby reducing the costs to Scheme Creditors.

7.8 Disputed Claims Resolution Procedures

- (a) If a Scheme Creditor disagrees with the determination of its Distribution Scheme Claim (the “**Disputed Claim**”) by the Scheme Administrators or, in the case of a Blocked Scheme Creditor, by the Blocked Scheme Creditor Tabulation Agent in accordance with Clause 16.5 of the Scheme, the Scheme Creditor must, within five (5) Business Days of receiving the determination give notice of its objection to the Scheme Administrator or the Blocked Scheme Creditor Tabulation Agent (as applicable) (the “**Notice of Objection**”), failing which the Scheme Administrators’ or the Blocked Scheme Creditor Tabulation Agent’s (as applicable) determination shall be final.
- (b) Alongside the Notice of Objection, the Scheme Creditor must provide a copy of its Account Holder Letter, Lender Proxy Form and/or Blocked Scheme Creditor Form, alongside any additional supporting documents, to the Scheme Administrators or Blocked Scheme Creditor Tabulation Agent (as applicable) when making such objection.
- (c) Upon receipt of the Notice of Objection, the Scheme Administrators (or the Blocked Scheme Creditor Tabulation Agent (as applicable)) and the relevant Scheme Creditor shall discuss in good faith with the view to resolving the Disputed Claim.

- (d) As outlined in the Clause 17 (*Claims Resolution Procedures*) of the Scheme, there are two processes for dealing with Disputed Claims depending on whether the disputing Scheme Creditor has validly submitted their validly completed Solicitation Packet before the Record Time (being a Pre-Record Time Disputing Creditor) or after the Record Time (being a Post-Record Time Disputing Creditor).
- (e) The details of both of the Disputed Claims resolution procedures are set out at Clause 17 (*Claims Resolution Procedures*) of the Scheme.

Claims Resolution Procedure for Pre-Record Time Disputing Creditor

- (f) In the event no agreement can be reached between the Scheme Administrators (or the Blocked Scheme Creditor Tabulation Agent (as applicable)) and the Pre-Record Time Disputing Creditor in respect of their Disputed Claim (the “**Pre-Record Time Disputed Claim**”), the Scheme Creditor may, within five (5) Business Days after the date on which that the Scheme Creditor first provided its Notice of Objection, apply in writing to the Scheme Administrators or the Blocked Scheme Creditor Tabulation Agent (as applicable) to refer its Pre-Record Time Disputed Claim to the Adjudicator.
- (g) The Scheme Administrators or the Blocked Scheme Creditor Tabulation Agent (as applicable), upon receiving any written application from a Scheme Creditor for a review of its Disputed Claim, shall refer the application to the Adjudicator and provide the Scheme Creditor with the contact details and bank account details of the Adjudicator as soon as reasonably practicable or by no later than five (5) Business Days of the Scheme Creditor’s written application.
- (h) The Pre-Record Time Disputing Creditor applying for a review of its Disputed Claim (the “**Applicant**”) shall pay to the Adjudicator on account of the Adjudicator’s costs the sum of HK\$80,000 (or such other amount as the Adjudicator reasonably requires) within five (5) Business Days of receiving written notice of the selected Adjudicator and their contact details and bank account details, failing which the Applicant’s application for review will be invalid and the prior determination of the Scheme Administrators or the Blocked Scheme Creditor Tabulation Agent (as applicable) shall be deemed final.
- (i) Failure to apply to the Scheme Administrators or the Blocked Scheme Creditor Tabulation Agent (as applicable) for Adjudication within the timeframe set out in Section 7.8(f) and/or pay the Adjudicator’s costs on account pursuant to Section 7.8(h) shall be deemed to be an irrevocable acceptance by the Applicant of the Scheme Administrators’ or the Blocked Scheme Creditor Tabulation Agent’s (as applicable) determination in respect of its Disputed Claim (if any) and any right to further challenge the finding of the Scheme Administrators or the Blocked Scheme Creditor Tabulation Agent (as applicable) in respect of such Disputed Claim shall be waived.
- (j) The Adjudicator shall review the Applicant’s application for Adjudication, including its Account Holder Letter and/or Lender Proxy Form or Blocked Scheme Creditor Form and relevant evidence before them (and any additional evidence as the Adjudicator may request and receive from the Applicant and/or

the Scheme Administrators (or the Blocked Scheme Creditor Tabulation Agent (as applicable)) in relation to the Disputed Claim)) and determine whether, in accordance with the terms of this Scheme, all or part of that Disputed Claim should be varied (and if so, by how much) for the purposes of receiving Scheme Consideration under or in connection with this Scheme.

- (k) Subject to the terms of the Scheme, if a Pre-Record Time Disputed Claim is referred to the Adjudicator for Adjudication, the following timetable shall apply:
- (i) within two (2) Business Days of receiving the referred Pre-Record Time Disputed Claim, the Adjudicator may make a request in writing to the Scheme Administrators (or the Blocked Scheme Creditor Tabulation Agent) and/or the Applicant to produce any further documents or other information which they deem necessary;
 - (ii) if such documentation or other information is not received within two (2) Business Days of the date upon which the Adjudicator makes the request in writing, the Adjudicator shall, subject to the terms of the Scheme, make their determination on the basis of the documents already received from the Scheme Administrators or the Blocked Scheme Creditor Tabulation Agent (as applicable) and/or the Applicant, as applicable, by such time;
 - (iii) within two (2) Business Days of the expiry of the period prescribed by Section 7.8(k)(ii) above (which may be extended by one (1) further calendar day should the Adjudicator deem oral submissions to be appropriate), the Adjudicator shall provide the Applicant, the Scheme Administrators or the Blocked Scheme Creditor Tabulation Agent (as applicable):
 - (A) with a copy of their written decision and such decision will be final and binding on the Company, the Scheme Administrators (or the Blocked Scheme Creditor Tabulation Agent (as applicable)) and the Applicant (save where a court finds there has been a manifest error of law or fact) and (to the fullest extent permitted by applicable law) there shall be no right of challenge or appeal from the decision of the Adjudicator; and
 - (B) thereafter the amount set out in such decision in respect of the Pre-Record Time Disputed Claim shall be binding on the Company, the Scheme Administrators (or the Blocked Scheme Creditor Tabulation Agent (as applicable)) and the Applicant, and (to the fullest extent permitted by applicable law) there shall be no right of challenge or appeal from the decision of the Adjudicator; and
 - (iv) if the Adjudicator does not require any further information, they shall, within five (5) Business Days of receiving the Applicant's application, provide the Scheme Administrators (or the Blocked Scheme Creditor Tabulation Agent (as applicable)) and the Applicant with a copy of their

written decision, and thereafter the amount set out in such decision in respect of the Pre-Record Time Disputed Claim shall be binding on the Company, the Scheme Administrators or the Blocked Scheme Creditor Tabulation Agent (as applicable) and the Applicant, and (to the fullest extent permitted by applicable law) there shall be no right of challenge or appeal from the decision of the Adjudicator.

- (l) The Adjudicator may extend the timetable set out in Section 7.8(k) above:
 - (i) if any delay is caused by vacation of the office in accordance with Clause 25.5 of the Scheme or results from acts beyond the Adjudicator's reasonable control, including, without limitation: (a) acts of God; (b) flood, fire, earthquake; (c) government order or law; (d) action by any governmental authority; or (e) other similar events beyond their reasonable control; and
 - (ii) only to the extent necessary to accommodate for the delay referred to in paragraph (i) immediately above.
- (m) Upon completion of an Adjudication, once the Adjudicator (acting reasonably) is satisfied that all costs in relation to the Applicant's application have been paid by the Applicant, including by way of deduction from the costs on account initially paid to it by the Applicant, the Adjudicator shall return any residual funds paid to it by the Applicant to the Applicant.
- (n) An illustrative timetable setting out the Disputed Claims Resolution Procedures for the Pre-Record Time Disputed Claim is set out below:

Event	Deadline
Scheme Creditor to submit forms to the Information Agent or the Blocked Scheme Creditor Tabulation Agent (including the Account Holder Letter, the Lender Proxy Form or the Blocked Scheme Creditor Form)	Before the Record Time
Scheme Administrators or the Blocked Scheme Creditor Tabulation Agent to notify the Scheme Creditor of any discrepancy in Distribution Scheme Claims between the submitted forms and the amount determined	2 Business Day after the Scheme Effective Date
Scheme Creditor to object (notice setting out objection to be provided to the Scheme Administrator or the Blocked Scheme Creditor Tabulation Agent)	5 Business Days after Scheme Creditor's receiving the notice setting out discrepancy

Scheme Creditor to apply for Adjudication (in the event no agreement can be reached between the Scheme Creditor and the Scheme Administrators (or the Blocked Scheme Creditor Tabulation Agent) after good faith discussion)	5 Business Days after the Scheme Creditor's objection
Scheme Creditor to pay on account of the Adjudicator's costs	5 Business Days of receiving written notice of the selected Adjudicator and their contact details and bank account details
Adjudicator calls to request further documents or other information	2 Business Days after the Adjudicator receiving the referred Disputed Claim
Period for providing such requested further documents or other information	2 Business Days after the Adjudicator's request
Adjudicator's written final decision	2 Business Days (which may be extended for 1 calendar day by Adjudicator if they deem oral submissions to be appropriate) after the period to provide further documents or other information requested by the Adjudicator; or 5 Business Days after reference to an Adjudicator, if the Adjudicator does not require any further information

Claims Resolution Procedure for Post-Record Time Disputed Claim Creditor

- (o) In the event no agreement can be reached between the Scheme Administrators (or the Blocked Scheme Creditor Tabulation Agent (as applicable)) and Post-Record Time Disputing Creditor in respect of their Disputed Claim (the “**Post-Record Time Disputed Claim**”), the Scheme Creditor may, within five (5) Business Days after the date on which the Scheme Creditor first provided its Notice of Objection, apply in writing to the Scheme Administrators or the Blocked Scheme Creditor Tabulation Agent (as applicable) to refer its Post-Record Time Disputed Claim to the Adjudicator.
- (p) The Scheme Administrators or the Blocked Scheme Creditor Tabulation Agent (as applicable), upon receiving any written application from a Scheme Creditor for referral of its Post-Record Time Disputed Claim, shall refer the application to the Adjudicator and provide the Scheme Creditor with the contact details and

bank account details of the Adjudicator as soon as reasonably practicable or by no later than five (5) Business Days of the Scheme Creditor's written application.

- (q) The Post-Record Time Disputing Creditor applying for a review of its Disputed Claim (also an Applicant) shall pay to the Adjudicator on account of the Adjudicator's costs the sum of HK\$80,000 (or such other amount as the Adjudicator reasonably requires) within five (5) Business Days of receiving written notice of the selected Adjudicator and his or her contact details and bank account details, failing which the Post-Record Time Disputing Creditor's application for review will be invalid and the prior determination of the Scheme Administrators or the Blocked Scheme Creditor Tabulation Agent (as applicable) shall be deemed final.
- (r) Failure to apply to the Scheme Administrators or the Blocked Scheme Creditor Tabulation Agent (as applicable) for Adjudication within the timeframe set out in Section 7.8(o) and/or pay the Adjudicator's costs on account pursuant to Section 7.8(q) shall be deemed to be an irrevocable acceptance by the Applicant of the Scheme Administrators' or the Blocked Scheme Creditor Tabulation Agent's (as applicable) determination in respect of its Disputed Claim (if any) and any right to further challenge the finding of the Scheme Administrators or the Blocked Scheme Creditor Tabulation Agent (as applicable) in respect of such Disputed Claim shall be waived.
- (s) The Adjudicator shall review the Applicant's application for Adjudication, including its Account Holder Letter, Lender Proxy Form and/or Blocked Scheme Creditor Form and relevant evidence before them (and any additional evidence as the Adjudicator may request and receive from the Applicant and/or the Scheme Administrators (or the Blocked Scheme Creditor Tabulation Agent (as applicable)) in relation to the Disputed Claim)) and determine whether, in accordance with the terms of this Scheme, all or part of that Disputed Claim should be varied (and if so, by how much) for the purposes of receiving Scheme Consideration under or in connection with this Scheme.
- (t) Subject to the Scheme, if a Post-Record Time Disputed Claim is referred to the Adjudicator for Adjudication, the following timetable shall apply:
 - (i) within five (5) Business Days of receiving the referred Post-Record Time Disputed Claim, the Adjudicator may make a request in writing to the Scheme Administrators or the Blocked Scheme Creditor Tabulation Agent (as applicable) and/or the Applicant to produce any further documents or other information which they deem necessary;
 - (ii) if such documentation or other information is not received within five (5) Business Days of the date upon which the Adjudicator makes the request in writing, the Adjudicator shall, subject to the Scheme, make their determination on the basis of the documents already received from the Scheme Administrators or the Blocked Scheme Creditor Tabulation Agent (as applicable) and/or the Applicant, as applicable, by such time;

- (iii) within five (5) calendar days of the expiry of the period prescribed by the above Section 7.8(t)(ii) (which may be extended by one (1) further calendar day should the Adjudicator deem oral submissions to be appropriate), the Adjudicator shall provide the Applicant, the Scheme Administrators or the Blocked Scheme Creditor Tabulation Agent (as applicable):
 - (A) with a copy of their written decision and such decision will be final and binding on the Company, the Scheme Administrators (or the Blocked Scheme Creditor Tabulation Agent (as applicable)) and the Applicant (save where a court finds there has been a manifest error of law or fact) and (to the fullest extent permitted by applicable law) there shall be no right of challenge or appeal from the decision of the Adjudicator; and
 - (B) thereafter the amount set out in such decision in respect of the Post-Record Time Disputed Claim shall be binding on the Company, the Scheme Administrators (or the Blocked Scheme Creditor Tabulation Agent (as applicable)) and the Applicant, and (to the fullest extent permitted by applicable law) there shall be no right of challenge or appeal from the decision of the Adjudicator; and
- (iv) if the Adjudicator does not require any further information, they shall, within ten (10) Business Days of receiving the Applicant's application, provide the Scheme Administrators (or the Blocked Scheme Creditor Tabulation Agent (as applicable)) and the Applicant with a copy of their written decision, and thereafter the amount set out in such decision in respect of the Post-Record Time Disputed Claim shall be binding on the Company, the Scheme Administrators or the Blocked Scheme Creditor Tabulation Agent (as applicable) and the Applicant, and (to the fullest extent permitted by applicable law) there shall be no right of challenge or appeal from the decision of the Adjudicator.
- (u) The Adjudicator shall have discretion to extend such timeframes and/or adopt procedures set out in Section 7.8(t) above:
 - (i) if and only if any delay is caused by vacation of the office in accordance with Clause 25.5 of the Scheme or results from acts beyond the Adjudicator's reasonable control, including, without limitation: (a) acts of God; (b) flood, fire, earthquake; (c) government order or law; (d) action by any governmental authority; or (e) other similar events beyond their reasonable control; and
 - (ii) only to the extent necessary to accommodate for the delay referred to in paragraph (i) immediately above.
- (v) Upon completion of an Adjudication, once the Adjudicator (acting reasonably) is satisfied that all costs in relation to the Applicant's application have been paid by the Applicant, including by way of deduction from the costs on account

initially paid to it by the Applicant, the Adjudicator shall return any residual funds paid to it by the Applicant to the Applicant.

- (w) An illustrative timetable setting out the Disputed Claims Resolution Procedures for the Post-Record Time Disputed Claim is set out below:

Event	Deadline
Scheme Creditor to submit forms to the Information Agent or the Blocked Scheme Creditor Tabulation Agent (including the Account Holder Letter, the Lender Proxy Form or the Blocked Scheme Creditor Form)	After the Record Time
Scheme Administrators or the Blocked Scheme Creditor Tabulation Agent to notify the Scheme Creditor of any discrepancy in Distribution Scheme Claims between the submitted forms and the amount determined	10 Business Days after the later of (a) the Scheme Effective Date; or (b) the Information Agent or the Blocked Scheme Creditor Tabulation Agent sharing the relevant Account Holder Letter or the Lender Proxy Form with the Scheme Administrators (or in the case of the Blocked Scheme Creditor Tabulation Agent, after its receipt of the relevant Blocked Scheme Creditor Form)
Scheme Creditor to object (notice setting out objection to be provided to the Scheme Administrator or the Blocked Scheme Creditor Tabulation Agent)	5 Business Days after Scheme Creditor's receiving the notice setting out discrepancy
Scheme Creditor to apply for Adjudication (in the event no agreement can be reached between the Scheme Creditor and the Scheme Administrators (or the Blocked Scheme Creditor Tabulation Agent) after good faith discussion)	5 Business Days after the Scheme Creditor's objection
Scheme Creditor to pay on account of the Adjudicator's costs	5 Business Days of receiving written notice of the selected Adjudicator and their contact details and bank account details
Adjudicator calls to request further documents	5 Business Days after the Adjudicator receiving the

or other information	referred Disputed Claim
Period for providing such requested further documents or other information	5 Business Days after Adjudicator's request
Adjudicator's written final decision	5 Business Days (which may be extended for 1 calendar day by Adjudicator if they deem oral submissions to be appropriate) after the period to provide further documents or other information requested by the Adjudicator; or 10 Business Days after reference to an Adjudicator, if the Adjudicator does not require any further information

7.9 Scheme Administrators

- (a) The Scheme Administrators shall initially be Ms. GE Jun and Mr. Patrick BANCE of AlixPartners Singapore Pte. Ltd. and its affiliates, acting jointly and severally. They have given and not since withdrawn their consent to the Company to act as Scheme Administrators from the Scheme Effective Date and have agreed with the Company to be bound by the terms of the Scheme to the extent such terms apply to the Scheme Administrators. The Company shall have the power to appoint any successors and shall provide written notice to the Scheme Creditors of any such appointment.
- (b) In exercising their powers and carrying out its duties under the Scheme, the Scheme Administrators shall act as agents of the Company.
- (c) The Scheme Administrators shall discharge the duties and responsibilities imposed upon the Scheme Administrators by the Scheme.
- (d) Except to the extent required by law, no Scheme Creditor shall be entitled to challenge the validity of any act done or omitted to be done in good faith by the Scheme Administrators (including any act done or omitted in conjunction with others) in accordance with, and to implement, the provisions of the Scheme, or the exercise by the Scheme Administrators in good faith of any power conferred upon him or her for the purposes of the Scheme, if exercised in accordance with, and to implement, the provisions of the Scheme.
- (e) None of the Scheme Administrators, their advisers, nor AlixPartners Singapore Pte. Ltd. or its affiliates, released entities, its advisers nor any of their respective representatives, partners, employees, staff or agents shall be liable for any loss

resulting from any act that the Scheme Administrators do or omit to do or incur any personal liability of any kind under or in connection with the Scheme or any transaction or other matter contemplated thereby, unless any such loss is attributable to fraud or wilful misconduct. Without prejudice to the foregoing, any liability to a Scheme Creditor incurred by any of the persons mentioned above as a result of fraud or wilful misconduct shall be limited to the monetary amount to which the relevant Scheme Creditor is entitled under the Scheme.

- (f) Further details of the Scheme Administrators are set out at Clause 24 (*Scheme Administrators*) of the Scheme.

7.10 **Adjudicator**

- (a) There shall be one Adjudicator whose duty it will be to act as an expert, and not as an arbitrator, with respect to all matters referred to him or her under the terms of the Scheme, including the Disputed Claims Resolution Procedures. The Adjudicator will be responsible for the determination of matters referred to him or her under the Scheme.
- (b) The Company may, in its sole discretion, select any person to be an Adjudicator, who shall be independent and impartial from the Company and have no conflict of interest in respect of the Disputed Claim that is referred to him or her for adjudication. Additionally, such Adjudicator shall either be: (a) a Hong Kong Senior Counsel or United Kingdom King's Counsel with relevant experience in restructuring and insolvency matters who has been called to the bar for at least 8 years; or (b) a chartered accountant who is a partner from a reputable accounting firm and has over 10 years of experience in restructuring and insolvency matters.
- (c) The Adjudicator shall have the powers, duties and functions, and the rights, conferred upon him by the Scheme. In exercising his powers and carrying out his duties and functions under the Scheme, the Adjudicator shall act in good faith and with due care and diligence in the interests of the Scheme Creditors as a whole, and shall exercise his powers under the Scheme for the purpose of ensuring that the Scheme are implemented in compliance with their terms.
- (d) Except in the case of fraud, gross negligence or wilful misconduct, the Adjudicator will not be liable to the Company or any Scheme Creditor for any act or omission by the Adjudicator in the performance or purported performance of his or her powers, rights, duties and functions under the Scheme.
- (e) Further details of the Adjudicator are set out at Clause 25 (*Adjudicator*) of the Scheme.

8. **SELECTION AND DISTRIBUTION OF RESTRUCTURING CONSIDERATION**

8.1 If the Scheme is sanctioned, all Scheme Creditors are entitled to receive Scheme Consideration, whether they voted for the Scheme, against the Scheme or did not vote at all.

8.2 On the Restructuring Effective Date, amongst other things:

- (a) for those Consenting Creditors who are Eligible Consenting Creditors (other than Sanctions-Affected Scheme Creditors), the Company, or another party on behalf of the Company, shall pay the applicable Consent Fee to such each Eligible Consenting Creditor in respect of its Eligible Restricted Debt, such payment to be made (i) in terms of the cash component of the Consent Fee, by way of transfer to the cash account linked to the Clearing Systems securities account (unless otherwise agreed with the Information Agent), (ii) in terms of the Short Term Instrument component of the Consent Fee in the form of the Short Term Notes, by way of issuance to the Clearing Systems securities account in that Eligible Consenting Creditor held its Eligible Restricted Debt or which has been specified by an Eligible Consenting Creditor in its Lender Proxy Form (as applicable), and (iii) in terms of the Short Term Instrument component of the Consent Fee in the form of the Short Term Loan, by way of crediting such Short Term Loan to such Eligible Consenting Creditor as a lender of such Short Term Loan;
- (b) the New Finance Documents will be executed and delivered by the parties thereto and become effective in accordance with their terms;
- (c) the Company, or another party on behalf of the Company, shall procure that the New Global Notes are executed and delivered to the New Common Depositary, interests in the New Global Notes are credited in the relevant amounts to the accounts in the Clearing Systems designated by the Participating Creditors or their Designated Recipients, as applicable, as specified in their Account Holder Letters, Lender Proxy Forms and Designated Recipient Forms, as applicable, and the New Loan be allocated to the relevant Participating Creditors, such that (as detailed further in Section 8.5 below):
 - (i) the New Debt Instruments allocated (the “**Scheme Consideration Allocation**”) to each Participating Creditor or Designated Recipient (as applicable) will consist of, subject to any reallocation and adjustment detailed in Section 8.5 of this Explanatory Statement, the following, in each case rounded down to the nearest US\$1.00:
 - (A) the Short Term Instrument, in the form of the Short Term Notes and the Short Term Loan in accordance with the Scheme Creditors’ Election and in the aggregate principal amount equal to the sum of the Aggregate Short Term Instrument Allocation Amount (which shall not exceed US\$4.0 billion);
 - (B) the Long Term Instrument, in the form of the Long Term Notes and the Long Term Loan in accordance with the Scheme

Creditors' Election, in the aggregate principal amount equal to the Aggregate Long Term Instrument Allocation Amount (which shall not exceed US\$4.0 billion) and,

- (I) with the Long Term Notes comprising the following series:
 - 1) Series A in a principal amount equal to 25% of the aggregate principal amount of the Long Term Notes;
 - 2) Series B in a principal amount equal to 37.5% of the aggregate principal amount of the Long Term Notes; and
 - 3) Series C in a principal amount equal to 37.5% of the aggregate principal amount of the Long Term Notes; and
- (II) with the Long Term Loan having an amortisation schedule which substantially follows the due dates of each series of the Long Term Notes; and
- (C) Mandatory Convertible Bonds in the aggregate principal amount equal to the sum of Option 3 Entitlement as elected by all Scheme Creditors, as may be adjusted in accordance with the Scheme Creditors' Election,
- (D) provided that:
 - (I) interests in the New Debt Instruments will be credited in minimum denominations of US\$1 and integral multiples of US\$1 in excess thereof;
 - (II) any fractional entitlements of New Debt Instruments that are remaining after the applicable adjustments will be forfeited;
 - (III) the interests in the New Global Notes to which a Participating Creditor or Designated Recipient (as applicable) is entitled under the terms of the Scheme will be credited to the Clearing System account in which that Participating Creditor held its interests in the Existing Notes as at the Record Time or to such Clearing System account submitted to the Information Agent by that Participating Creditor in its Designated Recipient Form; and
 - (IV) the interests in the New Securities will be recorded in the relevant new registers by the relevant new registrars.

- (d) the Existing Common Depositary shall take such action as may be required to cancel and mark-down the book entry interests in respect of the Existing Notes and credit the Record Time Balance in the records of the Clearing Systems in favour of those Scheme Creditors at the Record Time who are Existing Noteholders and who did not submit, or did not have submitted on their behalf, valid Custody Instructions by the Custody Instruction Deadline and/or a validly completed Account Holder Letter by the Record Time;
- (e) all Residual Scheme Consideration (including the Blocked Scheme Consideration), all Residual Consent Fee and all Reserved Scheme Consideration shall, on the Company's instructions, be transferred to the cash and securities accounts designated by the Holding Period Trustee or otherwise allocated to the Holding Period Trustee who will hold the Residual Scheme Consideration and the Residual Consent Fee on trust for the Residual Creditors and the Blocked Scheme Creditors and hold the Reserved Scheme Consideration for any Applicants, in each case in accordance with the terms of the Holding Period Trust Deed; and
- (f) the Holding Period Trust Deed will be executed and delivered by the parties thereto and become effective in accordance with its terms;
- (g) the Intercreditor Agreement and the New Security Documents will be executed and delivered by the parties thereto and become effective in accordance with their terms;
- (h) any other documents, agreements and instruments necessary to implement the Restructuring in accordance with the CSA and the CSA Term Sheet will be executed and delivered by the parties thereto and become effective in accordance with their terms; and
- (i) to the extent not already completed prior to the Restructuring Effective Date the Company shall pay in full all fees, costs and expenses required under Clause 7.2(m) of the Scheme.

8.3 Holding Period Trust

- (a) On the Restructuring Effective Date, (a) all Residual Scheme Consideration (including the Blocked Scheme Consideration) and all Residual Consent Fee and (b) Reserved Scheme Consideration (as defined in the Scheme) on trust for the Scheme Creditors affected by the Adjustment Distribution (as defined in the Scheme) (if any) shall, on the Company's instructions, be transferred to the cash and/or securities accounts designated by the Holding Period Trustee or otherwise allocated to the Holding Period Trustee. On and from the Restructuring Effective Date, the Holding Period Trustee shall hold such assets on trust for the Residual Creditors and Blocked Scheme Creditors (with respect to the Residual Scheme Consideration and (if any) the Residual Consent Fee), and for the Post-Record Time Disputing Creditor (with respect to the Reserved Scheme Consideration), in accordance with the Holding Period Trust Deed.
- (b) On or around the Holding Period Expiry Date, any Residual New Debt Instruments shall be cancelled and any residual cash amounts held by the

Holding Period Trustee shall be transferred to the Company in accordance with the terms of the Holding Period Trust Deed.

- (c) If a Residual Creditor (including a Blocked Scheme Creditor) fails to establish its entitlement to the Trust Assets in accordance with the terms of the Holding Period Trust Deed prior to the Bar Time, that Residual Creditor's rights to distributions of the Restructuring Consideration under the Scheme shall be extinguished and that Residual Creditor shall not be entitled to receive any Restructuring Consideration under the Scheme.
- (d) If a Blocked Scheme Creditor fails to establish its entitlement to the Blocked Trust Assets in accordance with the terms of the Holding Period Trust Deed at or prior to the Bar Time, including by failing to submit a validly completed Blocked Scheme Creditor Form to the Holding Period Trustee, together with supporting evidence, such that they are received and accepted by the Holding Period Trustee by the Bar Time, that Blocked Scheme Creditor's rights to distributions of Restructuring Consideration under the Scheme shall be extinguished and that Blocked Scheme Creditor shall not be entitled to receive any Restructuring Consideration under the Scheme (including, for the avoidance of doubt, from the Blocked Trust Assets and on the lifting of Applicable Sanctions).

8.4 Successor Escrow

- (a) Upon the Holding Period Expiry Date if Applicable Sanctions are still in place the Company undertakes to:
 - (i) appoint a trustee (the "**Successor Escrow Agent**") to take transfer from the Holding Period Trustee, and thereafter hold the Blocked Trust Assets in the Successor Escrow, for the Blocked Scheme Creditors who have submitted a validly completed Blocked Scheme Creditor Form, together with supporting evidence, to the Holdings Period Trustee prior to the Bar Time and which have been accepted by the Holding Period Trustee, until the earlier of (i) the expiry of the Perpetuity Period, or (ii) the lifting of Applicable Sanctions, with the Blocked Scheme Creditors being given a reasonable period of time thereafter to recover their entitlement to the Restructuring Consideration from the Blocked Trust Assets in accordance with the terms of the Successor Escrow;
 - (ii) bring information relating to the Successor Escrow to the attention of the Blocked Scheme Creditors on the Company's website and/or through other such public medium as may be appropriate at that time; and
 - (iii) put in place a reasonable and fair process for Blocked Scheme Creditors to claim and recover their entitlement to the Restructuring Consideration upon Applicable Sanctions being lifted.
- (b) Upon expiry of the Successor Escrow, and subject to any action necessary to ensure compliance with Applicable Sanctions by the Company or the Successor Escrow Agent, any entitlement to the Residual Restructuring Consideration

which remains subject to sanction or is otherwise unable to be received by a Blocked Scheme Creditor will be returned to the Company and cancelled (if applicable) in accordance with the terms of the Successor Escrow.

8.5 Overview on Options for the Scheme Consideration and allocation mechanics

This section is a summary that contains hypothetical illustrations of the Scheme Consideration a Scheme Creditor may receive depending on the different options available in accordance with the Scheme. The information contained in this section provides a hypothetical illustration only of some possible outcomes, does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by references to, the more detailed information contained in the CSA Term Sheet, Scheme and this Explanatory Statement.

(a) What are the four options available for Scheme Creditors for their Scheme Consideration?

- (i) The Scheme Consideration is designed to meet the requirements of the Company's diverse array of Scheme Creditors.
- (ii) The Scheme offers four options (each, an “**Option**”) for Scheme Creditors to choose from for their Scheme Consideration, in each case rounded down to the nearest US\$1.00:
 - (A) **Option 1:** Short Term Instrument (“**STI**”), which can either be Short Term Notes or a Short Term Loan, with a tenor of 6 years. The interest rate is variable at 5% - 6% and the Company has the option to pay interest in kind (PIK).
 - (B) **Option 2:** Long Term Instrument (“**LTI**”), which can either be Long Term Notes or a Long Term Loan, with tenors ranging from 7 to 8.5 years. The interest rate is variable at 2.0% - 3.0% and the Company has the option to pay interest in kind (PIK).
 - (C) **Option 3:** Mandatory Convertible Bonds (“**MCBs**”), which are convertible into new shares of the Company upon maturity. The conversion price is HK\$6.0 per share, and the bonds will be mandatorily converted into shares over a 12-month period.
 - (D) **Option 4:** A fixed combination of STI, LTI, and MCBs in specified proportions: 32% STI, 32% LTI, and 36% MCBs.

(b) Can a Scheme Creditor choose any combination of these options for their Scheme Claims?

- (i) Scheme Creditors can elect any one of, or any combination of, Options 1, 2, and 3, or they can elect Option 4, which is a fixed combination of the other three options. However, Option 4 cannot be elected alongside another option. If a Scheme Creditor elects any one of, or any combination of Options 1, 2 and 3, the minimum increment of percentage indicated for any of Options 1, 2 and 3 must be in 1% with

no decimal included and the sum of the percentages indicated for Options 1, 2 and/or 3 must equal 100%. Further, if a Scheme Creditor elects both STI and LTI (i.e. both Option 1 and Option 2), they will receive either New Notes or New Loans, not a combination of both.

- (ii) **“Scheme Creditors’ Election”** refers to the election of any, or a combination of, the Option(s) by any Scheme Creditor as part of its Scheme Consideration in accordance with, and subject to the allocation mechanism set out in, this Section 8.5 of this Explanatory Statement.
 - (iii) A summary of the key terms of the STI, LTI and MCBs can be found at Section 9 of this Explanatory Statement.
- (c) **How is a Scheme Creditor’s Distribution Scheme Claim determined and what is it used for?**
 - (i) A Scheme Creditor’s Distribution Scheme Claims is the sum of:
 - (A) the outstanding principal amount of the Existing Debt held by the Scheme Creditor at the Record Time (**“Scheme Creditor’s Principal Amount”**); and
 - (B) all accrued and unpaid interest at the Original Interest Rate on such Existing Debt up to (but excluding) 31 December 2023.
 - (ii) Each Scheme Creditor’s Distribution Scheme Claim will be used to assess the principal amount of Short Term Instrument, Long Term Instrument and Mandatory Convertible Bonds that a Scheme Creditor will receive.
- (d) **How about Entitlement – what does the term mean?**
 - (i) A Scheme Creditor electing Option 1 will be referred to as **“Option 1 Scheme Creditor”** and the portion of their Distribution Scheme Claim electing for Option 1 will be **“Option 1 Entitlement”**.
 - (ii) The same terminology applies to Scheme Creditors electing Option 2, Option 3 and Option 4.
 - (iii) By extension, a Scheme Creditor can simultaneously be an Option 1 Scheme Creditor and an Option 2 Scheme Creditor if they elect both Option 1 and Option 2.
- (e) **Illustrative examples and flow charts illustrating the distribution of the Scheme Consideration**
 - (i) To further assist you to gain a comprehensive understanding of the allocation of the Scheme Consideration, Section 8.6(a) of this Explanatory Statement sets out an illustrative flowchart stepping out the allocation of the Scheme Consideration. Section 8.7 also sets out examples that illustrate the principal amount of each Scheme

Consideration that a Scheme Creditor may receive depending on their election and other Scheme Creditors' Election.

(f) Will another Scheme Creditor's election affect what I receive?

- (i) Yes. The allocation of Scheme Consideration depends on the elections made by all Scheme Creditors. If the Scheme Creditors' aggregate Distribution Scheme Claims elected for a particular Option exceeds the maximum available, adjustments will be made (as detailed below at Section 8.5(j) and 8.5(k)).
- (ii) This means that a Scheme Creditor may receive New Debt Instruments that they may not have elected. As such, you are encouraged to read this Q&A in full and consider the key terms of each New Debt Instrument (as set out at Section 9, a summary of which is set out at Section 8.6(b)).
- (iii) The exceptions to this are those Scheme Creditors electing (A) only Option 3 (MCBs) or (B) Option 4, as the MCBs and Option 4 are not subject to any limits and/or adjustments, respectively.

(g) How to best use this Q&A?

- (i) This Q&A is structured to explain the allocation process for each Option, starting with Option 4, which has priority for the maximum availability of STI and LTI.
- (ii) A Scheme Creditor electing Option 1 (STI) and Option 2 (LTI) may be allocated Option 3 (MCBs) if the maximum availability of STI (and LTI) is exceeded by Scheme Creditors' Elections.
- (iii) Scheme Creditors are encouraged to read this Q&A in full alongside the flow chart at Section 8.6(a), the summary of the Options at Section 8.6(b) and the illustrative examples at Section 8.7 of this Explanatory Statement for a comprehensive understanding of the Scheme Consideration.

(h) Option 4: What will you receive if electing Option 4?

- (i) A Scheme Creditor who elects Option 4 will receive a fixed combination of STI, LTI and MCBs in an aggregate principal amount equal to 100% of the Option 4 Scheme Creditor's Distribution Scheme Claim¹⁸. This fixed combination consists of:
 - (A) STI in the principal amount equal to 32% of the Scheme Creditor's Distribution Scheme Claim.
 - (B) LTI in the principal amount equal to 32% of the Scheme Creditor's Distribution Scheme Claim; and

¹⁸ As stated above, Option 4 cannot be elected alongside another option. Hence, 100% of an Option 4 Scheme Creditor's Distribution Scheme Claim will be its Option 4 Entitlement.

- (C) MCBs in the principal amount equal to 36% of the Scheme Creditor's Distribution Scheme Claim.
- (ii) As an illustration, for each US\$1,000, the Option 4 Scheme Creditor will receive US\$320 of STI, US\$320 of LTI and US\$360 of MCBs. This Option is unaffected by the elections made by other Scheme Creditors.
- (i) **Option 3: What will you receive if electing Option 3?**
- (i) A Scheme Creditor who elects Option 3 will receive MCBs in the principal amount equal to 100% of its Option 3 Entitlement, i.e. US\$1,000 of the Scheme Creditor's Option 3 Entitlement for US\$1,000 of the MCBs. This Option is also unaffected by the elections made by other Scheme Creditors.
- (j) **Option 2: What will you receive if electing Option 2?**
- (i) **Starting position:** Subject to the limitation and adjustment below, an Option 2 Scheme Creditor will receive LTI in the principal amount equal to 100% of its Option 2 Entitlement, i.e. US\$1,000 of the Option 2 Entitlement for US\$1,000 of the LTI.
- (ii) **Limitation – there is a maximum amount of LTI to be distributed:** The aggregate principal amount of LTI available to all Scheme Creditors (the “**Aggregate LTI Allocation Amount**”) is US\$4.0 billion (the “**LTI Maximum Amount**”). The Aggregate LTI Allocation Amount will be allocated to Option 4 Scheme Creditors before being allocated to Option 2 Scheme Creditors. To deduce the amount that will be available to Option 2 Scheme Creditors (the “**Available Option 2 LTI Maximum Amount**”), the US\$4.0 billion LTI Maximum Amount will be reduced by the aggregate amount of LTI to be allocated to Option 4 Scheme Creditors, which is 32% of the aggregate Option 4 Entitlement:

$$\text{Available Option 2 LTI Maximum Amount} =$$

$$\text{US\$4.0 billion} - (32\% \times \text{Aggregate Option 4 Entitlement})$$

- (iii) **Pro-rata LTI Allocation:** If the aggregate principal amount of Option 2 Entitlement as elected by all Scheme Creditors (the “**Aggregate Option 2 Entitlement**”) exceeds the Available Option 2 LTI Maximum Amount, then the principal amount of LTI that each Option 2 Scheme Creditor will receive will be:

$$\text{Principal amount of LTI that an Option 2 Scheme Creditor will receive} =$$

$$\text{Available Option 2 LTI Maximum Amount} \times \left(\frac{\text{Option 2 Entitlement of that Scheme Creditor}}{\text{Aggregate Option 2 Entitlement}} \right)$$

- (iv) **Excess over the maximum will be allocated MCBs:** Any excess amount of Option 2 Entitlement that cannot be exchanged into LTI due to the LTI Maximum Amount being reached will be allocated to Option

3. The Option 2 Scheme Creditor will receive this excess in MCBs, of which principal amount, when combined with the principal amount of LTI received, equals to 100% of the Scheme Creditor's Option 2 Entitlement.

(k) **Option 1: What will you receive if electing Option 1?**

(i) **Starting position:** Subject to the limitations and adjustment set out below, an Option 1 Scheme Creditor will receive STI in the principal amount equal to 100% of its Option 1 Entitlement, i.e. US\$1,000 of its Option 1 Entitlement for US\$1,000 of the STI.

(ii) **Limitation – there is a maximum amount of STI to be distributed:** The aggregate principal amount of STI available to all Scheme Creditors (“**Aggregate STI Allocation Amount**”) is US\$4.0 billion (the “**STI Maximum Amount**”). The Aggregate STI Allocation Amount will be allocated to Option 4 Scheme Creditors before being allocated to Option 1 Scheme Creditors. To deduce the amount that will be allocated to Option 1 Scheme Creditors (the “**Available Option 1 STI Maximum Amount**”), the US\$4.0 billion STI Maximum Amount will be reduced by the aggregate amount of STI to be allocated to Option 4 Scheme Creditors, which is 32% of the aggregate Option 4 Entitlement:

$$\text{Available Option 1 STI Maximum Amount} =$$

$$\text{US\$4.0 billion} - (32\% \times \text{Aggregate Option 4 Entitlement})$$

(iii) **Pro-rata STI Allocation:** If the aggregate principal amount of Option 1 Entitlement as elected by all Scheme Creditors (the “**Aggregate Option 1 Entitlement**”) exceeds the Available Option 1 STI Maximum Amount, then the principal amount of STI that an Option 1 Scheme Creditor will receive will be:

$$\text{Principal amount of STI that an Option 1 Scheme Creditor will receive} =$$

(iv) **Excess over the STI maximum will be allocated LTI and/or MCBs:** Any excess amount of Option 1 Entitlement that cannot be exchanged into STI, due to the STI Maximum Amount being reached, will be allocated to Option 2, *unless the Option 1 Scheme Creditor opts out of receiving Option 2*. Option 1 Scheme Creditors who opt out of Option 2 will have the excess amount of their Option 1 Entitlement allocated to Option 3, and will receive the excess amount in MCBs, of which principal amount, when combined with the principal amount of STI received, equals to 100% of the Scheme Creditor's Option 1 Entitlement.

(v) **Remaining Option 1 LTI Maximum Amount:** Option 1 Scheme Creditors who do not opt out of Option 2 will receive the excess amount

of their Option 1 Entitlement in LTI (each Scheme Creditor's "**Fallback Option 2 Entitlement**") and together the "**Aggregate Fallback Option 2 Entitlement**"). The US\$4.0 billion LTI Maximum Amount will be allocated to, firstly, (a) Option 4 Scheme Creditors, secondly, (b) Option 2 Scheme Creditors, then thirdly, (c) Option 1 Scheme Creditors.

- (vi) As such, the LTI amount that is available to Option 1 Scheme Creditors (the "**Remaining Option 1 LTI Amount**"):

$$\text{Remaining Option 1 LTI Amount} =$$

$$\text{US\$4.0 billion} - (32\% \times \text{Aggregate Option 4 Entitlement}) - \text{Aggregate Option 2 Entitlement}$$

- (A) **Limitation – Option 2 Entitlement will be prioritized:** This means that, if the Aggregate Option 2 Entitlement is more than the Available Option 2 LTI Maximum Amount, there will be no LTI available to Option 1 Scheme Creditors, i.e. Option 1 Scheme Creditors will not receive any LTI and their Fallback Option 2 Entitlement will be allocated to Option 3.
- (B) **Remaining Option 1 LTI Amount will be allocated LTI:** On the other hand, if the Aggregate Option 2 Entitlement is less than the Available Option 2 LTI Maximum Amount, i.e. if there is a Remaining Option 1 LTI Amount, and that the Remaining Option 1 LTI Amount is more than the Aggregate Fallback Option 2 Entitlement, the Fallback Option 2 Entitlement will be fully allocated with LTI.
- (C) **Pro-rata allocation of Remaining Option 1 LTI Amount:** If the Aggregate Fallback Option 2 Entitlement exceeds the Remaining Option 1 LTI Amount, then the principal amount of LTI that each Option 1 Scheme Creditor will receive will be:

$$\text{Principal amount of LTI that an Option 1 Scheme Creditor will receive} =$$

$$\text{Remaining Option 1 LTI Amount} \times \left(\frac{\text{Fallback Option 2 Entitlement of that Scheme Creditor}}{\text{Aggregate Fallback Option 2 Entitlement}} \right)$$

- (vii) **Excess over the LTI maximum will be allocated MCBs:** Any excess amount of Fallback Option 2 Entitlement that cannot be exchanged into LTI will be allocated to Option 3. Each Option 1 Scheme Creditor's Fallback Option 2 Entitlement will be in MCBs, of which principal amount, when combined with the principal amount of both the STI and the LTI received, equals to 100% of its Option 1 Entitlement.
- (l) **What is the deadline on which a Scheme Creditor must submit their Scheme Creditors' Election?**
- (i) By the Record Time.
- (ii) If a Scheme Creditor does not submit their non-binding Scheme Creditors' Election (including the election of notes or loan form of any

Short Term Instrument and/or Long Term Instrument elected) by the Record Time, they cannot make an election at a later time. The Scheme Creditor will be deemed to have elected Option 3 only and will receive MCBs in a principal amount equal to the sum of (i) their Scheme Creditor's Principal Amount and (ii) accrued and unpaid interest at the Original Interest Rate thereon up to (but excluding) 31 December 2023.

(m) **Can a Scheme Creditor amend its election of the Options?**

- (i) Yes, if a Scheme Creditor has submitted their non-binding Scheme Creditors' Election by the Record Time, that Scheme Creditor may amend its submitted non-binding Scheme Creditors' Election by re-submitting a new Election Form via the Transaction Website or (if agreed by the Information Agent) via email at shimaogroup@is.kroll.com at any time before the Scheme Consideration Election Deadline, which is set to be 11:00 p.m. Hong Kong time on the date falling five (5) Business Days after the Scheme Meeting, upon which the Scheme Creditors' Election as submitted and amended shall become binding. However, if a Scheme Creditor does not submit their non-binding Scheme Creditors' Election (including the election of notes or loan form of any Short Term Instrument and/or Long Term Instrument elected) by the Record Time, they cannot make an election at a later time.

(n) **Are there any restrictions on the denominations of the New Debt Instruments?**

- (i) Yes, interests in the New Debt Instruments will be credited in minimum denominations of US\$1 and integral multiples of US\$1 in excess thereof. Any fractional entitlements will be forfeited.

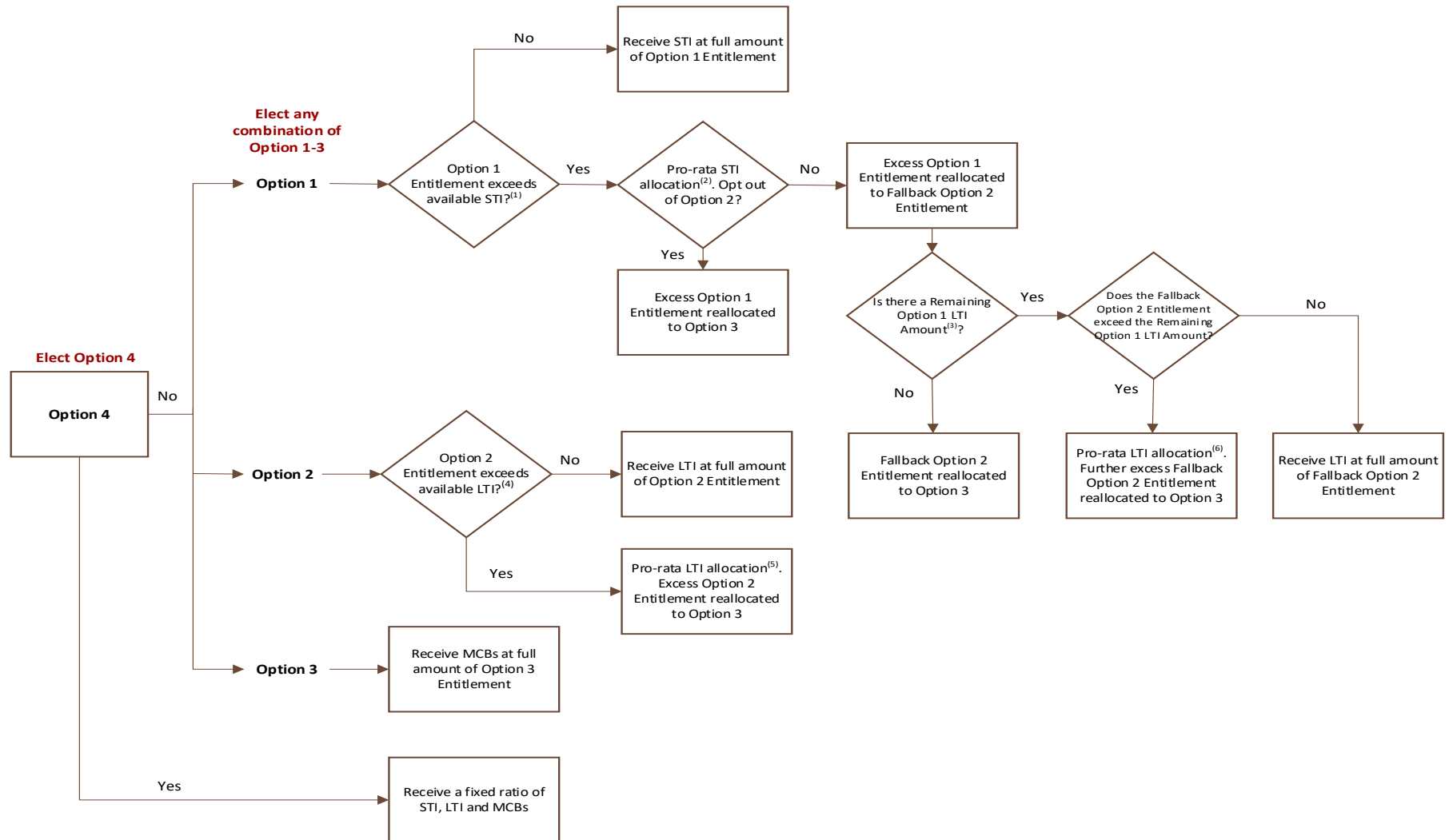
(o) **When will a Scheme Creditor receive its Scheme Consideration?**

- (i) **If a Scheme Creditor who is not a Sanctions-Affected Scheme Creditor submits before the Record Time:** The Scheme Creditor will receive their Scheme Consideration on the Restructuring Effective Date.
- (ii) **If a Scheme Creditor who is not a Sanctions-Affected Scheme Creditor submits after the Record Time but before the Bar Time:** The Scheme Creditor will receive their Scheme Consideration on the Holding Period Distribution Date.
- (iii) **If a Blocked Scheme Creditor submits before the Record Time:** The Blocked Scheme Creditor's Scheme Consideration will receive their Scheme Consideration on the Holding Period Distribution Date if the Applicable Sanctions are lifted by then. If the Applicable Sanctions are still in place on the Holding Period Expiry Date, their Scheme Consideration will be transferred to the Successor Escrow Agent to be held until the earlier of the lifting of the Applicable Sanctions or the expiry of the Perpetuity Period.

- (iv) **If a Blocked Scheme Creditor submits after the Record Time but before the Bar Time:** The same process as set above at Section 8.5(o)(iii) will apply, with the Scheme Consideration being held by the Holding Period Trustee and then potentially transferred to the Successor Escrow Agent if Applicable Sanctions remain in place.

8.6 Flowchart and Summary of the Options

(a) A flowchart stepping out the allocation of Scheme Consideration is shown as follows:



Notes from the flowchart:

(1) **STI allocation under Option 1:** The principal amount of STI available under Option 1 is calculated by deducting the allocation to Option 4 from the STI Maximum Amount (US\$4 billion). The calculation for this is:

Available Option 1 STI Maximum Amount = US\$4 billion – (32% x Aggregate Option 4 Entitlement).

(2) **Pro-rata STI allocation:** The principal amount of STI that an Option 1 Scheme Creditor will receive is calculated by:

Available Option 1 STI Maximum Amount x (Option 1 Entitlement of the Option 1 Scheme Creditor/Aggregate Option 1 Entitlement).

(3) **LTI availability for Option 1 Scheme Creditors who do not opt out of Option 2:** LTI will only be allocated to Option 1 Scheme Creditors after allocation to Option 2 Scheme Creditors. The calculation for this is:

Remaining Option 1 LTI Amount = US\$4.0 billion - (32% × Aggregate Option 4 Entitlement) - Aggregate Option 2 Entitlement

(4) **LTI allocation under Option 2:** The principal amount of LTI available under Option 2 is calculated by deducting the allocation to Option 4 from the LTI Maximum Amount (US\$4 billion). The calculation for this is:

Available Option 2 STI Maximum Amount = US\$4 billion – (32% x Aggregate Option 4 Entitlement).

(5) **Pro-rata LTI allocation:** The principal amount of LTI that an Option 2 Scheme Creditor will receive is calculated by:

Available Option 2 LTI Maximum Amount x (Option 2 Entitlement of the Option 2 Scheme Creditor/Aggregate Option 2 Entitlement).

(6) **Pro-rata allocation of remaining LTI:** Option 1 Scheme Creditors will receive LTI based on the following formula:

Remaining Option 1 LTI Amount x (Fallback Option 2 Entitlement of Scheme Creditor/Aggregate Fallback Option Entitlement).

(b) A summary of the Options is shown as follows:

Summary of the Options				
	Optional Elections			
	Option 1	Option 2	Option 3	Option 4
Consideration	- Short Term Instrument - Every US\$100 of sum of principal and accrued interest thereon up to but excluding 31 December 2023 to be exchanged into US\$100 of Short Term Instrument, in either loan or notes format	- Long Term Instrument - Every US\$100 of sum of principal and accrued interest thereon up to but excluding 31 December 2023 to be exchanged into US\$100 of Long Term Instrument, in either loan or notes format	Mandatory Convertible Bonds	- Combination of Short Term Instrument, Long Term Instrument, and Mandatory Convertible Bonds - Every US\$100 of sum of principal and accrued interest thereon up to but excluding 31 December 2023 to be exchanged into US\$32 of Short Term Instrument, US\$32 of Long Term Instrument, and US\$36 of Mandatory Convertible Bonds
Cap Limit	Short Term Instrument capped at US\$4.0 billion, including guaranteed allocation of Short Term Instrument under Option 4	Long Term Instrument capped at US\$4 billion, including guaranteed allocation of Long Term Instrument under Option 4 and any excess Option 1 amount reallocated to Option 2	No Cap	No Cap
Allocation	- Flowback to Option 2 when Short Term Instrument Maximum Amount is reached - Option to opt out of Option 2 flowback and to receive Option 3 for excess amount	Flowback to Option 3 when Long Term Instrument Maximum Amount is reached	Guaranteed allocation	Guaranteed allocation
Payment Terms	- Due in 6 years - Interest rate: For the first 4 years at 5.0% in cash or 6.0% in kind; starting from the 5th year at 5.0% in cash - Minimum cash of 0.1% per annum (in the form of interest and/or principal repayment) starting 1st year after Restructuring Effective Date - Principal and interest to be paid on 50% of outstanding principal amount - mandatory redemption dates or repayment dates may be deferred for 6 months at Company's discretion	- Due in 7- 8.5 years - Interest rate: For the first 6 years at 3.0% in kind; starting from the 7th year at 2.0% in cash - Minimum cash of 0.1% per annum (in the form of interest and/or principal repayment) starting 1st year after Restructuring Effective Date	N/A	
Guarantors & Collateral Package	- Pledge of equity share of key offshore intermediary holding companies and certain shares in Shimao Service Holdings Limited - Guarantee by key offshore intermediary holding companies - Key offshore intercompany receivables - Subject to approvals and relevant lender consent, second lien security interest (or third lien if already subject to second lien security) over all assets relating to the Tai Wo Ping Project and Tung Chung Hotels - Pledge over certain designated account(s) to which the Company shall remit net cash proceeds subject to requirement under mandatory prepayments		None	
Conversion	N/A	N/A	- Converted into more than 57% of the Company's common shares after full conversion (assuming both Option 1 and Option 2 are fully subscribed) - Conversion period 1 year	

8.7 Examples

- (a) Set out below are three hypothetical scenarios, each involving five sample Scheme Creditors with different Scheme Creditors' Elections, which is intended to illustrate examples of the different options that a Participating Creditor may elect to receive as its Scheme Consideration. Given that these scenarios are hypothetical, each of the scenarios have been prepared on the basis of certain assumptions as set out under the relevant sub-heading below. Ultimately, each Scheme Creditor's allocation will change depending on a number of variables, including the size of its respective Scheme Claim, whether it is an Eligible Consenting Creditor, its Scheme Creditors' Election and whether it is a Participating Creditor or a Residual Creditor. It is possible that the Scheme Consideration you finally receive may differ from the scenarios set out below.
- (b) For illustration purposes, on the assumptions that
- (i) both the Short Term Instrument and the Long Term Instrument would be fully subscribed by the Scheme Creditors (the "**Hypothetical Scenario 1**"),
 - (ii) the Short Term Instrument would be fully subscribed, US\$2,000,000,000 of the Long Term Instrument would be subscribed by and/or allocated to the Scheme Creditors, with a small number of Option 1 Entitlement electing to opt out of Option 2 and receive the Mandatory Convertible Bonds directly (the "**Hypothetical Scenario 2**"), and,
 - (iii) the Short Term Instrument would be fully subscribed, US\$2,000,000,000 of the Long Term Instruments would be subscribed by and/or allocated to the Scheme Creditors with a large number of Option 1 Entitlement electing to opt out of Option 2 and receive the Mandatory Convertible Bonds directly (the "**Hypothetical Scenario 3**"),

the hypothetical Scheme Consideration that may be paid out to Scheme Creditors in accordance with their different Scheme Creditors' Election (non-exhaustive) is set out below:

In Hypothetical Scenario 1, Hypothetical Scenario 2 and Hypothetical Scenario 3, it is assumed that:

- (i) Sample Scheme Creditor A holds US\$200,000 of Scheme Claims and fully elects to receive Option 1 Short Term Loan as Scheme Consideration. Further, sample Scheme Creditor A does not elect to opt out from receiving Option 2 Long Term Loan in the event where Option 1 is fully subscribed;
- (ii) Sample Scheme Creditor B holds US\$200,000 of Scheme Claims and fully elects to receive Option 2 Long Term Notes as Scheme Consideration;

- (iii) Sample Scheme Creditor C holds US\$200,000 of Scheme Claims and fully elects to receive Mandatory Convertible Bonds as Scheme Consideration;
- (iv) Sample Scheme Creditor D holds US\$200,000 of Scheme Claims and fully elects to receive Option 4 as Scheme Consideration; and
- (v) Sample Scheme Creditor E holds US\$200,000 of Scheme Claims and elects to receive 32% of Scheme Claims into Option 1, 32% of Scheme Claims into Option 2 and 36% of Scheme Claims into Option 3, in the form of a note, as Scheme Consideration. Further, sample Scheme Creditor E elects to receive Mandatory Convertible Bonds directly in the event where Option 1 is fully subscribed.

Hypothetical Scenario 1

Assumptions:

Option 1 Entitlement	US\$7,129,189,143
Total Option 1 Entitlement electing to receive Mandatory Convertible Bonds directly, if Option 1 is fully subscribed	US\$64,000
Aggregate Option 1 Entitlement (to the extent exceeds the Available STI Maximum Amount, will be allocated to Option 2), if Option 1 is fully subscribed	US\$7,129,189,143
Option 2 Entitlement	US\$5,413,692,188
Option 3 Entitlement	US\$272,000
Option 4 Entitlement	US\$200,000
Aggregate Short Term Instrument Allocation Amount	US\$4,000,000,000
Available Option 1 STI Maximum Amount	US\$3,999,936,000
Aggregate Long Term Instrument Allocation Amount	US\$4,000,000,000
Available Option 2 LTI Maximum Amount	US\$3,999,936,000
Aggregate Fallback Option 2 Entitlement	US\$3,129,225,051
Remaining Option 1 LTI Amount	US\$-

Indicative allocation result:

US\$	Sample Scheme Creditor A	Sample Scheme Creditor B	Sample Scheme Creditor C	Sample Scheme Creditor D	Sample Scheme Creditor E
Short Term Notes	-	-	-	64,000	35,908
Short Term Loan	112,213	-	-	-	-
Long Term Notes	-	147,771	-	64,000	47,287
Long Term Loan	-	-	-	-	-
Mandatory Convertible Bonds	87,787	52,229	200,000	72,000	116,805

Total Scheme Consideration / Distribution Scheme Claims	200,000	200,000	200,000	200,000	200,000
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Hypothetical Scenario 2

Assumptions:

Option 1 Entitlement	US\$7,129,189,143
Total Option 1 Entitlement electing to receive Mandatory Convertible Bonds directly, if Option 1 is fully subscribed	US\$64,000
Aggregate Option 1 Entitlement (to the extent exceeds the Available STI Maximum Amount, will be allocated to Option 2), if Option 1 is fully subscribed	US\$7,129,189,143
Option 2 Entitlement	US\$393,462,500
Option 3 Entitlement	US\$272,000
Option 4 Entitlement	US\$5,020,429,689
Aggregate Short Term Instrument Allocation Amount	US\$4,000,000,000
Available Option 1 STI Maximum Amount	US\$2,393,462,500
Aggregate Long Term Instrument Allocation Amount	US\$4,000,000,000
Available Option 2 LTI Maximum Amount	US\$2,393,462,500
Aggregate Fallback Option 2 Entitlement	US\$4,735,684,130
Remaining Option 1 LTI Amount	US\$2,000,000,000

Indicative allocation result:

<i>US\$</i>	Sample Scheme Creditor A	Sample Scheme Creditor B	Sample Scheme Creditor C	Sample Scheme Creditor D	Sample Scheme Creditor E
Short Term Notes	-	-	-	64,000	21,487
Short Term Loan	67,145	-	-	-	-
Long Term Notes	-	200,000	-	64,000	64,000
Long Term Loan	56,108	-	-	-	-
Mandatory Convertible Bonds	76,747	-	200,000	72,000	114,513
Total Scheme Consideration / Distribution Scheme Claims	200,000	200,000	200,000	200,000	200,000

Hypothetical Scenario 3

Assumptions:

Option 1 Entitlement	US\$7,129,189,143
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Total Option 1 Entitlement electing to receive Mandatory Convertible Bonds directly, if Option 1 is fully subscribed	US\$6,865,369,228
Aggregate Option 1 Entitlement (to the extent exceeds the Available STI Maximum Amount, will be allocated to Option 2), if Option 1 is fully subscribed	US\$263,819,915
Option 2 Entitlement	US\$393,462,500
Option 3 Entitlement	US\$272,000
Option 4 Entitlement	US\$5,020,429,689
Aggregate Short Term Instrument Allocation Amount	US\$4,000,000,000
Available Option 1 STI Maximum Amount	US\$2,393,462,500
Aggregate Long Term Instrument Allocation Amount	US\$32,175,248,401
Available Option 2 LTI Maximum Amount	US\$2,393,462,500
Aggregate Fallback Option 2 Entitlement	US\$175,248,401
Remaining Option 1 LTI Amount	US\$2,000,000,000

Indicative allocation result:

US\$	Sample Scheme Creditor A	Sample Scheme Creditor B	Sample Scheme Creditor C	Sample Scheme Creditor D	Sample Scheme Creditor E
Short Term Notes	-	-	-	64,000	21,487
Short Term Loan	67,145	-	-	-	-
Long Term Notes	-	200,000	-	64,000	64,000
Long Term Loan	132,855	-	-	-	-
Mandatory Convertible Bonds	-	-	200,000	72,000	114,513
Total Scheme Consideration / Distribution Scheme Claims	200,000	200,000	200,000	200,000	200,000

THESE SCENARIOS ARE ILLUSTRATIVE. WHAT A SCHEME CREDITOR FINALLY RECEIVES MAY DIFFER FROM THE EXAMPLES ABOVE.

9. SUMMARY OF THE NEW DEBT INSTRUMENTS

This Section contains a brief description of the principal commercial terms of the New Debt Instruments. The summary information contained in this Section does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by references to, the more detailed information contained in the Scheme, the New Finance Documents and this Explanatory Statement.

9.1 Overview

- (a) The Restructuring comprises a restructuring of the Group's existing indebtedness under the Existing Debt. The Restructuring has been promulgated by the Company and includes various measures which are intended to ensure that the Company and the Group can continue to operate on a going concern basis.
- (b) The Restructuring is contemplated to take place under and pursuant to the Scheme and the Restructuring Documents.
- (c) No new monies will be advanced or made available to the Company or any other member of the Group in connection with the issuance of the New Debt Instruments.

9.2 Summary of the New Debt Instruments

- (a) The terms of the New Debt Instruments will be set out in the New Finance Documents.
- (b) A summary of the terms of the New Finance Documents is set out in this Section. The following is not intended to be complete and is subject to important limitations and exceptions. The *pro forma* templates of the Short Term Notes Indenture, the Short Term Facility Agreement and the MCB Trust Deed can be found at Appendix 11 (*Form of New Finance Documents*) to this Explanatory Statement. The *pro forma* templates of the Long Term Notes Indenture and Long Term Facility Agreement are available for download from the Transaction Website. The final version of the New Finance Documents will be distributed on the Restructuring Effective Date and will be in substantially the same form as the versions available on the Transaction Website. To the extent there is any inconsistency with the descriptions in this Explanatory Statement, the *pro forma* templates available with this Explanatory Statement, and the final versions issued on the Restructuring Effective Date, the final versions shall prevail. Unless otherwise indicated, all capitalised terms used in the following summary shall have the meanings assigned to those terms in the relevant New Finance Documents in Appendix 11 (*Form of New Finance Documents*) to this Explanatory Statement.
- (c) The New Debt Instruments provide for a 0.5-to-nine year extension of the existing debt obligations under the Existing Debt. The Company may elect to pay interest accrued on a New Debt Instrument (excluding the Mandatory Convertible Bonds) in the form of PIK Interest in certain circumstances. The

reason for this is to allow the Company and the Group sufficient time to regain financial stability with limited repayment obligations in the near term.

- (d) The New Debt Instruments, save for the Mandatory Convertible Bonds, provide for certain cash sweep undertakings, for which a prescribed portion of the net cash proceeds would be used to redeem the New Notes and/or Mandatory Convertible Bonds, providing a potential source of repayment to Scheme Creditors. Further details of the terms of this redemption are set out below.
- (e) The Mandatory Convertible Bonds are convertible into the ordinary shares of the Company.
- (f) Holders of the Mandatory Convertible Bonds will not have any participating rights in the event of a takeover offer for the Company.
- (g) The Company has also ensured that tradable New Debt Instruments are issued to Scheme Creditors following the Restructuring, and has provided Scheme Creditors with options to elect certain different New Debt Instruments in accordance with their own requirements and preferences.
- (h) A summary of the terms of the Long Terms Notes B, which are to be issued by the Company to the Ultimate Controlling Shareholder, is also set out in this Section. Please also refer to Section 6.12 of this Explanatory Statement for further details.

TERMS OF THE SHORT TERM NOTES

*Capitalised terms used but not defined below will be defined in the indenture governing the Short Term Notes (“**Short Term Notes Indenture**”), which shall substantially follow the meanings given to them in the indenture governing the 2031 Notes.*

Short Term Notes Issuer	The Company
Original Issue Date	The Restructuring Effective Date
Original Issue Amount	The sum of (i) the Aggregate Short Term Instrument Allocation Amount in the form of Short Term Notes, in accordance with the Scheme Creditors’ Election and (ii) Early STI Consent Fee and Base STI Consent Fee in the form of Short Term Notes.
Tenor	6 years from the Restructuring Effective Date, subject to the extension set forth under “Mandatory Redemption” below.
Interest	Interest shall be accrued semi-annually on the outstanding principal amount of the Short Term Notes in the following manner: • for the first four years commencing on and from Restructuring Effective Date: either in cash or in kind at the election of the Company, <i>provided, however,</i> starting from the first year after the Restructuring Effective Date, interest in an amount equal to at least 0.1% per annum shall be paid in cash; and

	- starting from the fifth year commencing on and from Restructuring Effective Date: fully in cash; at the following interest rates with respect to each interest payment period: 5.0% per annum if interest will be fully paid in cash; or 6.0% per annum if any portion of the interest is paid in kind. All interest shall be payable semi-annually in arrears, <i>provided</i> that: - interest paid in kind shall be on the outstanding principal amount of the Short Term Notes, and - interest paid in cash shall be on an amount equal to 50% of the outstanding principal amount of the Short Term Notes.										
Mandatory Redemption	The Company shall redeem on or prior to each Mandatory Redemption Date as set out in the table below, the Short Term Notes in an aggregate principal amount of no less than the principal amount set forth below at a redemption price equal to 50% of the principal amount of the Short Term Notes redeemed, plus any accrued and unpaid interest on 50% of the outstanding principal amount of the Short Term Notes so redeemed up to (but excluding) such Mandatory Redemption Date. <table border="1"> <thead> <tr> <th>Mandatory Redemption Date</th><th>Principal amount to be redeemed (% of Original Issue Amount, on a cumulative basis)</th></tr> </thead> <tbody> <tr> <td>3.5th anniversary date of the Restructuring Effective Date</td><td>25%</td></tr> <tr> <td>4.5th anniversary date of the Restructuring Effective Date</td><td>50%</td></tr> <tr> <td>5.5th anniversary date of the Restructuring Effective Date</td><td>75%</td></tr> <tr> <td>6th anniversary date of the Restructuring Effective Date</td><td>100%</td></tr> </tbody> </table> Each Mandatory Redemption Date may be deferred for six months at the Company's sole discretion, <i>provided, however</i>, that such Mandatory Redemption Date may not be deferred if the corresponding Repayment Date for the Short Term Loan is not concurrently deferred. The amount of Short Term Notes to be mandatorily redeemed on or prior to each Mandatory Redemption Date shall be reduced by the amount of Short Term Notes redeemed or repurchased on or prior to such Mandatory Redemption Date, including but not limited to any amount of the Short Term Notes redeemed or repurchased in accordance with the terms of the Short Term Notes set forth herein.	Mandatory Redemption Date	Principal amount to be redeemed (% of Original Issue Amount, on a cumulative basis)	3.5th anniversary date of the Restructuring Effective Date	25%	4.5th anniversary date of the Restructuring Effective Date	50%	5.5th anniversary date of the Restructuring Effective Date	75%	6th anniversary date of the Restructuring Effective Date	100%
Mandatory Redemption Date	Principal amount to be redeemed (% of Original Issue Amount, on a cumulative basis)										
3.5th anniversary date of the Restructuring Effective Date	25%										
4.5th anniversary date of the Restructuring Effective Date	50%										
5.5th anniversary date of the Restructuring Effective Date	75%										
6th anniversary date of the Restructuring Effective Date	100%										
Subsidiary Guarantors	The following Subsidiaries of the Company (collectively, the “Subsidiary Guarantors”) shall guarantee the obligations of the Company under the Short Term Notes: (a) All Vision Limited 碩全有限公司, (b) Bonus Goal Investments Limited 鉅品投資有限公司, (c) Dokino International Limited, (d) Goodie Chance Limited 達行有限公司,										

	(e) Lion Kingdom Investments Limited 碩天投資有限公司, (f) Marvel Joyday International Limited, (g) Money Raider Enterprises Limited, (h) Peak Castle Assets Limited, (i) Penders Enterprises Limited, (j) Power One Holdings Limited 華尚控股有限公司, (k) Running Leopard International Limited, (l) Rushing Lion Group Limited, (m) Shimao Investment Holdings Limited 世茂投資控股有限公司, (n) Sino Future Holdings Limited 祥程控股有限公司, (o) Vicking International Ltd., (p) Best Cosmos Limited (“Best Cosmos”), (q) Ease Reach Group Limited, (r) Ever Dean Limited, (s) Intellect Joy Investments Limited, (t) Topwise Limited, (u) Genuine Victory Holdings Limited, (v) Shimao Property Investments Limited, (w) Speedy Gains Limited, (x) Shimao Property Holdings (BVI) Limited, (y) Peak Gain International Limited, (z) Upper Bonus Limited, (aa) Daily Right Holdings Limited, (bb) Rise Max International Limited, (cc) Excel Mode Investments Limited, (dd) Future Right Limited, and (ee) New Sincere Investments Limited. (such guarantees by the Subsidiary Guarantors, the “Subsidiary Guarantees”).
Collateral	The Short Term Notes, the Existing Permitted <i>Pari Passu</i> Secured Indebtedness and any future Permitted <i>Pari Passu</i> Secured Indebtedness shall be secured by the following collateral (the “Collateral”) on a <i>pari passu</i> basis, subject to the terms of an intercreditor agreement (the “Intercreditor Agreement”) to be entered into on the Restructuring Effective Date among, <i>inter alia</i>, the Company, the collateral agent and the trustees, agents or representatives of the holders and/or creditors of the Short Term Instrument, the Long Term Instrument, the Long Term Notes B and any Permitted <i>Pari Passu</i> Secured Indebtedness (as defined under the indenture governing the Company’s 6.125% senior notes due 2024): • pledge over 100% of the shares of each Major Offshore Subsidiary (the “Major Offshore Subsidiary Share Pledge”); • pledge over Specified SSSL Shares (the “SSSL Share Pledge”); • pledge and assignment of any receivable (excluding receivables from Brand Rise Limited, Star Achieve Limited and Adventure Success Limited) that is over US\$80 million of the Company and each Specified

	Offshore Subsidiary from any offshore Subsidiaries of the Company (the “Offshore Receivables Pledge”); and • pledge over each Designated Account (as defined below); and • subject to compliance with applicable laws, rules, regulations, policies or measures and the receipt of all relevant regulatory, judicial and/or governmental approvals and consent from relevant Project Lenders (as defined below) and other third parties, as case may be, mortgage over all assets relating to any Specified Offshore Assets which are subject to first-ranking security in favor of relevant Project Lender, <i>provided</i> that security interest created over such assets shall be second-ranking (unless such assets are already subject to second-ranking security, in which case, third-ranking security); and <i>provided</i> further, that the Company shall use its reasonable best efforts to obtain the consent from relevant Project Lenders. “Major Offshore Subsidiary” means any of the following Subsidiary of the Company: • Best Cosmos, • Ease Reach Group Limited, • Ever Dean Limited, • Intellect Joy Investments Limited, • Topwise Limited, • Genuine Victory Holdings Limited, • Shimao Property Investments Limited, • Shimao Property Holdings (BVI) Limited (subject to termination of relevant loan agreements), • Upper Bonus Limited, • Daily Right Holdings Limited, • Rise Max International Limited, • Excel Mode Investments Limited, • Future Right Limited, • New Sincere Investments Limited, and • Peak Gain International Limited. “Specified Offshore Subsidiary” means any of the following: • Best Cosmos, • Ease Reach Group Limited, • Ever Dean Limited, • Intellect Joy Investments Limited, • Topwise Limited, • Genuine Victory Holdings Limited, • Shimao Property Investments Limited, • Speedy Gains Limited, • Peak Gain International Limited,
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	• Shimao Property Holdings (BVI) Limited (subject to termination of relevant loan agreements), • Grandness Sea Group Limited, and • Straits Construction Investment (Holdings) Limited. “Specified SSSL Shares” means the ordinary shares of Shimao Services Holdings Limited (“SSHL”) held by Best Cosmos (other than 1,290,412 ordinary shares of SSSL registered in the name of Best Cosmos held for the share scheme adopted by the Company on 3 May 2021 as disclosed in the 2023 interim report of SSSL posted on the website of The Stock Exchange of Hong Kong Limited). “Designated Account” means Designated Account (Proceeds) or Designated Account (Financing). “Designated Account (Financing)” means an offshore bank account to which the Company shall remit, or procure the remittance of an equivalent amount of certain Net Debt Financing Proceeds in accordance with the terms of the Short Term Notes. “Designated Account (Proceeds)” means an offshore bank account to which the Company shall remit, or procure the remittance of an equivalent amount of (i) certain Net Cash Proceeds (Specified Asset); (ii) certain TWP Surplus Cash Flow; (iii) certain Net SSSL Proceeds; and (iv) certain Net Shanghai Shimao Proceeds, in accordance with the terms of the Short Term Notes. “Existing Permitted <i>Pari Passu</i> Secured Indebtedness” means the Short Term Loan, the Long Term Instrument, the Long Term Notes B and certain other indebtedness of the Company existing as at the Restructuring Effective Date that is secured by the Collateral on a <i>pari passu</i> basis to be set out in the long form documentation. “Project Lenders” means the lenders which have provided loans for the financing or refinancing of the development of the Specified Offshore Assets which are currently outstanding and secured by the Specified Offshore Assets.
Undertaking to Deposit Equivalent Amount of Certain Net Cash Proceeds (Specified Assets) into Designated Account (Proceeds)	The Company shall procure that: - within 10 business days after the occurrence of an Offshore Triggering Event, an amount equal to 100% of the relevant Net Cash Proceeds (Specified Asset); - within 3 months after the occurrence of an Onshore Triggering Event, an amount equal to 60% of the relevant Net Cash Proceeds (Specified Asset); and - within 3 months after the occurrence of an Hotel Disposal Triggering Event, an amount equal to 100% of the relevant Net Cash Proceeds (Specified Asset), be deposited into the Designated Account (Proceeds). “Net Cash Proceeds (Specified Asset)” means the proceeds from disposal of any Specified Asset (or any part thereof) received by a member of the Group (other than SSSL and its Subsidiaries) (<i>provided</i> that the Company shall procure that such proceeds shall not be received by SSSL and its Subsidiaries) in cash or cash

	equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) received in cash or cash equivalents and proceeds from the conversion of other property received in cash or cash equivalents, net of: (a) reasonable and properly incurred brokerage commissions and other fees and expenses (including fees and expenses of counsel, professional advisors and investment bankers) related to or in connection with such disposal and the application of the proceeds of such disposal; (b) provisions for all taxes (whether or not such taxes will actually be paid or are reasonably expected to be payable) and other regulatory fees or charges as a result of such disposal or in connection with such Specified Asset without regard to the consolidated results of operations of the Group, taken as a whole; (c) payments made to repay indebtedness or any other obligation outstanding at the time of such disposal that is deemed as a Specified Asset Indebtedness (as defined below); (d) any amount required or requested by PRC government bodies and/or under such applicable PRC law, rules, regulations, policies or measures to be deposited in a designated account or used for other purposes, which is not freely transferrable or disposable by the Company or any member of the Group, and amounts under any new financing incurred after the date of the CSA as requested by PRC government bodies and/or under such applicable PRC law, rules, regulations, policies or measures, that (in each case) are required or necessary to be paid as a result of or in connection with the disposal of such Specified Asset; and (e) any reasonable amounts to be provided by the Company or any member of the Group as a reserve against any liabilities including, without limitation, employment benefit liabilities, amounts due to contractors and/or suppliers, liabilities related to environmental matters, and liabilities under any indemnification obligations directly associated with such disposal of such Specified Asset or otherwise directly associated with such Specified Asset, to the extent that any such liabilities are not borne by or otherwise transferred to the buyer of such Specified Asset. “Offshore Triggering Event” means a disposal of a Specified Offshore Asset. “Onshore Triggering Event” means a disposal of a Specified Onshore Asset. “Hotel Disposal Triggering Event” means a disposal of a Specified Hotel Asset. “Security Interest” means a mortgage, charge, pledge, lien, assignment by way of security, hypothecation or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect. “Specified Asset” means: (a) any Specified Offshore Asset; (b) any Specified Onshore Asset; and (c) any Specified Hotel Asset.
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	“Specified Asset Indebtedness” means indebtedness that is outstanding at the time of the disposal of a Specified Asset that (a) is secured by a Security Interest on the relevant Specified Asset (or any part thereof) or (b) is required to be paid as a result of such disposal (which is subject to agreement with the Scheme Creditors during legal documentation stage), <i>provided</i> that such indebtedness, if incurred after the date of the CSA, is used for the construction or operation of the relevant Specified Asset (or any part thereof). “Specified Hotel Asset” means any of the following: (a) 上海世茂佘山洲际酒店 (InterContinental Shanghai Wonderland); (b) 沈阳世茂希尔顿酒店 (Hilton Shenyang); (c) 世茂泰州茂御酒店 (Yuluxe Hotel Taizhou); (d) 福州洲际酒店 (InterContinental Fuzhou); (e) 烟台世茂希尔顿酒店 (Hilton Yantai); and (f) 牡丹江世茂假日酒店 (Holiday Inn Mudanjiang). “Specified Offshore Asset” means any of the following: (a) New Kowloon Inland Lot No. 6542 (situated at Yin Ping Road, Tai Wo Ping, Kowloon), which has a site area of approximately 20,401 square metres (the “Tai Wo Ping Project”); and (b) the Remaining Portion of Tung Chung Town Lot No. 38, together with the hotels erected thereon known as Four Points by Sheraton Hong Kong, Tung Chung and Sheraton Hong Kong Tung Chung Hotel (the “Tung Chung Hotels”). “Specified Onshore Asset” means any of the following: (a) 世茂深港国际中心 situated at 深圳龙岗大运新城 with land use right area of approximately 70,000 square metres, other than part of such asset which is attributable to Shanghai Shimao; (b) 世茂滨江壹号 situated at 肇庆市端州区滨江新城 with land use right area of approximately 257,800 square metres, other than part of such asset which is attributable to Shanghai Shimao; (c) 起云湾 situated at 天津滨海新区中新生态城中心渔港 with land use right area of approximately 945,000 square metres; (d) 世茂四季莲花山小镇 situated at 长春莲花山生态旅游度假区龙双公路 14888 号 with land use right area of approximately 963,400 square metres; (e) 马鞍山和县乌江镇 situated at 马鞍山市和县乌江镇四联片区 with land use right area of approximately 657,500 square metres; (f) 世茂香颂 situated at 香河安平天下第一城东侧 with land use right area of approximately 463,000 square metres; and (g) 世茂御龙海湾 situated at 辽宁省大连市金州区大魏家街道 with land use right area of approximately 3,317,000 square metres.
Undertaking to Deposit Equivalent Amount of TWP	The Company shall procure that within 10 business days after its receipt of any TWP Surplus Cash Flow (as defined below), an amount equal to 100% of the relevant TWP Surplus Cash Flow be deposited into the Designated Account (Proceeds).

Surplus Cash Flow into Designated Account (Proceeds)	“TWP Surplus Cash Flow” means the accumulated proceeds from sales of units of the Tai Wo Ping Project received by a member of the Group (other than SSHL and its Subsidiaries) (<i>provided</i> that the Company shall procure that such proceeds shall not be received by SSHL and its Subsidiaries) in cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) received in cash or cash equivalents and proceeds from the conversion of other property received in cash or cash equivalents, net of: (a) reasonable and properly incurred brokerage commissions and other fees and expenses (including fees and expenses of intermediaries and advisors) related to or in connection with such sale; (b) provisions for all taxes (whether or not such taxes will actually be paid or are reasonably expected to be payable) and other regulatory fees or charges as a result of such sale or in connection with such sale without regard to the consolidated results of operations of the Group, taken as a whole; (c) accumulated marketing and operating expenses of the Tai Wo Ping Project during the normal course of project operation before all outstanding Tai Wo Ping Project Debt (as defined below) is repaid; and (d) amount required to repay all outstanding Tai Wo Ping Project Debt (as defined below). “Tai Wo Ping Project Debt” means the debt obligations under the Facility 1 Agreement and Facility 2 Agreement with total principal amount of HK\$12,078,843,569.87.
Undertaking to Deposit Equivalent Amount of Certain Net Debt Financing Proceeds into Designated Account (Financing)	The Company shall procure that within 10 business days after the occurrence of a Specified Offshore Financing Triggering Event, an amount equal to 95% of the Net Debt Financing Proceeds from the relevant Specified Offshore Debt Financing be deposited into the Designated Account (Financing). “Net Debt Financing Proceeds” means the proceeds of any Specified Offshore Debt Financing in cash, net of: (a) fees and expenses (including fees and expenses of counsel, professional advisors and financiers) related to such financing; (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such financing without regard to the consolidated results of operations of the Group, taken as a whole; and (c) appropriate amounts to be provided by the Company or any member of the Group as a reserve against any liabilities associated with such financing, including, without limitation, liabilities under any indemnification obligations associated with such financing. “Specified Offshore Debt Financing” means any debt financing received by a member of the Group (other than SSHL and its Subsidiaries) (<i>provided</i> that the Company shall procure that such proceeds shall not be received by SSHL and its Subsidiaries) that are lent to or secured by any Subsidiary Guarantor of the Short Term Instrument after the Restructuring Effective Date. “Specified Offshore Financing Triggering Event” means the incurrence of any Specified Offshore Debt Financing.

Undertaking to Deposit Equivalent Amount of Certain Net SSSL Proceeds into Designated Account (Proceeds)	The Company and Best Cosmos shall procure that within 10 business days after the receipt of dividends in cash declared by SSSL or cash proceeds from disposal of any of the Specified SSSL Shares (such dividends or proceeds, the “SSSL Proceeds”; and, receipt of any such dividends or proceeds, an “SSSL Shares Triggering Event”), an amount equal to 95% Net SSSL Proceeds received therefrom be deposited into the Designated Account (Proceeds). “Net SSSL Proceeds” means SSSL Proceeds, net of: (a) fees and expenses (including fees and expenses of counsel, professional advisors and financiers) incurred in connection with SSSL Proceeds; and (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) in connection with SSSL Proceeds without regard to the consolidated results of operations of the Group, taken as a whole.
Undertaking to Deposit Equivalent Amount of Certain Shanghai Shimao Proceeds into Designated Account (Proceeds)	The Company and Peak Gain International Limited (“Peak Gain”) shall procure that within 10 business days after the receipt of dividends declared and distributed by Shanghai Shimao Co. Ltd (上海世茂股份有限公司) (“Shanghai Shimao”) in cash or cash proceeds from disposal of any of the ordinary shares of Shanghai Shimao held by Peak Gain International Limited (such dividends or proceeds, the “Shanghai Shimao Proceeds”; and, receipt of any such dividends or proceeds, an “Shanghai Shimao Shares Triggering Event”), an amount equal to 95% of Net Shanghai Shimao Proceeds be deposited into the Designated Account (Proceeds). “Net Shanghai Shimao Proceeds” means Shanghai Shimao Proceeds, net of: (a) fees and expenses (including fees and expenses of counsel, professional advisors and financiers) incurred in connection with Shanghai Shimao Proceeds; and (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) in connection with Shanghai Shimao Proceeds without regard to the consolidated results of operations of the Group, taken as a whole.
Limitation on Use of Proceeds in Designated Account (Proceeds) and Designated Account (Financing)	Upon the aggregate amount standing to the credit of the Designated Account (Proceeds) and the Designated Account (Financing) exceeding US\$20 million or its Dollar Equivalent, the Company shall as soon as practicable, and in an event within 60 calendar days (or in the case of paragraph (a)(i) below only, on or prior to the relevant interest payment date) apply all funds in such account towards: (a) (i) payment of the interest due in the following six months on a <i>pro rata</i> basis according to the Original Issue Amounts of the Short Term Notes and the Short Term Loan, and/or (ii) repayment, prepayment or repurchase of the Short Term Notes and the Short Term Loan on a <i>pro rata</i> basis according to their respective Original Issue Amounts; and (b) following repayment in full of the Short Term Instrument, repayment, prepayment or repurchase of the Long Term Notes and Long Term Loan on a <i>pro rata</i> basis according to their respective Original Issue Amounts,

	<i>provided that</i> the portion used to repay or repurchase the Long Term Notes shall always be allocated to the series of Long Term Notes with the earliest maturity; and (c) following repayment in full of the Long Term Instrument, repayment, prepayment or repurchase <u>of</u> the Long Term Notes B. For as long as any of the Short Term Instrument and Long Term Instrument remains outstanding, all funds in the Designated Account (Proceeds) and the Designated Account (Financing) shall be used in accordance with the above only.
Monitoring Agent	Upon the occurrence of an Offshore Triggering Event, an Onshore Triggering Event, a Hotel Disposal Triggering Event, an SSSL Shares Triggering Event or a Shanghai Shimao Shares Triggering Event (each, a “Triggering Event”), the Company shall engage a Monitoring Agent and provide to the Monitoring Agent certain details of the relevant Triggering Event, including price, parties, timing for completion and/or other information that may be reasonably agreed between the Monitoring Agent and the Company in the long form documentation, subject to compliance with applicable laws, rules and regulations (including, without limitation, the listing rules of the Stock Exchange of Hong Kong Limited). The Company shall notify the Monitoring Agent, relevant creditors holding the Short Term Instrument and Long Term Instrument and/or their respective trustees or agents, as the case may be, of the occurrence of any Triggering Event in accordance with terms to be set out in the long form documentation. “Monitoring Agent” means any independent internationally recognized professional service provider that is customarily engaged in monitoring of certain information and undertaking related responsibilities as set out in the long form documentation.
Limitation on Incurrence of Permitted <i>Pari Passu</i> Secured Indebtedness	For as long as any of the Long Term Instrument and the Short Term Instrument remains outstanding, the Company shall not, and shall procure that none of the Subsidiary Guarantors will, incur any Permitted <i>Pari Passu</i> Secured Indebtedness after the Restructuring Effective Date, unless the net proceeds therefrom are used first for payment of any amount due under, or repayment, prepayment or repurchase of the Short Term Instrument, and thereafter, any remaining net proceeds therefrom may be used for payment of any amount due under, or repayment, prepayment or repurchase of the Long Term Instrument, subject to any exceptions to be set out in the long form documentation, which shall be limited to any Permitted <i>Pari Passu</i> Secured Indebtedness incurred to (i) settle the Base Cash Consent Fee, Early Cash Consent Fee, professional fees and/or other expenses incurred in connection with the Proposed Restructuring and (ii) repay or refinance any Out-of-Scope Debt, <i>provided, however</i>, that the aggregate principal amount of such Permitted <i>Pari Passu</i> Secured Indebtedness incurred under (i) and (ii) shall not exceed US\$135 million.
Information Undertaking	Substantially follow those included in the documents governing the relevant In-Scope Debt, with necessary adjustments in light of the proposed form of the Scheme Consideration, details of which will be set out in the long form documentation.
Restrictive Covenants	Substantially follow those in the indenture governing the 2031 Notes, with adjustments necessary to reflect the terms set forth in this Term Sheet, including the addition of Subsidiary Guarantees and Collateral, and as reasonably necessary to reflect the current circumstances and operating environment of the Company, including, but not limited to, the following amendments (references to sections and definitions below are to those set forth in the indenture governing the 2031 Notes): <i>Limitation on Indebtedness and Preferred Stock:</i>

	• Clauses (vii), (xvii), (xviii), (xxi), (xxii) and (xxiv) of Section 4.05(b): references to “35% of Total Assets” shall be changed to “30% of Total Assets.” • Clause (xiv) of Section 4.05(b): the following shall be added towards the end of the clause: “and the aggregate principal amount of Indebtedness of the Company and any Subsidiary Guarantor Incurred pursuant to this clause (xiv) at any time outstanding does not exceed US\$200.0 million.” • Clause (xv) of Section 4.05(b): reference to “US\$80.0 million” shall be changed to “US\$50.0 million.” <i>Limitation on Restricted Payments:</i> • Clause (C)(5) of Section 4.06(a) shall be deleted in its entirety. • Clause (viii) of Section 4.06(b): the “employee benefit plan” shall be limited to that existing as at the Restructuring Effective Date only. • Clause (xi) of Section 4.06(b) shall be deleted in its entirety. • Definition of “Permitted Investment”: reference to “35% of Total Assets” in paragraph (16)(i) shall be changed to “30% of Total Assets.” <i>Limitation on Liens:</i> • Section 4.07: the carveout for Relevant Indebtedness secured by Liens not exceeding “10.0% of the Company’s Tangible Net Worth” shall be deleted. <i>Permitted Business:</i> • Certain Indebtedness permitted to be incurred or certain Investments or Restricted Payments permitted to be made after the Restructuring Effective Date shall be limited to those relating to Permitted Business only, and “Permitted Business” shall be defined to mean “real estate business and other businesses related, ancillary or complementary thereto, including but not limited to real estate acquisition, development, management, investment, financing, operations and services, hotels, hospitality, cultural tourism real estate, healthcare real estate and elderly care real estate.”
Limitation on Voluntary Prepayment of Out-of-Scope Debt	Until all Short Term Instrument and Long Term Instrument have been repaid in full, the Company shall not directly or indirectly voluntarily prepay any outstanding principal amount of any Out-of-Scope Debt (as defined below), except (i) as may be required or triggered by any existing mandatory redemption/prepayment or scheduled repayment clauses under any Out-of-Scope Debt, (ii) for any tax redemption or similar clauses or (iii) as may be set forth in the long form documentation. “Out-of-Scope Debt” means any financial indebtedness of an offshore member of the Group incurred outside the PRC that is not an In-Scope Debt.
Optional Redemption	At any time prior to the maturity of the Short Term Notes, and with not less than 10 nor more than 30 business days’ prior notice, the Company may redeem the Short Term Notes, in whole or in part, at a redemption price equal to 50% of the principal amount of the Short Term Notes redeemed, plus any accrued and unpaid interest on 50% of the outstanding principal amount of the Short Term Notes so redeemed up to (but excluding) such redemption date, <i>provided that</i> it shall redeem the Short Term Notes and repay the Short Term Loan concurrently on a <i>pro rata</i> basis according to their respective Original Issue Amounts.

Amendments with Consent of Holders	The amendment provision under the Short Term Notes will be similar to those in the 2031 Notes, except that any modification, amendment or waiver requiring the consent of each Holder affected thereby shall be amended to require the consent of the holders of not less than 75% in aggregate outstanding principal amount of the Short Term Notes.
Events of Default	The events of default provision under the Short Term Notes will substantially follow those in the indenture governing the 2031 Notes, with adjustments necessary to reflect the terms set forth in this Term Sheet, including the addition of Subsidiary Guarantees and Collateral, and as reasonably necessary to reflect the current circumstances and operating environment of the Company. Such provision will carve out the defaults under other indebtedness whose occurrence is as a result of any default or event of default under certain excluded indebtedness, and final judgments and orders for payment of money and certain insolvency proceedings in relation to such excluded indebtedness. In addition, breach of undertakings set forth under “Restructuring of the In-Scope Debt—Controlling Shareholders’ Undertakings” above shall be treated similarly to the Company’s default in the performance of or breaches of any other covenant or agreement under the terms of the Short Term Notes, and may, subject to customary grace period, constitute an Event of Default.
Transfer Restrictions	The Short Term Notes will not be registered under the Securities Act or any securities law of any state or other jurisdiction of the United States, and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act (“ Regulation S ”)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.
Form, Denomination and Registration	The Short Term Notes will be issued only in fully registered form and will be initially represented by one or more global notes. The minimum denomination of the Short Term Notes will be US\$1 and integral multiples of US\$1 in excess thereof.
Listing	Application will be made by the Company for the listing and quotation of the Short Term Notes on the Official List of The Singapore Exchange Securities Trading Limited (“ SGX-ST ”) or another internationally recognized exchange. The Company will use reasonable best efforts to procure the listing of the Short Term Notes on the SGX-ST as soon as practicable on or after the Restructuring Effective Date.
Governing law and Jurisdiction	The Short Term Notes, the Subsidiary Guarantees, the Short Term Notes Indenture and the Intercreditor Agreement will be governed by and will be construed in accordance with the laws of the State of New York. U.S. federal and New York state courts located in the Borough of Manhattan, The City of New York are to have non-exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Short Term Notes, the Short Term Notes Indenture and the Intercreditor Agreement. The security documents will be governed by the laws of the jurisdictions where the relevant Collateral is held or located.

TERMS OF THE SHORT TERM LOAN

*Unless otherwise noted below or as the context otherwise requires, terms of the Short Term Loan shall be substantially the same as those set out in the facility agreement relating to the syndicate loan with maturity date of 9 August 2023 borrowed by the Company (“**2021 Facility Agreement**”). Capitalised terms not defined in this Term Sheet shall largely follow the meanings given to them in the 2021 Facility Agreement.*

Short Term Loan Borrower	The Company
Original Issue Date	The Restructuring Effective Date

Original Issue Amount	The sum of (i) the Aggregate Short Term Instrument Allocation Amount in the form of Short Term Loan, in accordance with the Scheme Creditors' Election and (ii) Early STI Consent Fee and Base STI Consent Fee in the form of Short Term Loan.
Tenor	6 years from the Restructuring Effective Date, subject to the extension set forth under "Repayment Instalment" below.
Interest	Same as the Short Term Notes, except that that all references to the term "Short Term Notes" in the section entitled "Interest" under the heading "Terms of the Short Term Notes" shall be replaced by the term "Short Term Loan" and starting from the first year commencing on and from the Restructuring Effective Date, interest in an amount equal to at least 0.05%, rather than 0.1%, per annum shall be paid in cash.
Subsidiary Guarantors	Same as the Short Term Notes, except that all references to the term "Short Term Notes" in the section entitled "Subsidiary Guarantors" under the heading "Terms of the Short Term Notes" shall be replaced by the term "Short Term Loan".
Collateral	Same as the Short Term Notes, except that (i) all references to the term "Short Term Notes" in the section entitled "Collateral" under the heading "Terms of the Short Term Notes" shall be replaced by the term "Short Term Loan", and (ii) the reference to "Short Term Loan" shall be replaced by the term "Short Term Notes" in the definition of "Existing Permitted <i>Pari Passu</i> Secured Indebtedness" in the section entitled "Collateral" under the heading "Terms of the Short Term Notes".
Repayment Instalment	The Company shall, on or prior to each Repayment Date, repay no less than the Repayment Amount as set forth in the table below at a repayment price equal to 50% of the principal amount of the Short Term Loan, plus any accrued and unpaid interest on 50% of the outstanding principal amount of the Short Term Loan up to (but excluding) such Repayment Date.

	Repayment Date	Repayment Amount (% of Original Issue Amount, on a cumulative basis)
	6 months after Restructuring Effective Date	0.025%
	1st anniversary date of the Restructuring Effective Date	0.050%
	1.5th anniversary date of the Restructuring Effective Date	0.075%
	2nd anniversary date of the Restructuring Effective Date	0.100%
	2.5th anniversary date of the Restructuring Effective Date	0.125%
	3rd anniversary date of the Restructuring Effective Date	0.150%
	3.5th anniversary date of the Restructuring Effective Date	25.150%
	4th anniversary date of the Restructuring Effective Date	25.175%
	4.5th anniversary date of the Restructuring Effective Date	50.175%
	5th anniversary date of the Restructuring Effective Date	50.175%
	5.5th anniversary date of the Restructuring Effective Date	75.175%
	6th anniversary date of the Restructuring Effective Date	100%
Each of the Repayment Dates that falls on 3.5th anniversary date of the Restructuring Effective Date, 4.5th anniversary date of the Restructuring Effective Date and 5.5th anniversary date of the Restructuring Effective Date may be deferred for six months at the Company's sole discretion, <i>provided, however</i>, that (i) such Repayment Date may not be deferred if the corresponding Mandatory Redemption Date for the Short Term Notes is not concurrently deferred; and (ii) an aggregate of no less than 0.175% of the Original Issue Amount shall have been paid on or prior to the 3.5th anniversary date, an aggregate of no less than 25.2% of the Original Issue Amount shall have been paid on or prior to the 4.5th anniversary date of the Restructuring Effective Date and an aggregate of no less than 50.2% of the Original Issue Amount shall have been paid on or prior to the 5.5th anniversary date of the Restructuring Effective Date. The Repayment Amount to be repaid on or prior to each Repayment Date shall be reduced by the amount of Short Term Loan repaid on or prior to such Repayment Date, including but not limited to any amount of the Short Term Loan repaid in accordance with the terms of the Short Term Loan set forth herein.		
Undertaking to Deposit Equivalent Amount of Certain Net Cash Proceeds	Same as the Short Term Notes	

(Specified Assets) into Designated Account (Proceeds)	
Undertaking to Deposit Equivalent Amount of TWP Surplus Cash Flow into Designated Account (Proceeds)	Same as the Short Term Notes
Undertaking to Deposit Equivalent Amount of Certain Net Debt Financing Proceeds into Designated Account (Financing)	Same as the Short Term Notes
Undertaking to Deposit Equivalent Amount of Certain Net SSSL Proceeds into Designated Account (Proceeds)	Same as the Short Term Notes
Undertaking to Deposit Equivalent Amount of Certain Shanghai Shimao Proceeds into Designated Account (Proceeds)	Same as the Short Term Notes
Limitation on Use of Proceeds in Designated Account (Proceeds) and Designated Account (Financing)	Same as the Short Term Notes
Monitoring Agent	Same as the Short Term Notes

Limitation on Incurrence of Permitted <i>Pari Passu</i> Secured Indebtedness	Same as the Short Term Notes
Information Undertaking	Same as the Short Term Notes
Restrictive Covenants	Substantially the same as the Short Term Notes.
Limitation on Voluntary Prepayment of Out-of-Scope Debt	Same as the Short Term Notes
Optional Repayment	At any time prior to the maturity of the Short Term Loan, and with not less than 10 nor more than 30 business days' prior notice, the Company may repay the Short Term Loan, in whole or in part, at a repayment price equal to 50% of the principal amount of the Short Term Loan repaid, plus any accrued and unpaid interest on 50% of the outstanding principal amount of the Short Term Loan so repaid up to (but excluding) such repayment date, <i>provided</i> that the Company shall repay the Short Term Loan and redeem the Short Term Notes concurrently on a <i>pro rata</i> basis according to their respective Original Issue Amounts.
Amendments and Waivers with Consent of Creditors	The amendment provision under the Short Term Loan will be consistent with those under the 2021 Facility Agreement, except that certain terms (other than any reserved matters as set forth in the long form documentation, the consent threshold of which will be set forth therein) that required all lenders consent including amendment of maturity date, amortization, interest, principal amount, security rankings, and distribution of proceeds will be amended to 75%, and amendment of other terms will require majority lender consent.
Events of Default	Same as Short Term Notes, except that all references to the term "Short Term Notes" in the section entitled "Events of Default" under the heading "Terms of the Short Term Notes" shall be replaced by the term "Short Term Loan".
Transfer / Assignment	Lenders of the Short Term Loan may transfer and/or assign their respective position without the prior consent from the Company to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets or to an insurer or any person carrying on the business of insuring against risks of default of loans or other debt liabilities or instruments.
Governing law	Hong Kong law, except that the restrictive covenant package which follows that of the Short Term Notes will be construed in accordance with New York law.

TERMS OF THE LONG TERM NOTES

Capitalised terms not defined below will be defined in the indentures governing the Long Term Notes ("Long Term Notes Indentures"), which shall follow the meanings given to them in the indenture governing the Company's 2031 Notes.

Long Term Notes Issuer	The Company
Original Issue Date	The Restructuring Effective Date

Original Issue Amount	The Aggregate Long Term Instrument Allocation Amount in the form of Long Term Notes, in accordance with the Scheme Creditors' Election. The original issue amount of each series of the Long Term Notes shall be: • Series A: 25% of the Original Issue Amount of the Long Term Notes; • Series B: 37.5% of the Original Issue Amount of the Long Term Notes; and • Series C: 37.5% of the Original Issue Amount of the Long Term Notes.
Tenor	Series A: 7 years after the Restructuring Effective Date. Series B: 8 years after the Restructuring Effective Date. Series C: 8.5 years after the Restructuring Effective Date.
Interest	Interest shall be accrued and payable semi-annually in arrears on the outstanding principal amount of the Long Term Notes in the following manner: • for the first six years commencing on and from Restructuring Effective Date: either in cash or in kind at the election of the Company, <i>provided, however</i>, starting from the first year after the Restructuring Effective Date: interest in an amount equal to at least 0.1% per annum shall be paid in cash; and • starting from the seventh year commencing on and from Restructuring Effective Date, entirely in cash, at the following interest rates with respect to each interest payment period: • 2.0% per annum if interest will be fully paid in cash; or • 3.0% per annum if any portion of the interest is paid in kind.
Subsidiary Guarantors	Same as the Short Term Notes, except that all references to the term "Short Term Notes" in the section entitled "Subsidiary Guarantors" under the heading "Terms of the Short Term Notes" shall be replaced by the term "Long Term Notes".
Collateral	Same as the Short Term Notes, except that (i) all references to the term "Short Term Notes" in the section entitled "Collateral" under the heading "Terms of the Short Term Notes" shall be replaced by the term "Long Term Notes", and (ii) the references to "Short Term Loan" and "Long Term Instrument" shall be replaced by the term "Short Term Instrument" and "Long Term Loan" respectively in the definition of "Existing Permitted Pari Passu Secured Indebtedness" in the section entitled "Collateral" under the heading "Terms of the Short Term Notes".
Undertaking to Deposit Equivalent Amount of Certain Net Cash Proceeds (Specified Assets) into Designated Account (Proceeds)	See "Undertaking to Deposit Equivalent Amount of Certain Net Cash Proceeds (Specified Assets) into Designated Account (Proceeds)" under "—Terms of the Short Term Notes".
Undertaking to Deposit Equivalent Amount of TWP Surplus Cash	See "Undertaking to Deposit Equivalent Amount of TWP Surplus Cash Flow into Designated Account (Proceeds)" under "—Terms of the Short Term Notes".

Flow into Designated Account (Proceeds)	
Undertaking to Deposit Equivalent Amount of Certain Net Debt Financing Proceeds into Designated Account (Financing)	See “Undertaking to Deposit Equivalent Amount of Certain Net Debt Financing Proceeds into Designated Account (Financing)” under “—Terms of the Short Term Notes”.
Undertaking to Deposit Equivalent Amount of Certain Net SSSL Proceeds into Designated Account (Proceeds)	See “Undertaking to Deposit Equivalent Amount of Certain Net SSSL Proceeds into Designated Account (Proceeds)” under “—Terms of the Short Term Notes”.
Undertaking to Deposit Equivalent Amount of Certain Shanghai Shimao Proceeds into Designated Account (Proceeds)	See “Undertaking to Deposit Equivalent Amount of Certain Shanghai Shimao Proceeds into Designated Account (Proceeds)” under “—Terms of the Short Term Notes”.
Limitation on Use of Proceeds in Designated Account (Proceeds) and Designated Account (Financing)	Same as the Short Term Notes
Monitoring Agent	Same as the Short Term Notes
Limitation on Incurrence of Permitted <i>Pari Passu</i> Secured Indebtedness	Same as the Short Term Notes
Information Undertaking	Same as the Short Term Notes
Restrictive Covenants	Same as the covenants package of the Short Term Notes.

Limitation on Voluntary Prepayment of Out-of-Scope Debt	Same as the Short Term Notes
Optional Redemption	At any time after the maturity of the Short Term Instrument or after all Short Term Instrument is redeemed or repaid and cancelled and prior to the maturity of the relevant series of the Long Term Notes, and with not less than 10 nor more than 30 business days' prior notice, the Company may redeem the series of Long Term Notes with the earliest maturity, in whole or in part, at par, <i>provided</i> that the Company shall redeem the Long Term Notes and repay the Long Term Loan on a <i>pro rata</i> basis, according to their respective Original Issue Amounts.
Amendments with Consent of Holders	Same as Short Term Notes, except that all references to the term "Short Term Notes" in the section entitled "Amendments with Consent of Holders" under the heading "Terms of the Short Term Notes" shall be replaced by the term "Long Term Notes".
Events of Default	Same as Short Term Notes, except that all references to the term "Short Term Notes" in the section entitled "Events of Default" under the heading "Terms of the Short Term Notes" shall be replaced by the term "Long Term Notes".
Transfer Restrictions	Same as Short Term Notes, except that all references to the term "Short Term Notes" in the section entitled "Transfer Restrictions" under the heading "Terms of the Short Term Notes" shall be replaced by the term "Long Term Notes".
Form, Denomination and Registration	Same as Short Term Notes, except that all references to the term "Short Term Notes" in the section entitled "Form, Denomination and Registration" under the heading "Terms of the Short Term Notes" shall be replaced by the term "Long Term Notes".
Listing	Same as Short Term Notes, except that all references to the term "Short Term Notes" in the section entitled "Listing" under the heading "Terms of the Short Term Notes" shall be replaced by the term "Long Term Notes".
Governing law and Jurisdiction	Same as Short Term Notes, except that all references to the term "Short Term Notes" and "Short Term Notes Indenture" in the section entitled "Governing law and Jurisdiction" under the heading "Terms of the Short Term Notes" shall be replaced by the term "Long Term Notes" and "Long Term Notes Indenture" respectively.

TERMS OF THE LONG TERM LOAN

Unless otherwise noted below or as the context otherwise requires, terms of the Long Term Loan shall be substantially the same as those set out in the 2021 Facility Agreement. Capitalised terms not defined in this Term Sheet shall largely follow the meanings given to them in the 2021 Facility Agreement.

Long Term Loan Borrower	The Company
Original Issue Date	The Restructuring Effective Date
Original Issue Amount	The Aggregate Long Term Instrument Allocation Amount in the form of Long Term Loan, in accordance with the Scheme Creditors' Election.
Repayment Instalment	The Company shall, on or prior to each Repayment Date, repay no less than the Repayment Amount as set forth in the table below, plus any accrued and unpaid interest on the Long Term Loan up to (but excluding) the Repayment Date:

	Repayment Date	Repayment Amount (% of Original Issue Amount, on a cumulative basis)
	6 months after Restructuring Effective Date	0.025%
	1st anniversary date of the Restructuring Effective Date	0.050%
	1.5th anniversary date of the Restructuring Effective Date	0.075%
	2nd anniversary date of the Restructuring Effective Date	0.100%
	2.5th anniversary date of the Restructuring Effective Date	0.125%
	3rd anniversary date of the Restructuring Effective Date	0.150%
	3.5th anniversary date of the Restructuring Effective Date	0.175%
	4th anniversary date of the Restructuring Effective Date	0.200%
	4.5th anniversary date of the Restructuring Effective Date	0.225%
	5th anniversary date of the Restructuring Effective Date	0.250%
	5.5th anniversary date of the Restructuring Effective Date	0.275%
	6th anniversary date of the Restructuring Effective Date	0.300%
	6.5th anniversary date of the Restructuring Effective Date	0.325%
	7th anniversary date of the Restructuring Effective Date	25.325%
	7.5th anniversary date of the Restructuring Effective Date	25.325%
	8th anniversary date of the Restructuring Effective Date	62.825%
	8.5th anniversary date of the Restructuring Effective Date	100%
The Repayment Amount to be repaid on or prior to each Repayment Date shall be reduced by the amount of Long Term Loan repaid on or prior to such Repayment Date, including but not limited to any amount of the Long Term Loan repaid in accordance with the terms of the Long Term Loan set forth herein.		
Interest	Same as the Long Term Notes, except that all references to the term “Long Term Notes” in the section entitled “Interest” under the heading “Terms of the Long Term Notes” shall be replaced by the term “Long Term Loan” and that starting from the first year commencing on and from the Restructuring Effective Date, interest in an amount equal to at least 0.05%, rather than 0.1%, per annum shall be paid in cash.	

	The Interest Amount to be paid in cash on or prior to each Interest Payment Date shall be reduced by the amount of any interest paid in cash on or prior to such Interest Payment Date, including but not limited to any amount of the interest paid in cash in accordance with the terms of the Long Term Loan set forth herein.
Subsidiary Guarantors	Same as the Short Term Notes, except that all references to the term “Short Term Notes” in the section entitled “Subsidiary Guarantors” under the heading “Terms of the Short Term Notes” shall be replaced by the term “Long Term Loan”.
Collateral	Same as the Short Term Notes, except that (i) all references to the term “Short Term Notes” in the section entitled “Collateral” under the heading “Terms of the Short Term Notes” shall be replaced by the term “Long Term Loan”, and (ii) the references to “Short Term Loan” and “Long Term Instrument” shall be replaced by the term “Short Term Instrument” and “Long Term Notes”, respectively, in the definition of “Existing Permitted Pari Passu Secured Indebtedness” in the section entitled “Collateral” under the heading “Terms of the Short Term Notes”.
Undertaking to Deposit Equivalent Amount of Certain Net Cash Proceeds (Specified Assets) into Designated Account (Proceeds)	See “Undertaking to Deposit Equivalent Amount of Certain Net Cash Proceeds (Specified Assets) into Designated Account (Proceeds)” under “—Terms of the Short Term Notes”.
Undertaking to Deposit Equivalent Amount of TWP Surplus Cash Flow into Designated Account (Proceeds)	See “Undertaking to Deposit Equivalent Amount of TWP Surplus Cash Flow into Designated Account (Proceeds)” under “—Terms of the Short Term Notes”.
Undertaking to Deposit Equivalent Amount of Certain Net Debt Financing Proceeds into Designated Account (Financing)	See “Undertaking to Deposit Equivalent Amount of Certain Net Debt Financing Proceeds into Designated Account (Financing)” under “—Terms of the Short Term Notes”.
Undertaking to Deposit Equivalent Amount of Certain Net SSHL Proceeds into Designated	See “Undertaking to Deposit Equivalent Amount of Certain Net SSHL Proceeds into Designated Account (Proceeds)” under “—Terms of the Short Term Notes”.

Account (Proceeds)	
Undertaking to Deposit Equivalent Amount of Certain Shanghai Shimao Proceeds into Designated Account (Proceeds)	See “Undertaking to Deposit Equivalent Amount of Certain Shanghai Shimao Proceeds into Designated Account (Proceeds)” under “—Terms of the Short Term Notes”.
Limitation on Use of Proceeds in Designated Account (Proceeds) and Designated Account (Financing)	Same as the Short Term Notes
Monitoring Agent	Same as the Short Term Notes
Limitation on Incurrence of Permitted <i>Pari Passu</i> Secured Indebtedness	Same as the Short Term Notes
Information Undertaking	Same as the Short Term Notes
Restrictive Covenants	Same as the covenants package of the Short Term Loan.
Limitation on Voluntary Prepayment of Out-of-Scope Debt	Same as the Short Term Notes
Optional Repayment	At any time after the maturity of the Short Term Instrument or after all Short Term Instrument is redeemed or repaid and cancelled and prior to the maturity of the Long Term Loan, and with not less than 10 nor more than 30 business days’ prior notice to the agent, the Long Term Loan Borrower may repay the Long Term Loan, in whole or in part, <i>provided</i> that the Company shall repay the Long Term Loan and redeem the Long Term Notes concurrently on a pro rata basis according to their respective Original Issue Amounts.
Amendments and Waivers with Consent of Creditors	The amendment provision under the Long Term Loan will be consistent with those under the 2021 Facility Agreement, except that certain terms (other than any reserved matters as set forth in the long form documentation, the consent threshold of which will be set forth therein) that required all lenders consent including amendment of maturity date, amortization, interest, principal amount, security rankings, and distribution of proceeds will be amended to 75%, and amendment of other terms will require majority lender consent.
Events of Default	Same as Short Term Notes, except that all references to the term “Short Term Notes” in the section entitled “Events of Default” under the heading “Terms of the Short Term Notes” shall be replaced by the term “Long Term Loan”.

Transfer / Assignment	Lenders of the Long Term Loan may transfer and/or assign their respective position without the prior consent from the Company to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets or to an insurer or any person carrying on the business of insuring against risks of default of loans or other debt liabilities or instruments.
Governing law	Hong Kong law, except that the restrictive covenant package which follows that of the Short Term Notes will be construed in accordance with New York law.

TERMS OF THE LONG TERM NOTES B

Capitalised terms not defined below will be defined in the indenture governing the Long Term Notes B (“Long Term Notes B Indenture”), which shall follow the meanings given to them in the indenture governing the Company’s 2031 Notes.

Long Term Notes B Issuer	The Company
Original Issue Date	The Restructuring Effective Date
Original Issue Amount	US\$600 million
Tenor	9.5 years after the Restructuring Effective Date
Interest	Interest shall be accrued and payable in kind only, semi-annually in arrears on the outstanding principal amount of the Long Term Notes B at 2.0% per annum, commencing from the Restructuring Effective Date.
Subsidiary Guarantors	Same as the Short Term Notes, except that all references to the term “Short Term Notes” in the section entitled “Subsidiary Guarantors” under the heading “Terms of the Short Term Notes” shall be replaced by the term “Long Term Notes B”.
Collateral	Same as the Short Term Notes, except that (i) all references to the term “Short Term Notes” in the section entitled “Collateral” under the heading “Terms of the Short Term Notes” shall be replaced by the term “Long Term Notes B”, and (ii) the reference to “Short Term Loan” shall be replaced by the term “Short Term Instrument” and the reference to “Long Term Notes B” shall be deleted in the definition of “Existing Permitted Pari Passu Secured Indebtedness” in the section entitled “Collateral” under the heading “Terms of the Short Term Notes”.
Undertaking to Deposit Equivalent Amount of Certain Net Cash Proceeds (Specified Assets) into Designated Account (Proceeds)	See “Undertaking to Deposit Equivalent Amount of Certain Net Cash Proceeds (Specified Assets) into Designated Account (Proceeds)” under “—Terms of the Short Term Notes”.
Undertaking to Deposit Equivalent Amount of TWP	See “Undertaking to Deposit Equivalent Amount of TWP Surplus Cash Flow into Designated Account (Proceeds)” under “—Terms of the Short Term Notes”.

Surplus Cash Flow into Designated Account (Proceeds)	
Undertaking to Deposit Equivalent Amount of Certain Net Debt Financing Proceeds into Designated Account (Financing)	See “Undertaking to Deposit Equivalent Amount of Certain Net Debt Financing Proceeds into Designated Account (Financing)” under “—Terms of the Short Term Notes”.
Undertaking to Deposit Equivalent Amount of Certain Net SSSL Proceeds into Designated Account (Proceeds)	See “Undertaking to Deposit Equivalent Amount of Certain Net SSSL Proceeds into Designated Account (Proceeds)” under “—Terms of the Short Term Notes”.
Undertaking to Deposit Equivalent Amount of Certain Shanghai Shimao Proceeds into Designated Account (Proceeds)	See “Undertaking to Deposit Equivalent Amount of Certain Shanghai Shimao Proceeds into Designated Account (Proceeds)” under “—Terms of the Short Term Notes”.
Limitation on Use of Proceeds in Designated Account (Proceeds) and Designated Account (Financing)	Same as Short Term Notes
Restrictive Covenants	Same as the covenants package of the Short Term Notes.
Amendments with Consent of Holders	Same as Short Term Notes, except that all references to the term “Short Term Notes” in the section entitled “Amendments with Consent of Holders” under the heading “Terms of the Short Term Notes” shall be replaced by the term “Long Term Notes B”.
Events of Default	Same as Short Term Notes, except that all references to the term “Short Term Notes” in the section entitled “Events of Default” under the heading “Terms of the Short Term Notes” shall be replaced by the term “Long Term Notes B”.

Transfer Restrictions	Same as Short Term Notes, except that all references to the term “Short Term Notes” in the section entitled “Transfer Restrictions” under the heading “Terms of the Short Term Notes” shall be replaced by the term “Long Term Notes B”.
Form, Denomination and Registration	Same as Short Term Notes, except that all references to the term “Short Term Notes” in the section entitled “Form, Denomination and Registration” under the heading “Terms of the Short Term Notes” shall be replaced by the term “Long Term Notes B”.
Listing	Same as Short Term Notes, except that all references to the term “Short Term Notes” in the section entitled “Listing” under the heading “Terms of the Short Term Notes” shall be replaced by the term “Long Term Notes B”.
Governing law and Jurisdiction	Same as Short Term Notes, except that all references to the term “Short Term Notes” and “Short Term Notes Indenture” in the section entitled “Governing law and Jurisdiction” under the heading “Terms of the Short Term Notes” shall be replaced by the term “Long Term Notes B” and “Long Term Notes B Indenture” respectively.

TERMS OF THE MANDATORY CONVERTIBLE BONDS

Mandatory Convertible Bonds Issuer	The Company
Original Issue Date	The Restructuring Effective Date
Original Issue Amount	The Option 3 Entitlement as elected by all Scheme Creditors, as may be adjusted in accordance with the Scheme Creditors’ Election, plus the Mandatory Convertible Bonds Additional Amount, plus the amount of Mandatory Convertible Bonds issued as Work Fee.
Status	The Mandatory Convertible Bonds constitute direct, unsubordinated, unconditional, unguaranteed and unsecured obligations of the Company, and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves.
Tenor	One year from the Original Issue Date
Interest	Nil
Voluntary Conversion and Mandatory Conversion	Voluntary Conversion: (a) Any holder of the Mandatory Convertible Bonds may deliver a conversion notice to convert all or part of the Mandatory Convertible Bonds it holds into shares of the Company (the “New Listco Shares”) at the conversion price of HK\$6.0 per share within 15 business days from the later of (a) the Original Issue Date of the Mandatory Convertible Bonds and (b) the date that the conditional listing approval from The Stock Exchange of Hong Kong Limited in respect of the New Listco Shares underlying the Mandatory Convertible Bonds becomes unconditional and fully effective; and (b) Any holder of the Mandatory Convertible Bonds may deliver a conversion notice to convert all of the Mandatory Convertible Bonds it holds into the New Listco Shares at the conversion price of HK\$6.0 per share during the tenor of the Mandatory Convertible Bonds, <i>however</i>, such conversion shall only be effected as soon as practicable after the aggregate principal amount

	elected for conversion reaches US\$500 million, or, if the aggregate principal amount elected for conversion does not amount to US\$500 million, such conversion shall be effected on the next immediate Mandatory Conversion Date. Mandatory Conversion: The Mandatory Convertible Bonds that are outstanding post the Voluntary Conversion pursuant to (a) above (the “Remaining MCB Issue Amount”) shall be mandatorily converted into New Listco Shares by instalments in accordance with the following schedule, <i>provided that</i> the amount of Mandatory Convertible Bonds to be mandatorily converted on or prior to each Mandatory Conversion Date in accordance with the table below shall be reduced by the amount of Mandatory Convertible Bonds converted on or prior to such Mandatory Conversion Date in accordance with (b) under the Voluntary Conversion above: <table><tr><th>Mandatory Conversion Date</th><th>Remaining MCB Issue Amount to be Converted (% of Remaining MCB Issue Amount, on a cumulative basis)</th><th>Conversion Price</th></tr><tr><td>The date falling 3 months after the Original Issue Date</td><td>25% of the Remaining MCB Issue Amount</td><td>HK\$6.0</td></tr><tr><td>The date falling 6 months after the Original Issue Date</td><td>50% of the Remaining MCB Issue Amount</td><td>HK\$6.0</td></tr><tr><td>The date falling 9 months after the Original Issue Date</td><td>75% of the Remaining MCB Issue Amount</td><td>HK\$6.0</td></tr><tr><td>The date falling 12 months after the Original Issue Date</td><td>100% of the Remaining MCB Issue Amount</td><td>HK\$6.0</td></tr></table>	Mandatory Conversion Date	Remaining MCB Issue Amount to be Converted (% of Remaining MCB Issue Amount, on a cumulative basis)	Conversion Price	The date falling 3 months after the Original Issue Date	25% of the Remaining MCB Issue Amount	HK\$6.0	The date falling 6 months after the Original Issue Date	50% of the Remaining MCB Issue Amount	HK\$6.0	The date falling 9 months after the Original Issue Date	75% of the Remaining MCB Issue Amount	HK\$6.0	The date falling 12 months after the Original Issue Date	100% of the Remaining MCB Issue Amount	HK\$6.0
Mandatory Conversion Date	Remaining MCB Issue Amount to be Converted (% of Remaining MCB Issue Amount, on a cumulative basis)	Conversion Price														
The date falling 3 months after the Original Issue Date	25% of the Remaining MCB Issue Amount	HK\$6.0														
The date falling 6 months after the Original Issue Date	50% of the Remaining MCB Issue Amount	HK\$6.0														
The date falling 9 months after the Original Issue Date	75% of the Remaining MCB Issue Amount	HK\$6.0														
The date falling 12 months after the Original Issue Date	100% of the Remaining MCB Issue Amount	HK\$6.0														
Adjustments to Conversion Price	The Conversion Price may be adjusted in certain circumstances including stock split, consolidation, dividend and new equity issuance at less than certain issue price below market price.															
Optional Redemption	The Mandatory Convertible Bonds shall not be redeemed unless and until all Short Term Instrument and Long Term Instrument are fully repaid and/or cancelled.															
Fixed Exchange Rate	On any conversion into the New Listco Shares, US\$1 in principal amount of the Mandatory Convertible Bonds shall be translated at a fixed rate of 7.82 Hong Kong dollars.															
Form, Denomination and Registration	The Mandatory Convertible Bonds will be issued only in fully registered form and will be initially represented by one or more global notes. The minimum denomination will be US\$1 and integral multiples of US\$1 in excess thereof.															

Transfer Restrictions	The Mandatory Convertible Bonds will not be registered under the Securities Act or any securities law of any state or other jurisdiction of the United States, and may not be offered or sold within the United States (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.
Amendments with Consent of the Holders	To be agreed in the long form documentation, but any amendments or waivers relating to money terms conversion or security amendments in respect of the Mandatory Convertible Bonds shall only be made or take effect if: (a) approved by at least 66% by value of the votes cast at a validly convened meeting of holders of the Mandatory Convertible Bonds, which is attended by two or more holders representing no less than 66 2/3% of the outstanding principal amount of the Mandatory Convertible Bonds at the time or (if such meeting is adjourned for lack of quorum) at the adjourned meeting, which is attended by two or more holders representing no less than 50% of the outstanding principal amount of the Mandatory Convertible Bonds at the time; or (b) approved, by way of a written resolution or electronic consents, signed or otherwise approved by holders of the Mandatory Convertible Bonds representing no less than 75% of the outstanding principal amount of the Mandatory Convertible Bonds.
Condition Subsequent	Due compliance with any post-issuance filing obligations required by the China Securities Regulatory Commission (“CSRC”), including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境内企业境外发行证券和上市管理试行办法) published by CSRC on 17 February 2023, coming into effective on 31 March 2023.
Listing	Application will be made for the listing and quotation of the Mandatory Convertible Bonds on the Official List of the SGX-ST or another stock exchange with international standing. The Company will use reasonable best effort to maintain listing status of its common stock on The Stock Exchange of Hong Kong Limited
Clearance	The Mandatory Convertible Bonds will be cleared through the Euroclear Bank SA/NV and Clearstream Banking S.A.
Governing Law and Jurisdiction	The Mandatory Convertible Bonds and the trust deed governing the Mandatory Convertible Bonds will be governed by and will be construed in accordance with the laws of Hong Kong. Hong Kong courts are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Mandatory Convertible Bonds and the trust deed governing the Mandatory Convertible Bonds.

10. RESTRUCTURING DOCUMENTS

This Section lists the principal Restructuring Documents and directs Scheme Creditors to view copies of the same on the Transaction Website.

10.1 The Restructuring Documents

- (a) The Restructuring Documents comprise all 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) The Restructuring Documents include, but are not limited to, the following principal documents:
 - (i) the Scheme;
 - (ii) the Explanatory Statement;
 - (iii) the Solicitation Packet (including all relevant voting forms);
 - (iv) the Short Term Notes Indenture;
 - (v) the Short Term Facility Agreement;
 - (vi) the Long Term Notes Indentures;
 - (vii) the Long Term Facility Agreement;
 - (viii) the MCB Trust Deed;
 - (ix) the Deeds of Release;
 - (x) the Intercreditor Agreement;¹⁹
 - (xi) the New Security Documents;
 - (xii) the Deed of Undertaking; and
 - (xiii) the Holding Period Trust Deed.
- (c) Copies of template forms of each individual type of New Security Document (without duplication) in connection with the New Instruments will be available to the Scheme Creditors for viewing on the Transaction Website, substantially in final form of the full set of New Security Documents to be entered into pursuant to the Restructuring.

¹⁹ The New Notes and the New Loans and certain other permitted *pari passu* secured indebtedness will be secured by the same set of Collateral on a *pari passu* basis. The Intercreditor Agreement is to arrange the security interest under the New Security Documents for each secured party under the New Notes and the New Loans and certain other permitted *pari passu* secured indebtedness.

- (d) Copies of all of the above listed principal Restructuring Documents will be available for viewing on the Transaction Website. Scheme Creditors are strongly encouraged to review the detailed terms of the Restructuring Documents in full and are recommended to seek their own independent financial, legal and/or tax advice from their financial, legal and/or tax advisor with respect to the contents of the same.
- (e) Nothing in the Scheme shall prevent the modification of any executed Restructuring Document in accordance with its terms, including, but not limited to, formal, minor or technical modifications to correct manifest or proven error or to comply with mandatory provisions of law.

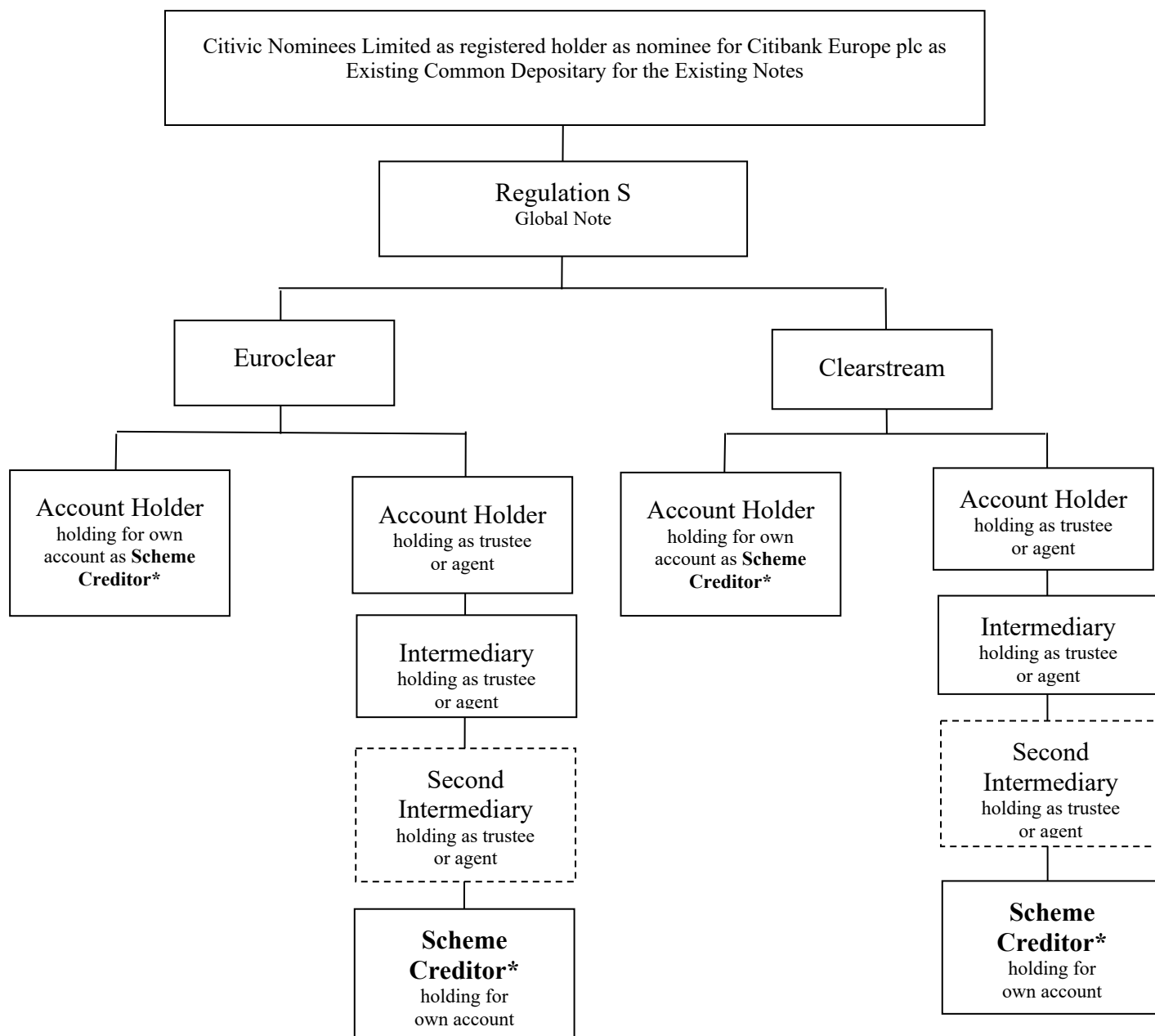
11. SCHEME CREDITORS AND ACTIONS TO BE TAKEN

11.1 Are you a Scheme Creditor?

- (a) You are a Scheme Creditor if you have a legal and/or beneficial interest in:
 - (i) the Existing Notes held in global form through the Clearing Systems at the Record Time; and/or
 - (ii) the Existing Loans as principal at the Record Time evidenced by any required supporting documentation collected by the Information Agent.
- (b) For the avoidance of doubt, the Existing Common Depositary, the Existing Notes Trustee and the Existing Facility Agent will not be entitled to vote at the Scheme Meeting nor receive any Restructuring Consideration (to avoid double counting).
- (c) If you are a Scheme Creditor, you should read this Explanatory Statement and Appendix 6 (*Solicitation Packet*) to this Explanatory Statement carefully.

11.2 Are you an Account Holder in Respect of the Existing Notes?

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 Existing Notes. A diagrammatic representation of each of the various capacities above is set out on the following page to assist your understanding of the structure of the Existing Notes and the Clearing Systems.



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

11.4 Actions to be taken before the Record Time

- (a) Scheme Creditors should refer to Section 1 (*Expected Timetable of Principal Events*) for the key expected timing of the Scheme.
- (b) If you are an Existing Noteholder who is eligible to instruct through a Clearing System (i.e. not a Sanctions-Affected Scheme Creditor) but you are not 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) described in this Explanatory Statement and the Solicitation Packet appended to it.
- (c) If you are an Existing Noteholder who is eligible to instruct through a Clearing System (i.e. not a Sanctions-Affected Scheme Creditor) and you are an Account Holder, you should take the appropriate action(s) described in this Explanatory Statement and the Solicitation Packet appended to it.
- (d) If you are a Scheme Creditor who is not a Sanctions-Affected Scheme Creditor and you wish to vote in respect of the Scheme at the Scheme Meeting, you must ensure a valid Custody Instruction is submitted by the Custody Instruction Deadline (applicable only to Existing Noteholders) and a validly completed Account Holder Letter and/or Lender Proxy Form (as applicable) be submitted online to the Information Agent by the **Record Time** via the Transaction Website or (if agreed by the Information Agent) via email at shimaogroup@is.kroll.com.
- (e) If you are a Scheme Creditor who is not a Sanctions-Affected Scheme Creditor and you wish to receive the Restructuring Consideration on the Restructuring Effective Date, you must ensure a valid Custody Instruction is submitted by the Custody Instruction Deadline (if applicable) and a validly completed Account Holder Letter and/or Lender Proxy Form, Deed of Confirmation and a Designated Recipient Form, if applicable, be submitted online to the Information Agent by the **Record Time** via the Transaction Website or (if agreed by the Information Agent) via email at shimaogroup@is.kroll.com.
- (f) With respect to Scheme Creditors who are not Sanctions-Affected Scheme Creditors, whether an Account Holder Letter and/or Lender Proxy Form has been validly completed shall be determined by the Information Agent at its discretion, provided that, if the Information Agent considers any such document not to have been validly completed, the Information Agent shall promptly send a notification via the Transaction Website and/or an email (to the email address provided in the Account Holder Letter and/or Lender Proxy Form) with its reasons for that conclusion to the party that provided the relevant document. Unless due to wilful misconduct or fraud, none of the Company, the Information Agent, 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.
- (g) If you are a Blocked Scheme Creditor and you wish to vote in respect of the Scheme at the Scheme Meeting, you must ensure a validly completed Blocked Scheme Creditor Form be submitted to the Blocked Scheme Creditor Tabulation Agent by email by the **Record Time**.

- (h) If you are a Blocked Scheme Creditor and you wish for your entitlement of the Restructuring Consideration to be transferred to the Holding Period Trustee on the Restructuring Effective Date, you must ensure a validly completed Blocked Scheme Creditor Form be submitted to the Blocked Scheme Creditor Tabulation Agent by email by the **Record Time**.
- (i) With respect to Blocked Scheme Creditors, whether a Blocked Scheme Creditor Form has been validly completed shall be determined by the Blocked Scheme Creditor Tabulation Agent at its discretion, provided that, if the Blocked Scheme Creditor Tabulation Agent considers such document not to have been validly completed, the Blocked Scheme Creditor Tabulation Agent shall promptly send a notification via email with its reasons for that conclusion to the party that provided the relevant document.
- (j) Unless due to wilful misconduct or fraud, none of the Information Agent, the Blocked Scheme Creditor Tabulation Agent, or any other person will be responsible for any loss or liability incurred by a Scheme Creditor or Blocked Scheme Creditor as a result of any determination by the Information Agent or the Blocked Scheme Creditor Tabulation Agent (as applicable).

11.5 Entitlement to receive Restructuring Consideration

- (a) On the Restructuring Effective Date, the Consent Fee will be distributed to Eligible Consenting Creditors who are not Sanctions-Affected Scheme Creditors as at the Record Time (without double counting).
- (b) Each Scheme Creditor who validly submits the required documents set out in Sections 11.4(e) and 11.4(g) above to the Information Agent or the Blocked Scheme Creditor Tabulation Agent (as applicable) before the Record Time will be a Participating Creditor and will, for those Participating Creditors who are not Sanctions-Affected Scheme Creditors, be entitled to receive the Scheme Consideration on the Restructuring Effective Date.
- (c) Any Scheme Creditor who fails to submit the required documents set out in Sections 11.4(e) and 11.4(g) above to the Information Agent or the Blocked Scheme Creditor Tabulation Agent (as applicable) before the applicable deadlines will be deemed to be a Residual Creditor. Such Residual Creditor's allocation of Scheme Consideration will be transferred to the Holding Period Trustee to be held in accordance with the terms of the Holding Period Trust Deed.
- (d) The Scheme Consideration will be distributed through Euroclear and Clearstream, or in respect of Blocked Scheme Creditors in the manner described in Section 5.11(r) of this Explanatory Statement.

11.6 Actions to be Taken Before the Bar Time

- (a) A Residual Creditor who is not a Sanctions-Affected Scheme Creditor should submit (or procure the submission of, as applicable), as soon as possible, a valid Custody Instruction (if applicable) via the clearing system before submitting an Account Holder Letter (but by no late than the Bar Time) and a validly

completed and executed Account Holder Letter and/or Lender Proxy Form (as applicable), Distribution Confirmation Deed and a Designated Recipient Form, if applicable, to the Information Agent as soon as possible, and no later than the Bar Time in order to receive its relevant Scheme Consideration from the Holding Period Trustee on the Holding Period Distribution Date.

- (b) A Blocked Scheme Creditor should submit (or procure the submission of) a validly completed and executed Blocked Scheme Creditor Form to the Blocked Scheme Creditor Tabulation Agent as soon as possible and not later than the Bar Time in order to receive its Scheme Consideration on the Holding Period Distribution Date (if Applicable Sanctions are lifted) or within a reasonable time after the lifting of Applicable Sanctions in accordance with the terms of the Successor Escrow (as applicable).
- (c) If a Residual Creditor (including a Blocked Scheme Creditor) fails to establish its entitlement to the Trust Assets in accordance with the terms of the Holding Period Trust Deed prior to the Bar Time, then that Residual Creditor's rights under the Scheme shall be extinguished and that Residual Creditor shall not be entitled to receive any Residual Scheme Consideration (nor any Consent Fee, if applicable) under the Scheme.
- (d) Any Trust Assets which are not allocated by the Holding Period Trustee to Residual Creditors who are not Sanctions-Affected Scheme Creditors in accordance with the terms of the Holding Period Trust Deed shall be transferred by the Holding Period Trustee to the Company and any Residual Scheme Consideration shall be cancelled on or around the Holding Period Expiry Date. In turn, the Company shall deliver the Restructuring Consideration to which the Blocked Scheme Creditors are entitled on the Holding Period Distribution Date to the Successor Escrow Agent to hold in the Successor Escrow for the Blocked Scheme Creditors until the earlier of (i) the expiry of the Perpetuity Period, or (ii) the lifting of Applicable Sanctions, provided that the Blocked Scheme Creditors shall be given a reasonable period of time thereafter to recover their entitlement to the Restructuring Consideration in accordance with the Successor Escrow. The terms of this Successor Escrow and the process and conditions for distribution will be notified to the Blocked Scheme Creditors on or immediately after the Holding Period Expiry Date on the Company's website and/or through such other public medium as may be appropriate at that time.

11.7 Custody Instructions and Undertaking Not to Transfer

- (a) Custody Instructions are irrevocable instructions which prevent transfers of the Existing Notes until the Restructuring Effective Date or until the Existing Notes are unblocked in accordance with Section 11.7(g) below. These restrictions are necessary to prevent the same holding of Existing Notes being voted more than once.
- (b) Any Scheme Creditor who is not a Sanctions-Affected Scheme Creditor who procures the submission of an Account Holder Letter or Lender Proxy Form (to vote at the Scheme Meeting and/or receive any Restructuring Consideration on the Restructuring Effective Date) must:

- (i) In respect of Existing Noteholders, block its Existing Notes by ensuring that its Account Holder, prior to delivering the Account Holder Letter to the Information Agent, submits a Custody Instruction to block its Existing Notes held with Euroclear or Clearstream by the Custody Instruction Deadline and includes in the relevant Account Holder Letter reference to the Custody Instruction Reference Number; and
 - (ii) In respect of Existing Lenders, undertake that it will not sell, transfer assign or otherwise dispose of its interest in all or any part of its specified Existing Debt by the Record Time along with its submission of the Lender Proxy Form.
- (c) An Account Holder Letter that does not contain references to a valid Custody Instruction Reference Number will not be valid for the purposes of voting at the Scheme Meeting or receiving the Restructuring Consideration on the Restructuring Effective Date, and the Company reserves the right to reject such an Account Holder Letter.
- (d) By completion of the Account Holder Letter with inclusion of the Custody Instruction Reference Number, and by completion of the Lender Proxy Form, each Scheme Creditor who is not a Sanctions-Affected Scheme Creditor will be deemed to have given the undertaking that it will not, from the date of delivery of its Account Holder Letter and/or Lender Proxy Form (as applicable), sell, transfer, assign or otherwise dispose of its interest in all or any part of its specified Existing Debt until the Restructuring Effective Date, as applicable, or until the Existing Debt is unblocked in accordance with Section 11.7(g) below.
- (e) For the avoidance of doubt, all Existing 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.
- (f) Any documentation and relevant Custody Instruction submitted by or on behalf of a Scheme Creditor 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 Section 11.7(g) below.
- (g) The Company shall provide an irrevocable instruction to the Information Agent to immediately cause the Existing Debt to be unblocked:
 - (i) within two (2) Business Days after one of the circumstances below occurs:
 - (A) the Scheme is not approved by the requisite majorities of the Scheme Creditors at the Scheme Meeting (provided that the Scheme Meeting may be postponed or adjourned to a subsequent date in order to obtain the requisite approval);
 - (B) the Court not granting a Sanction Order at the hearing of the Court convened for such purpose and the Company has exhausted all avenues of appeal with the Court;

- (C) the Restructuring does not become effective by the Longstop Date;
 - (D) the Company gives written notice to the Information Agent of its intention not to proceed with the Scheme; or
- (ii) if the Company at its sole discretion consents to unblock the Existing Debt.
- (h) If the Restructuring Effective Date, as applicable, occurs on or before the Longstop Date, all of the Existing 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.

11.8 General reminders

- (a) Any Scheme Creditor that fails to submit required documentation prior to the deadlines as set out above will not be entitled to vote at the Scheme Meeting. Such Scheme Creditor will, however, be bound by the terms of the Scheme in the event that it becomes effective and any Existing Debt held by such Scheme Creditor will be cancelled on the Restructuring Effective Date, in accordance with the terms of the Scheme.
- (b) To Existing Noteholders who are not Sanctions-Affected Scheme Creditors, please give ample time to allow your Account Holder and/or Intermediary to process your instructions and submit the required documentation on your behalf. To ensure timely submission of your Account Holder Letter and/or Lender Proxy Form in accordance with the timetable set out in this Explanatory Statement, please check with your Account Holder (if applicable) for clarification as to the processing time required and deliver the appropriate materials well before that time.
- (c) To Existing Noteholders, please also note that the Clearing System through which your interests in the Existing Notes are 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.

12. DETAILS REGARDING THE COMPANY, DIRECTORS AND SENIOR MANAGERS

12.1 The Company

- (a) The Company is an exempted company incorporated in the Cayman Islands with limited liability on 29 October 2004 with registration number 140189. The Company is a non-Hong Kong company registered with the Companies Registry of Hong Kong with business registration number 35302942 .
- (b) The Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (c) The Company's principal place of business in Hong Kong is 38th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong.
- (d) The authorised representatives of the Company are Mr. Hui Sai Tan, Jason and Ms. Lam Yee Mei, Katherine.
- (e) The Company's website is www.shimaogroup.hk.
- (f) As at the date of this Explanatory Statement the Company has 5,000,000,000 ordinary shares each with a par value of HK\$0.10, of which all shares have been issued and are fully paid up. The ultimate controlling shareholder of the Company is Mr. Hui Wing Mau.
- (g) The following table sets forth information regarding beneficial ownership of the Company's ordinary shares as at 30 June 2024, by those persons known to the Company to beneficially own 5% or more of the Company's outstanding shares.

Name of substantial shareholder	Capacity/Nature of Interests	Approximate percentage of the issued share capital of the Company
Gemfair Investments Limited (" Gemfair ")	Note 1	53.866%
Overseas Investment Group International Limited (" Overseas Investment ")	Note 2	53.866%
Shiyang Finance (" Shiyang Finance ")	Note 3	9.929%

Notes:

1. The interests disclosed represent the interests in the Company which are held by Gemfair, a company which is directly wholly-owned by Mr. Hui Wing Mau.
2. The interests disclosed represent the right of Overseas Investment to vote on behalf of Gemfair as a shareholder at general meetings of the Company, pursuant to a deed dated

12 June 2006 between Gemfair and Overseas Investment, as long as Mr. Hui Wing Mau or his close associates (directly or indirectly) hold not less than 30% interest in the Company.

3. The interests disclosed represent the interests in the Company which are held by Shiying Finance, a company which is directly wholly-owned by Mr. Hui Wing Mau.

12.2 Structure of the Group

The structure of the Group as at the date of this Explanatory Statement is set out in the diagram at Appendix 7 (*Group Structure Chart*) to this Explanatory Statement.

12.3 Listing of the Existing Notes on the SGX-ST

- (a) The Existing Notes, with the exception of the Private 2022 Notes and Private 2022 Zero-Coupon Notes, are currently listed on the SGX-ST.
- (b) Following the Restructuring Effective Date, and the cancellation and mark-down of the Existing Notes, the Company will announce the cancellation and mark down of the Existing Notes. The SGX-ST will thereafter de-list the Existing Notes.

12.4 Directors and senior management of the Company

- (a) The Company's Board consists of three executive directors, two non-executive directors and three independent non-executive directors.

Current Board

- (b) As at the date of this Explanatory Statement, the Company's Board:

Name	Age	Position
Hui Sai Tan, Jason	47	Chairman and President
Xie Kun	56	Executive Director
Zhao Jun	49	Executive Director
Hui Mei Mei, Carol	49	Non-executive Director
Shao Liang	47	Non-executive Director
Lyu Hong Bing	58	Independent Non-executive Director
Lam Ching Kam	64	Independent Non-executive Director
Fung Tze Wa	68	Independent Non-executive Director

No recent changes to the Board of directors have taken place.

- (c) The Executive directors of the Company are members of senior management of the Group.

12.5 Directors' interests in the Group and the Restructuring

- (a) Pursuant to section 671(3)(b) of the Companies Ordinance, this Explanatory Statement is required to state any material interests of the Directors, and whether as Directors or as members or as creditors of the Company or otherwise under the arrangement or compromises to be effected by the Scheme.
- (b) As at 30 June 2024, the following Directors and chief executive officers of the Company hold the following interests in the Company:

Director	Nature of Interest	Percentage of total issued share capital
Hui Wing Mau (retired on 1 September 2024)	Interest of controlled corporation	63.795% ^(Note 1)
Hui Sai Tan, Jason	Beneficial owner	0.097% ^(Note 2)
Tang Fei (resigned on 1 September 2024)	Beneficial owner	0.033% ^(Note 3)
Xie Kun	Beneficial owner	0.009% ^(Note 4)
Shao Liang	Beneficial owner	0.002% ^(Note 5)

Notes:

- The interests disclosed represent 2,045,746,316 Shares held by Gemfair and 377,094,270 Shares held by Shiyang Finance. Both Gemfair and Shiyang Finance are directly wholly-owned by Mr. Hui Wing Mau. By virtue of the SFO, Mr. Hui Wing Mau is deemed to be interested in Shares held by Gemfair and Shiyang Finance.
 - The interests disclosed include deemed interests in 119,493 Shares granted under a share award scheme of the Company initially adopted by the Board on 30 December 2021, with subsequent amendments thereafter, and to be valid and effective until 30 December 2027 (the “**2011 Shimao Group Share Award Scheme**”).
 - The interests disclosed include deemed interests in 124,003 Shares granted under the 2011 Shimao Group Share Award Scheme.
 - The interests disclosed include deemed interests in 256,504 Shares granted under the 2011 Shimao Group Share Award Scheme.
 - The interests disclosed include deemed interests in 61,388 Shares granted under the 2011 Shimao Group Share Award Scheme.
- (c) Save for those disclosures made above, none of the Directors have any direct, indirect or non-beneficial interest in the Shares of the Company or in the shares of any of the Company's subsidiaries.

- (d) Further, the Directors do not have any material interest (whether as a director, member, creditor or otherwise) in the Scheme. In addition, the Scheme contemplates a discharge of claims against the Company's Personnel, which includes claims against the directors. In this connection, it should be noted that as set out in Part 5 of Section 4 (*Letter from the Board of Directors to the Scheme Creditors*) of this Explanatory Statement, the Long Term Notes B in the principal amount of US\$600 million and the Mandatory Convertible Bonds in the principal amount of the Mandatory Convertible Bonds Additional Amount shall be issued in respect of the Shareholder Loan to Mr. Hui Wing Mau, the creditor of the Shareholder Loan.
- (e) The Personnel of the Company, and each of their predecessors, successors and assigns, will be released in their capacities as such from any and all Claims and/or Liabilities whether known or unknown, fixed or contingent, including any and all Scheme Claims, arising prior to the Restructuring Effective Date, or that are or may be based in whole or part on any act, omission, transaction, event or other circumstance taking place or existing on or prior to the Restructuring Effective Date, except for:
 - (i) any and all claims or causes of action arising from or relating to fraud, wilful default or wilful misconduct; and
 - (ii) any liability of any Personnel arising under a duty of care to its client,
 provided that the foregoing shall not prejudice or impair any right of any Scheme Creditor created under the Scheme and/or which arises as a result of a failure to comply with any of the terms of the Scheme.

12.6 Material contracts

- (a) As at the date of this Explanatory Statement, the Group has entered into certain material contracts relating to the furtherance of the Restructuring, which are not contracts entered in the ordinary course of business, including without limitation:
 - (i) the CSA (as amended) as described at Section 5.11 (*The key terms of the CSA and the Consent Fee*) of this Explanatory Statement. The occurrence of the Restructuring Effective Date is an automatic termination event under the CSA; and
 - (ii) the PropCo Loan 2 GSA as described at Section 5.7 (*The Group's other offshore financing arrangements*) of this Explanatory Statement. The effective date of the PropCo Loan 2 GSA will be inter-conditional on the occurrence of the Restructuring Effective Date.

12.7 Legal proceedings against the Company and the Group

- (a) As at 30 December 2024, there was a total of 87 ongoing onshore litigation or arbitration proceedings against Group entities, each with a claim amount of over RMB500 million. The main subject of such claims include:

- (i) overdue payments in relation to loans, liability management arrangements and other financing arrangements, etc.;
 - (ii) overdue payments in relation to construction projects and supplier payments, etc; and
 - (iii) disputes in relation to investments and joint development contractual disputes.
- (b) As at 30 December 2024, the total value involved in these 87 cases was approximately RMB105.75 billion.
- (c) In addition, on 5 April 2024, China Construction Bank (Asia) Corporation Limited (“**CCBA**”) presented a petition in the Court to wind-up the Company (the “**CCBA Petition**”). The debts subject to the CCBA Petition were in connection with two multicurrency syndicate loan facility agreements and a facility letter, which are also subject to the Scheme. On 27 November 2024, CCBA and the Company filed a consent summons to apply for a dismissal of the CCBA Petition. On 2 December 2024, the Court ordered that the CCBA Petition be dismissed.
- (d) Finally, on 10 January 2025, CPYM Link Investment Limited (“**CPYM**”) presented a petition in the Court to wind-up the Company (the “**CPYM Petition**”). The debt subject to the CPYM Petition is in relation to an RMB300 million loan (namely, the CPYM Loan) guaranteed by the Company and Shanghai Jianshe. The borrower Nuosi is a joint venture entity and not a consolidated subsidiary of the Group. As of the date of this Explanatory Statement, the negotiations regarding the CPYM Loan remain ongoing. The Company’s guarantee of the CPYM Loan (namely, the CPYM Guarantee) is governed by Hong Kong law and is the subject of the CPYM Petition. The debt subject to the CPYM Petition is also partially secured with assets located onshore. The outstanding amount as stated in the CPYM Petition is approximately RMB257.9 million (“**CPYM Petitioned Debt**”). The CPYM Guarantee is a part of the Existing Debt and, if the Restructuring Effective Date occurs, the CPYM Guarantee will be discharged by way of the Scheme. The Company will apply for a dismissal of the CPYM Petition on or following the Restructuring Effective Date.
- (e) Aside from the proceedings noted at Section 12.7(a) to (d) above, to the best of the directors’ knowledge and belief, as at 31 January 2025, no material litigation or arbitration proceedings have been commenced or threatened against any member of the Group.

13. RISK FACTORS

- 13.1 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, which involve risks and uncertainties of their own. 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.

For ease of reference only, the risk factors set out below have been grouped into the following categories:

- (a) risks relating to the implementation of the Scheme;
- (b) risks relating to a failure to implement or a delay in implementing the Scheme;
- (c) risks following the implementation of the Scheme; and
- (d) risks relating to the New Debt Instruments, the Subsidiary Guarantees and the Collateral.

In addition, 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 Existing Subsidiary Obligors, the Existing Notes Trustee, the Existing Facility Agent, the New Trustee, the New Agents, the Information Agent, the Advisors or any other person in respect of such taxes or any filing obligation with respect thereto.

13.2 Risks relating to the implementation of the Scheme

Scheme Creditors may not approve the Scheme

- (a) In order for the Scheme to become effective, the Scheme must be approved by the Scheme Creditors with requisite majorities at the Scheme Meeting.
- (b) 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 (including by authorised representative if a corporation) or by proxy ("**majority in number**") representing at least 75% in value of the Voting Scheme Claims of the Scheme Creditors present and voting at the Scheme Meeting either in person (including by authorised representative if a corporation) or by proxy ("**majority in value**"). The Scheme Creditors present and voting at the Scheme Meeting (in person (including by authorised representative if a corporation) or by proxy) will be counted for the "majority in number" requirement, and the amount of the Voting Scheme Claims of the Scheme Creditors present and voting at the Scheme Meeting (in person (including by authorised representative if a corporation) or by proxy) will be counted for the "majority in value" requirement.

- (c) Pursuant to the Deed of Undertaking, each of the Existing Notes Trustee, the Existing Notes Paying and Transfer Agent and Registrar and the Existing Facility Agent are expected to undertake to the Company that they will not exercise any voting rights in respect of the Existing Notes and the Existing Loans (as applicable) at the Scheme Meeting unless instructed to do so by the Scheme Creditors.
- (d) 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.
- (e) Although a significant proportion of the Scheme Creditors (by value) have undertaken to vote in favour of the Scheme pursuant to the CSA, that undertaking will cease to be binding in certain circumstances under the terms of the CSA or if the CSA is terminated.

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

- (f) In order for the Scheme to become effective under Hong Kong law, the Court must sanction the Scheme. The Court has discretion whether or not to sanction the Scheme and will need to be satisfied, among other things, that:
 - (i) the meeting of Scheme Creditors was convened and held in accordance with the Convening Order;
 - (ii) the Scheme was approved by the requisite majorities of those Scheme Creditors who voted at the Scheme Meeting in person (including by authorised representative if a corporation) or by proxy; and
 - (iii) the Scheme is one which might reasonably be approved by an intelligent and honest man acting as a member of the class of creditor concerned and in respect of his interest.

In addition, the Court will have regard to, amongst other things, whether:

- (iv) the class of Scheme Creditors voting in respect of the Scheme has been properly constituted;
- (v) the 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
- (vi) the provisions of the Companies Ordinance and related subsidiary legislation have been complied with.
- (g) 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 in order to make representations that the Scheme should not be approved and to object to the granting of the Sanction Order. The Court may also be prepared to hear such

representations and objections by counsel for any other person whom they are satisfied has a substantial economic interest in the Scheme. Therefore, it is possible that objections will be made at or before the Sanction Hearing and that any such objections will delay or possibly prevent the Scheme from being sanctioned and becoming effective.

- (h) 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 deems 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.
- (i) Further, even if the Court approves the Scheme, it is possible for any person who opposed the sanctioning of the Scheme at a Sanction Hearing to appeal against the granting of the Sanction Order. 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

- (j) 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.

The Company has short-term funding needs to continue operations until the implementation of the Scheme and the Restructuring

- (k) As at 30 June 2024, the Group had RMB12,878.6 million in cash and cash equivalents, including approximately RMB200 million freely available for use offshore. While Management believes that its cash position should suffice to continue operations until the implementation of the Scheme and the Restructuring, there may be unforeseen circumstances, including a delay in the implementation of the Scheme, which may cause the Company to require additional short-term funding. If the Company is unable to obtain, at favourable rates or at all, such additional short-term funding, it may be unable to implement the Scheme and the Restructuring.

The allocation of the New Debt Instruments to Scheme Creditors may differ from that in the hypothetical scenarios envisaged by this Explanatory Statement

- (l) As each Scheme Creditor's allocation of New Debt Instruments is based upon the allocations as elected by Scheme Creditors, it is possible that the final allocation of New Debt Instruments payable to each Scheme Creditor may deviate from the hypothetical scenarios set out in Section 8.5, which are intended for illustrative purposes only and may not reflect the final outcome.
- (m) In addition, the Minimum Denomination of each series of the New Debt Instruments is US\$1 and integral multiples of US\$1 in excess thereof. If the

allocation of the New Debt Instruments in accordance with the Scheme would result in any Scheme Creditor, Designated Recipient or the Holding Period Trustee receiving less than the Minimum Denomination of any series of the New Debt Instruments, then such Scheme Creditor, Designated Recipient or the Holding Period Trustee would instead receive an allocation in one or more of the other series of the New Debt Instruments, as determined by the Company in its discretion in good faith, to ensure that such Scheme Creditor, Designated Recipient or the Holding Period Trustee holds at least the Minimum Denomination for at least one series of the New Debt Instruments.

- (n) As such, the final allocation of the New Debt Instruments is subject to adjustments at the Company's discretion in order to satisfy the requirements for the Minimum Denomination. The factors to be taken into consideration is subject to change depending on a number of variables, including the number of Scheme Creditors as well as the size of their respective position of the Existing Debt, and the size of each series of the New Debt Instruments. It is possible that the New Debt Instruments payable to each Scheme Creditor may not be allocated to each tranche of each series of the New Debt Instruments on a pro rata basis based on their respective aggregate principal amount on the Restructuring Effective Date.

13.3 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 this Explanatory Statement

- (a) Factors unknown to the Company as at the date of this Explanatory Statement may result in delays to the completion of the Restructuring. There is no guarantee that the Restructuring Effective Date will occur by the Longstop Date, at which time those Scheme Creditors who are parties to the CSA will no longer be bound by their obligations under the CSA 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.
- (b) The Longstop Date may, however, be extended in accordance with the terms of the Scheme.
- (c) If the Longstop Date is extended, it may lead to a delay in the occurrence of the Restructuring Effective Date and the distribution of the Restructuring Consideration.

The Company is at risk of creditor action in the United States, the Cayman Islands and elsewhere

- (d) Even if the Court approves the Scheme, it may not be recognized by courts in other jurisdictions, such as the United States and the Cayman Islands.
- (e) Pursuant to the Scheme, the Company will apply for a Chapter 15 Order if it considers a Chapter 15 Order necessary for the purpose of the Scheme and the Restructuring. Therefore, until a Chapter 15 Order is granted, it is possible that holders of the Existing Notes will bring a claim under the Existing Notes against

the Company in the United States. The enforcement of such a claim may result in a winding up petition being issued against the Company. The U.S. Bankruptcy Court (and any competent court of review) may unconditionally deny a Chapter 15 Order from the Company.

- (f) In addition, there is no formal recognition process as such in the Cayman Islands and accordingly the recognition of the Scheme would depend entirely on common law principles. Until a Chapter 15 Order is granted, it is possible that holders of the Existing Notes will bring a claim or winding-up petition against the Company, pursuant to the Existing Notes in the Cayman Islands.
- (g) In addition, even if the Court approves the Scheme, it may not be recognized by courts in other jurisdictions, including the PRC. According to guidance issued by the Supreme Court of China, PRC courts in pilot areas would, subject to such guidance and relevant PRC laws and regulations, recognize insolvency proceedings approved by the Hong Kong High Court with respect to, among others, compulsory winding-ups, voluntary winding-ups initiated by creditors, and debt restructuring procedures proposed by a liquidator or provisional liquidator. It is uncertain whether the Scheme falls under such scope of recognition, given that the Scheme is initiated by the Company itself.

Creditors of Out-of-Scope Debt may attempt to commence legal action against the Company and the Group if bilateral negotiations are not successful

- (h) A substantial proportion of the Company's debt is Out-of-Scope Debt and will not be compromised by the Scheme. The total principal amount of Out-of-Scope Debt as of 30 June 2024 is approximately US\$19.2 billion. Of this amount, approximately US\$16.7 billion in principal amount as of 30 June 2024 relates to the Group's onshore indebtedness (such as debts incurred by the Group's onshore subsidiaries, joint ventures or associates and other third parties) that are guaranteed by the Company, namely the Company's Guaranteed Onshore Debts. As of the date of this Explanatory Statement, approximately 72.8% of the Company's Guaranteed Onshore Debts are Pending Out-of-Scope Debt where negotiations are still ongoing and the debts are in default. If the Group fails to successfully restructure the Pending Out-of-Scope Debt, the relevant creditors may take aggressive legal action and/or security enforcement action in the PRC and/or outside the PRC, against the Group, including filing a winding-up petition against the Company. In those circumstances, the Company cannot guarantee it will be able to successfully settle each claim in a manner that is in the best interest of all creditors as a whole. Further, the existence of multiple claims against the Company may hamper onshore operations, including relevant creditors' willingness to allow the Group to refinance existing loans or raise new funds to support onshore operations. In the circumstances, the objectives of the Restructuring will not be achieved and the Group may not be able to honour its obligations under the New Debt Instruments following the Scheme.

Insolvency Proceedings may occur if the Restructuring is not implemented promptly

- (i) The maturity date of each of the Private 2022 Notes, Private 2022 Zero-Coupon Notes, the 2022 Notes, the 2023 Notes and the 2024 Notes has passed and,

therefore, the Company is currently obliged to repay the principal amount under each of the aforementioned Existing Notes.

- (j) The non-payment of interest when due and payable of the 2025 Notes, the 2026 Notes, the 2027 Notes, the 2030 Notes and the 2031 Notes means that the Company is presently in default under each of the aforementioned Existing Notes.
- (k) 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 Existing Notes mentioned above. Unless the Company is able to satisfy itself 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 Insolvency Proceedings.
- (l) If the Company and other members of the Group are placed into Insolvency Proceedings, 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 Liquidation Analysis summarised in Section 5 (*Background to the Group and the Restructuring*) and set out in Appendix 3 (*Recovery Analysis Report*)).

13.4 Risks following the implementation of the Scheme

The New Debt Instruments received by Scheme Creditors as Restructuring Consideration are subject to certain risks

- (a) There may be no market for the New Debt Instruments or any securities issued in exchange thereof. To the extent any such securities become tradable, the price and trading volume thereof may be highly volatile. Factors such as variations in the Group's revenues, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to the Group's industry and general economic conditions nationally or internationally could cause the price of such securities to change. Any such developments may result in large and sudden changes in the trading volume and price of such securities. There can be no assurance that these developments will not occur in the future. 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.

The Company may be subject to PRC withholding taxes on interest it pays on New Debt Instruments

- (b) According to relevant PRC laws and regulations, if the PRC tax authorities consider the Company (1) to be a PRC tax resident enterprise, (2) to the extent such withholding tax payments are deemed to be income sourced within the PRC, and (3) provided that there are no tax treaties between the PRC and those countries or regions which exempt or reduce such withholding tax, the Company is obligated to withhold PRC income tax of up to 10% on interest paid and other related amounts on the New Debt Instruments to holders of the New Debt Instruments who are non-PRC resident enterprises, or up to 20% on interest paid to a foreign individual who is neither domiciled nor resident in the PRC. Similarly, any gain realised by such non-PRC resident enterprise or non-PRC resident individual holders from the transfer of the New Debt Instruments would be regarded as being derived from sources within the PRC and would accordingly be subject to 10% or 20% PRC withholding tax.

The Group's financial performance and business operations have been and may continue to be affected by adverse market conditions, and the Company may not be able to generate sufficient cash to fully address its financial commitments

- (c) Beginning in the second half of 2021 and continuing into 2024, Chinese property developers and the capital markets that have funded growth and development of the sector have experienced an inflection point characterized by a number of adverse developments, including the following:
 - (i) reduced bank lending for real estate development adversely affected access by property developers to onshore capital;
 - (ii) reduced bank lending for mortgage finance for buyers, combined with buyers' concerns towards the ability of property developers to complete projects, has adversely affected property sales;
 - (iii) tightened restrictions on the use of pre-sale proceeds under the applicable PRC law; and
 - (iv) more recently, a material decrease in aggregate contracted sales and a substantial reduction in prices for residential units across the sector.
- (d) The negative news relating to certain Chinese property companies including defaults on their indebtedness have had a further negative impact on, and resulted in increased volatility in, the property sector in China. Such recent defaults make it difficult for Chinese property developers, management companies and potential property purchasers to obtain onshore and offshore financing, and result in very low market confidence in and very low demand for China real estate and increased market volatility.
- (e) Reduced bank lending for real estate development, coupled with the adverse impact of the COVID-19 pandemic on macroeconomic conditions and certain negative credit events, has intensified market concerns over the operations of Chinese property developers. As a result, pre-sales of properties by Chinese

developers have generally decreased. The Group has also experienced a noticeable decline in its aggregate contracted sales in recent months. Against the backdrop of the adverse market conditions, the Group has experienced liquidity pressures due both to its limited access to external capital to refinance its existing indebtedness and the reduction in cash generated from contracted sales.

- (f) Since then, the Group has been actively engaging with its customers, suppliers, creditors and shareholders in stabilising its credit lines and day-to-day operations. It implemented further measures in reducing capital expenditure and other expenses such as management remuneration. The Group also commenced discussions with the CoCom and the Ad Hoc Group representing certain Scheme Creditors in exploring a consensual resolution for the existing defaults in certain Existing Debt.
- (g) However, the Company cannot assure you that these efforts will be successful. Even if the Scheme is successful, the Group still has indebtedness in the PRC that is either in default or faces imminent risks of default. The Group's operation may continue to be affected by the decrease in sales and property price, suspension on construction work, restraints on obtaining new financing and refinancing of existing indebtedness, ongoing and potential disputes with creditors, business partners, customers and others, volatility in the property sector and the capital markets and other factors. In particular, the viable financing alternatives available to the Group have been significantly impacted by unfavourable changes to lending and investment policies by financial institutions and capital markets investors. The Group's reduced cash generated from operations and its existing level of indebtedness and obligations may give rise to investors' and market's doubt about its ability to continue operating as a going concern. The Group's ability to continue its operations, to realize the carrying value of its assets, and to discharge its liabilities in the normal course of business are dependent upon its ability to raise new capital sufficient to fund its commitments and on continuously generating profitable operations. As such, the value actually realized by the Scheme Creditors under the Scheme depends on the Company's ability to honour its financial commitments and obligations under the Scheme and such value may be adversely impacted should the Company fail to generate sufficient cash to honour its financial commitments and obligations under the Scheme, including the Scheme Consideration and the Consent Fee. There is no guarantee that the Company can generate sufficient cash to honour these commitments and obligations.

There may be remaining Out-of-Scope Debt and other offshore financing arrangements after the implementation of the Scheme

- (h) As at the date of this Explanatory Statement, the Group is yet to enter into agreements to restructure certain Out-of-Scope Debt and the Group's other financial debts both onshore and offshore. Negotiations remain ongoing and certain Out-of-Scope Debt remain in default. Further, certain bilateral restructuring agreements will only be effective on the Restructuring Effective Date. Please refer to Sections 5.7 and 6.5 for details in respect of the Group's proposed solutions in respect of such Out-of-Scope Debt and the Group's other financial debts both onshore and offshore. There is no guarantee that such Out-of-Scope Debt and the Group's other offshore or onshore financing

arrangements can be restructured and/or extended before the Restructuring Effective Date, or at all. Should the extension and/or restructuring to the Out-of-Scope Debt and the Group's other offshore financing arrangements remain unsettled prior to the Restructuring Effective Date, such relevant creditors of the Out-of-Scope Debt and the Group's other offshore financing arrangements have the rights to take legal and/or security enforcement action in the PRC and/or outside the PRC against, among others, the Company and other relevant members of the Group, including presenting a petition to winding-up the Company. The Company cannot guarantee it will be able to successfully settle each claim in a manner that is in the best interest of all creditors as a whole. Further, the existence of multiple claims against the Company may hamper onshore operations, including relevant creditors' willingness to allow the Group to refinance existing loans or raise new funds to support onshore operations. Such action may undermine the objectives of the Scheme and Restructuring to enable the Company to continue to operate on a going concern basis.

The Group's operations are subject to China's and global economic and social condition and extensive governmental policies and regulations in the PRC

- (i) Substantially all of the Group's business and operations are conducted in the PRC. Accordingly, the Group's business, financial condition, results of operations and prospects are, to a significant degree, subject to economic, political and social developments in the PRC.
- (j) The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to structure, level of government involvement, level of development, growth rate, control of foreign exchange, and allocation of resources. The PRC economy has grown significantly in recent decades, but there can be no assurance that this growth will continue or continue at the same pace. China's economic growth may slow down due to weakened exports and nationwide structural reforms and other political, economic and other reasons.
- (k) In addition, the outlook for the world economy and financial markets remains uncertain. Any outbreak of epidemics or pandemics on a global scale may continue to affect investment sentiment and resulted in sporadic volatility in global capital markets and adversely affected China and other economies. For example, the COVID-19 outbreak had resulted in restrictions on travel and public transportation and prolonged closures of workplaces in the past, which have had a material adverse effect on the global economy. Any recurrence of COVID-19 or an outbreak of any other epidemics or pandemics may result in the return of containment measures on different scales, which may materially and adversely affect the manufacturing, exports and imports and consumption of goods globally, which may in turn lead to slowdown in the global economy. In addition, there is no assurance that the containment measures will be effective in halting the epidemics or pandemics, the adverse effect caused by the epidemics or pandemics or the containment measures may be further worsened if the epidemics or pandemics continue for a long period of time. Particularly, recurrence of COVID-19 or an outbreak of any other epidemics or pandemics, especially in the cities where the Group has operations, and the containment measures in response to such epidemics or pandemics, may result

in material disruptions to the Group's property development and sales and the operation of commercial properties.

- (l) Geo-political conflicts have also negatively impacted on the global economy. For example, the recent conflicts between Russia and Ukraine and in the Middle East region are still evolving and the impact of such geo-political conflicts on the global economy is still unclear. China's economic condition, and the property sector in the PRC and hence the Group's business, results of operations, financial condition and prospects may be materially and adversely affected by such geo-political conflicts and changes in the global macro-economic environment.
- (m) In addition, demand for the Group's services and its business, financial position and results of operations may be adversely affected by (i) changes in laws, regulations or policies or the interpretation of laws, regulations or policies and social conditions in the PRC; (ii) measures which may be introduced to control inflation or deflation; (iii) changes in the rate or method of taxation; and (iv) imposition of additional restrictions on currency conversion and remittances abroad.
- (n) The PRC government has introduced a number of policies to stimulate the real estate market. However, such policies may not be effective, in which case the Group's access to capital will remain limited and it will be unable to secure adequate financing or renew its existing credit facilities prior to their expiration on commercial reasonable terms, or at all. If that happens, its business, financial condition, results of operation and prospects could be materially adversely affected.
- (o) Moreover, sustainable growth and success of the Group's business significantly depend on its ability to continue acquiring additional land reserves in desirable locations at commercially reasonable prices that are suitable for the residential and commercial development. Its ability to acquire land depends on a variety of factors, some of which are beyond its control, such as overall economic conditions, availability of land parcels provided by the PRC government and competition for land parcels which are suitable for development. Any increase in its land cost resulting from any reason, such as shortages of supply or the Group's inability to acquire suitable land parcels at commercially acceptable prices could have a material and adverse effect on the Group's business, financial condition, result of operations and prospects. Even if the Scheme is successful, in the foreseeable future, it may be difficult for the Group to acquire additional land reserves due to many factors affecting the Group's operation results and financial performance, including the decrease in sales and property price, suspension on construction work, restraints on obtaining new financing, ongoing and potential disputes with creditors, business partners, customers and others, volatility in the property sector and the capital markets and other factors.

The Group is involved from time to time in disputes and administrative, legal and other proceedings arising out of its operations and may face significant liabilities as a result

- (p) The Group is involved in disputes with various parties arising out of its operations, including but not limited to its customers, suppliers and creditors.

These disputes may lead to legal or other proceedings and may result in damage to the Group's reputation, the incurrence of substantial costs and the diversion of resources and management's attention.

- (q) The Group has received, and may continue to receive, claims from its customers, suppliers and/or creditors and enforcement actions from its creditors in respect of its financial and other obligations. As a result of these events, the Group may be involved in more disputes with various parties such as its customers, suppliers and creditors. Although the Group has been actively engaging with its customers, suppliers, creditors and shareholders in stabilising its credit lines and day-to-day operations, there is no assurance that the Group will not be subject to any additional disputes and administrative, legal and other proceedings arising out of its operations, that the Group will successfully resolve such disputes and proceedings to its satisfaction, or that any judgment or ruling in respect of such disputes and proceedings would be in favour of the Group.
- (r) Although the Group strives to maintain proper internal control, there is no assurance that its internal control measures will be effective and there will not be any non-compliance incidents in the future. The Group has been involved in certain investigations into its internal control and may be involved in such potential investigations by regulatory bodies in the PRC, Hong Kong and other applicable jurisdictions in the future. Such investigations may result in fines, financial and business losses, reputational damages and other material adverse effect on the Group's business operation and financial performance.
- (s) The Group cannot assure you that it has been, or will be, in strict compliance with all applicable laws and regulations. In addition, PRC laws, rules or regulations governing the real estate industry have been evolving rapidly, and there can be no assurance that the Group will not be subject to fines or penalties arising from non-compliance incidents if it fails to adapt to the new regulatory regime in a timely manner, or at all, which may have a material adverse effect on its business, financial condition and results of operations.

13.5 Risks relating to the New Debt Instruments, the Subsidiary Guarantees and the Collateral

The Company is a holding company and payments with respect to the New Debt Instruments are structurally subordinated to liabilities, contingent liabilities and obligations of the Company's subsidiaries which are not providing guarantees under the New Debt Instruments

- (a) The Company is a holding company with no material operations. The Company conducts its operations primarily through its subsidiaries. The Company's primary assets are ownership interests in its PRC subsidiaries, which are held through the Subsidiary Guarantors. The New Debt Instruments will not be guaranteed by any current or future PRC subsidiaries.
- (b) Accordingly, the Company's ability to pay principal and interest on the New Debt Instruments and the ability of the Subsidiary Guarantors to satisfy their obligations under the Subsidiary Guarantees will depend upon their receipt of principal and interest payments on the intercompany loans and distributions of

dividends from the Company's subsidiaries, including the PRC subsidiaries. The ability of the Company's subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of its subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. If the Company or the Subsidiary Guarantors experience difficulties in receiving funds from the PRC subsidiaries, due to regulatory or other reasons, the Company may in turn experience difficulties in servicing its offshore debt, including but not limited to the New Debt Instruments.

- (c) Creditors, including trade creditors of the non-guarantor subsidiaries and any holders of preferred shares in such entities, would have a claim on such subsidiaries' assets that would be prior to the claims of holders of the New Debt Instruments. As a result, the Company's payment obligations under the New Debt Instruments will be effectively subordinated to all existing and future obligations of such subsidiaries, and all claims of creditors of the non-guarantor subsidiaries will have priority as to the assets of such entities over the Company's claims and those of the Company's creditors, including holders of the New Debt Instruments. The New Debt Instruments and related documents permit the Company, the Subsidiary Guarantors and the non-guarantor subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, the Company's secured creditors or those of any Subsidiary Guarantors would have priority as to the Group's assets or the assets of such Subsidiary Guarantors securing the related obligations over claims of holders of the New Debt Instruments.

The Group has substantial indebtedness and may incur substantial additional indebtedness in the future, which could adversely affect the Group's financial health and its ability to generate sufficient cash to satisfy its outstanding and future debt obligations

- (d) The Group now has incurred, and may continue to incur after the Restructuring, a substantial amount of indebtedness. As at 31 December 2023, the Group had borrowings of approximately RMB263,963 million. The Group's substantial indebtedness could have important consequences to a holder of the New Debt Instruments. For example, it could:
 - (i) limit the Company's ability to satisfy its obligations under the New Debt Instruments and other debt;
 - (ii) increase its vulnerability to adverse general economic and industry conditions;
 - (iii) require it to dedicate a substantial portion of its cash flow from operations to servicing and repaying its indebtedness, thereby reducing the availability of its cash flow to fund working capital, capital expenditures and for other general corporate purposes;
 - (iv) limit its flexibility in planning for or reacting to changes in its businesses and the industry in which it operates;

- (v) limit, along with the financial and other restrictive covenants of its indebtedness, its ability to borrow additional funds; and
 - (vi) increase the cost of additional financing.
- (e) The Group may from time to time incur additional indebtedness and contingent liabilities. Although the New Finance Documents restrict the Company and the Restricted Subsidiaries from incurring additional debt and contingent liabilities, these restrictions are subject to important exceptions and qualifications. If the Group incurs additional debt, the risks that it faces as a result of its existing indebtedness and leverage could intensify.
- (f) In addition, the terms of the New Finance Documents prohibit the Company and the Restricted Subsidiaries from incurring additional indebtedness unless they are able to meet certain applicable restrictions. Their ability to meet such applicable restrictions may be affected by events beyond their control. Such restrictions in the New Debt Instruments and the other financing arrangements may impair the Group's ability to react to changes in market conditions, take advantage of business opportunities it believes to be desirable, obtain future financing, fund required capital expenditures or withstand a continuing or future downturn in its business. Any of these factors could materially and adversely affect the Company's ability to satisfy its obligations under the New Debt Instruments and other debt.

Issuance of the New Debt Instruments is subject to approvals from the PRC regulators.

- (g) The issuance of the New Debt Instruments by the Company is subject to approvals and filings from the PRC regulators, including without limitation, the approval of National Development and Reform Commission and the filing with China Securities Regulatory Commission. As at the date of this Explanatory Statement, the Group is still pending to receive approval from National Development and Reform Commission (which will be subject to the obtaining of the Sanction Order) and other necessary approvals for the issuance of the New Securities and the entering into the New Loan from the PRC regulators. There is no assurance that the Company will be able to obtain such approvals in a timely manner, and as a result, the issuance of the New Debt Instruments may be delayed.

Servicing the Group's indebtedness will require a significant amount of cash and its ability to generate cash depends on many factors beyond the Group's control

- (h) The Group's ability to make payments on and to refinance its indebtedness, including these New Debt Instruments, and to fund planned capital expenditures and project development will depend on its ability to generate cash. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond the Group's control. The Company's creditworthiness, and its ability to honour the New Debt Instruments is therefore subject to uncertainty.
- (i) The Group's business might not generate cash flow from operations in an amount sufficient to enable it to pay its indebtedness, including the New Debt

Instruments, or to fund its other liquidity needs. The Group's operation, financial performance and ability to service its indebtedness may continue to be affected by the decrease in sales and property price, suspension on construction work, restraints on obtaining new financing, ongoing and potential disputes with creditors, business partners, customers and others, volatility in the property sector and the capital markets and other factors. The Group may need to refinance all or a portion of its indebtedness (some of which matures prior to the New Debt Instruments), including the New Debt Instruments, on or before maturity. The Group might not be able to refinance any of its indebtedness on commercially reasonable terms or at all.

- (j) If the Company or a Restricted Subsidiary is unable to comply with the terms in the New Finance Documents or its existing or future debt obligations and other agreements, there could be a default under those agreements. If that occurs, the holders of the debt could accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, the New Finance Documents contain, and the Group's future debt agreements are likely to contain, cross-acceleration and cross-default provisions. As a result, the default of the Company or any of the Restricted Subsidiaries under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the New Debt Instruments, or result in a default under the Group's other debt agreements, including the New Finance Documents. If any of these events occur, the Group's assets and cash flow might not be sufficient to repay in full all of its indebtedness that has been accelerated and it might not be able to find alternative financing to repay such indebtedness on commercially reasonable terms or at all.

The Group's operations are restricted by the terms of the New Debt Instruments, which are intended to mitigate credit risk. However, given that these restrictions could limit its ability to plan for or to react to market conditions or meet its capital needs, it may need to curtail some of its operations and growth to maintain compliance especially if it is affected by events beyond its control, which could affect the Group's ability to meet its obligations under the New Debt Instruments

- (k) The New Finance Documents, in particular the New Notes Indentures and the New Facility Agreements, include a number of significant restrictive covenants. These covenants restrict, among other things, the Company's ability and/or the ability of its Restricted Subsidiaries, to, among other things:
 - (i) acquire any business or asset or make investments;
 - (ii) in respect of the Company, declare or pay dividends on its capital stock;
 - (iii) make loans, grant credit or provide guarantees or indemnity;
 - (iv) sell, transfer or dispose of assets;
 - (v) create security interest;
 - (vi) substantially change the nature or scope of its business;

- (vii) enter into transactions with shareholders or affiliates; and
 - (viii) effect a consolidation or merger.
- (l) These covenants could limit the Group's ability to plan for or react to market conditions or to meet its capital needs. The Group's ability to comply with these covenants may be affected by events beyond its control, and it may have to curtail some of its operations and growth plans to maintain compliance.
- (m) In addition, the terms of the New Finance Documents prohibit the Company and the Restricted Subsidiaries from incurring additional indebtedness unless they are able to meet certain applicable restrictions. Their ability to meet such applicable restrictions may be affected by events beyond their control. Such restrictions in the New Debt Instruments and the other financing arrangements may impair the Group's ability to react to changes in market conditions, take advantage of business opportunities it believes to be desirable, obtain future financing, fund required capital expenditures or withstand a continuing or future downturn in its business. Any of these factors could materially and adversely affect the Company's ability to satisfy its obligations under the New Debt Instruments and other debt.

Certain material terms of the New Notes Indentures and New Facility Agreements may be modified, amended or waived with the consent of holders of not less than 75% in aggregate principal amount of the outstanding New Notes or the New Loans, as the case may be, which may adversely affect the interest of the holders of the New Notes or the Lenders of the New Loans, as the case may be, and increase the credit risks of the New Notes and the New Loans, as the case may be

The Group may not be able to complete disposals of Specified Assets at desired prices, at expected times, or at all, in which case the Company may not be able to benefit from the cash sweep prior to maturity as a result of any disposal of Specified Assets

- (n) The Company is obligated to apply, or procure the application of proceeds from any disposal of Specified Assets to make public offers to purchase and/or redeem or repay outstanding New Notes and New Loans at a price below par, or to pay or set aside a portion of such proceeds to make offers, purchase and/or redeem outstanding New Notes and New Loans in accordance with the terms in the New Finance Documents. However, the Company may not be able to consummate any disposals of Specified Assets at commercially reasonable terms, or at all. Even if the Company completes any disposals of Specified Assets, there may not be any Net Cash Proceeds (Specified Asset) (each as defined in the New Notes Indentures and the New Facility Agreements). Even if there are Net Cash Proceeds (Specified Asset), the Company may not be able to hold such proceeds in an onshore custodian account that is not subject to freezing orders or other PRC government intervention and/or it may not be able to remit such proceeds to offshore designated accounts as the minimum threshold to trigger the cash sweep may be met or due to regulatory or other reasons out of the Company's control. If any such event occurs, the Company may not be able to make offers to purchase and/or redeem or repay outstanding New Notes and the New Loans at desirable amounts or at all.

The Subsidiary Guarantees are unsecured obligations

- (o) The Subsidiary Guarantees are unsecured obligation of the Subsidiary Guarantors. Payments under the Subsidiary Guarantees may be adversely affected if:
- the Company, the Subsidiary Guarantors, or a third party to which the Group has provided a guarantee enters into bankruptcy, liquidation, reorganization or other winding-up proceedings;
 - there is a default in payment under the Company's or the Subsidiary Guarantors' future secured indebtedness, in particular, shares of the Subsidiary Guarantors' subsidiaries which the Group has pledged as collateral for certain of its loan agreements or other unsecured indebtedness; or
 - there is an acceleration of the indebtedness of the Company, the Subsidiary Guarantors or a third party to which the Group has provided a guarantee.
- (p) If any of these events were to occur, the Company's or the Subsidiary Guarantors' assets may not be sufficient to pay amounts due on the New Debt Instruments.

The obligations of the Subsidiary Guarantors under the Subsidiary Guarantees are structurally subordinated to the liabilities and obligations of their respective subsidiaries

- (q) The obligations of the Subsidiary Guarantors under the Subsidiary Guarantees will be effectively subordinated to all existing and future obligations of its existing or future subsidiaries, and all claims of creditors of existing or future subsidiaries and rights of holders of preferred shares of such subsidiaries (if any) will have priority as to the assets of such subsidiaries over the claims of the Subsidiary Guarantors and those of the Subsidiary Guarantors' creditors, including the holders of the New Notes and lenders of the New Loans. As a result, all of the existing and future liabilities of the Subsidiary Guarantors' subsidiaries, including any claims of trade creditors and preferred stockholders (if any) of such subsidiaries, will be effectively senior to the New Notes, the New Loans and the Subsidiary Guarantees. In addition, even if a Subsidiary Guarantor were a creditor of any subsidiary, its rights as a creditor would be subordinated to any security interest in the assets of such subsidiary and any indebtedness of the subsidiary senior to that held by the Subsidiary Guarantor.

If the Company or the Subsidiary Guarantors are unable to comply with the restrictions and covenants in their respective debt agreements (if any) or the New Debt Instruments there could be a default under the terms of these agreements or the New Debt Instruments that could cause repayment of the Company or the Subsidiary Guarantors' debt to be accelerated, which the Company and the Subsidiary Guarantors may not have sufficient funds to repay

- (r) If the Company or the Subsidiary Guarantors are unable to comply with the restrictions and covenants in the New Debt Instruments or their current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders or lenders (as the case may be) of the debt could terminate their commitments to lend to the Company or the Subsidiary Guarantors, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, those debt agreements may contain cross-acceleration or cross-default provisions. As a result, default by the Subsidiary Guarantors under one debt agreement may cause the acceleration of repayment of debt or result in a default under its other debt agreements, including the New Debt Instruments. If any of these events occur, there can be no assurance that there would be sufficient assets and cash flows to repay in full all of the Company's or the Subsidiary Guarantors' indebtedness, or that the Company or the Subsidiary Guarantors would be able to find alternative financing. Even if the Company or the Subsidiary Guarantors could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Company or the Subsidiary Guarantors.

The events of default provisions under the New Debt Instruments (including cross default provisions amongst the New Debt Instruments) will contain carve outs as more specifically set out in the terms and conditions of the New Debt Instruments

- (s) The events of default provisions under the New Debt Instruments will contain carve outs in relation to certain excluded indebtedness, and final judgments and orders for payment of money and certain insolvency proceedings in relation to such excluded indebtedness, which are more specifically set out in the terms and conditions of the New Debt Instruments. If an event, which would otherwise constitute an event of default but for such carve outs, occurs, no event of default shall be deemed to have occurred and the holders or lenders (as the case may be) of the New Debt Instruments would not have any right to accelerate and/or enforce under the New Debt Instruments.

The New Trustee or the New Facility Agent may request holders or lenders of the New Debt Instruments (as the case may be) to provide an indemnity and/or security and/or prefunding to its satisfaction

- (t) In certain circumstances, the New Trustee or the New Facility Agent may, at their sole discretion, request holders or lenders (as the case may be) of any of the New Debt Instruments (as applicable) to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of holders or lenders (as the case may be) of the New Debt Instruments. The New Trustee or the New Facility Agent shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The New Trustee or the New Facility Agent may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the New Finance Documents, and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the

extent permitted by the agreements and the applicable law, it will be for the holders or lenders (as the case may be) of such New Debt Instruments to take such actions directly.



The New Debt Instruments may be redeemed or repaid at the Company's option or upon the occurrence of certain events

- (u) The New Debt Instruments are redeemable or repayable at the option of the Company or upon the occurrence of certain events. The date on which the Company elects to redeem or repay the New Debt Instruments may not accord with the preference of individual holders or lenders. This may be disadvantageous to the holders or lenders of the New Debt Instruments in light of market conditions or the individual circumstances of such holders or lenders. In addition, an investor may not be able to reinvest the redemption or repayment proceeds in comparable securities at an effective distribution rate at the same level as that of the New Debt Instruments.

The Company may not be able to redeem the New Debt Instruments

- (v) Upon the occurrence of a Change of Control Triggering Event (as defined in the New Finance Documents), the holder or the lender (as the case may be) of the New Debt Instruments will have the right to require the Company to redeem the New Debt Instruments. If such an event were to occur, the Company may not have sufficient cash in hand and may not be able to arrange financing to redeem the New Debt Instruments in time, or on acceptable terms, or at all. The ability to redeem the New Debt Instruments in such event may also be limited by the terms of other debt instruments. The Company's failure to repay, repurchase or redeem tendered bonds could constitute an event of default under the New Debt Instruments which may also constitute a default under the terms of the Company's or the Subsidiary Guarantors' other indebtedness.

The New Securities will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies

- (w) The New Securities will initially only be issued in global form and held through Euroclear and Clearstream. Interests in the New Securities represented by the New Global Notes will trade in book-entry form only, and bonds in definitive registered form, or definitive registered bonds, will be issued in exchange for book entry interests only in very limited circumstances. Owners of book entry interests will not be considered owners or holders of the New Securities. The nominee of the common depositary for Euroclear and Clearstream will be the sole registered holder of the New Global Notes representing the New Securities. Payments of principal, interest, distribution and other amounts, as applicable, owing on or in respect of the New Global Notes representing the New Securities will be made to the relevant paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the New Global Notes representing the New Securities and credited by such participants to indirect participants. After payment to the relevant paying agent, the Group will have no responsibility or liability for the payment of principal, interest, distribution or

other amounts, as applicable, to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream or, if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of holders of the New Securities under the New Finance Documents.

- (x) Unlike the holders of the New Securities themselves, owners of book-entry interests will not have a direct right to act upon the Group's solicitations for consents, requests for waivers or other actions from holders of the New Securities. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.
- (y) The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the New Securities.

The liquidity and price of the New Debt Instruments after the Restructuring Effective Date could be volatile

- (z) The price and trading volume of the New Debt Instruments may be highly volatile. Factors such as variations in the Company's revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the New Debt Instruments to change. Any such developments may result in large and sudden changes in the volume and price at which the New Debt Instruments will trade. There can be no assurance that these developments will not occur in the future.
- (aa) Upon conversion of the Mandatory Convertible Bonds to Shares of the Company, the trading price and volume of the new Shares may be volatile. Factors such as fluctuations in the Group's revenue, earnings and cash flows, changes in laws, regulations and policies in relation to the PRC real estate industry or any other developments may affect the volume and price at which the new Shares will be traded. There is no assurance that a suspension of trading of the Company's Shares will not occur in the future. If this happens, the business operation and financial performance of the Group may be materially adversely affected and the market value of the new Shares may decline materially.

The Transfer of the New Debt Instruments may be restricted, which may adversely affect their liquidity and the price at which they may be sold

- (bb) The New Securities which are represented by the New Global Notes will be transferable only in accordance with the rules and procedures for the time being of the relevant Clearing System. Any transfer of the New Securities would also be subject to restrictions under the terms and conditions of the New Securities, for example, no transfer can be effected during the relevant closed periods.

- (cc) No public market currently exists for the New Securities. There is no current intention to list the New Securities other than on the SGX-ST. If any of the New Securities are traded after the initial issue, they may trade at a discount or premium from their initial offering price, depending on prevailing interest rates, the market for similar instruments and other factors, including general economic conditions and our financial condition, performance and prospects. No assurance can be given as to the future price level of the New Securities after their initial issue.
- (dd) The New Securities and the Subsidiary Guarantees will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any securities law of any state or other jurisdiction of the United States, and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act ("Regulation S")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "Important Securities Law Notices" at Section 3 (*Important Securities Law Notices*) of this Explanatory Statement.
- (ee) With respect to the New Loans, under the New Facility Agreement, an existing lender may only assign any of its rights, or transfer by novation any of its rights and obligations, under the relevant finance documents to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets with prior notice to the Company.

Changes in market interest rates may adversely affect the value of the New Debt Instruments

- (ff) The New Debt Instruments will each carry different interest rates. Consequently, the trading price of the New Debt Instruments will vary with the fluctuations in the US dollar interest rates. If a holder or lender of the New Debt Instruments tries to sell such the New Debt Instruments (or interests thereof) before their maturity, he may receive an offer that is less than his investment.

Developments in other markets may adversely affect the market price of the New Debt Instruments

- (gg) The market price of the New Debt Instruments may be adversely affected by declines in the international financial markets and world economic conditions. The market for the New Debt Instruments is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the New Debt Instruments could be adversely affected.

A trading market for the New Debt Instruments may not develop and a few investors may purchase a majority of the aggregate principal amount of the New Debt Instruments offered

- (hh) The New Securities are a new issue of securities for which there is currently no trading market. There can be no assurance that an active trading market will develop. If such a market were to develop, the New Securities could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. In addition, the New Securities may be allocated to a limited number of investors, in which case liquidity of the New Securities may be limited. Furthermore, holders of a significant percentage of the aggregate principal amount of the New Securities will have certain rights under the New Finance Documents and the New Securities. Accordingly, if a few investors purchase a significant percentage of the New Securities, even if less than a majority, they will be able to exercise such rights on behalf of all holders or lenders (as the case may be) of the relevant New Securities and significantly influence the outcome of the voting on matters related to the relevant New Securities.
- (ii) Loans are not publicly traded. It cannot be predicted whether an active trading market for the New Loan will develop or be sustained. If a trading market for the New Loan does not develop or is not sustained, the liquidity and marketability of the New Loan may be adversely affected.

The Company may issue additional New Notes in the future

- (jj) The Company may, from time to time, and without prior consultation of the holders and of the New Notes, create and issue further New Debt Instruments or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the New Notes.

Gains on the transfer of the New Debt Instruments (or interests thereof) may be subject to income tax under PRC tax laws

- (kk) Under the EIT Law and its implementation rules, any gains realized on the transfer of the New Debt Instruments (or interests thereof) by holders or lenders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organization is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realized on the transfer of the New Debt Instruments (or interests thereof) by individual holders or lenders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10% enterprise income tax rate and 20% individual income tax rate will apply

respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the New Debt Instruments (or interests thereof) minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income.

Disclosure standards that apply to the Group may differ from those in the United States or other jurisdictions.

- (ll) The Group's consolidated financial information is prepared in accordance with HKFRS, which differs in certain respects from US GAAP. As a result, the Group's consolidated financial information and reported earnings could be significantly different if they were prepared in accordance with US GAAP. No attempt has been made to quantify the impact of those differences. This Explanatory Statement does not contain reconciliation of the Group's consolidated financial information to US GAAP, and there is no assurance that such reconciliation would not reveal material differences. Potential investors should consult their own professional advisers for an understanding of the differences between HKFRS and US GAAP, and how these differences might affect the financial information herein.

The insolvency laws of the Cayman Islands, the British Virgin Islands and Hong Kong and other local insolvency laws may differ from those of another jurisdiction with which the holders or lenders of the New Debt Instruments are familiar

- (mm) As the Company and the Subsidiary Guarantors are incorporated under the laws of the Cayman Islands, the British Virgin Islands and Hong Kong, any Insolvency Proceedings relating to the Company or the Subsidiary Guarantors would likely involve the insolvency laws of the Cayman Islands, the British Virgin Islands or Hong Kong, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders or lenders of the New Debt Instruments are familiar.

Exchange rate risks and exchange controls may result in a holder of the New Notes or a lender of the New Loans receiving less interest or principal than expected

- (nn) The Company will pay principal and interest on the New Notes and the New Loans in US dollars. This presents certain risks relating to currency conversions if the financial activities of a holder of the New Notes or a lender of the New Loans are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than US dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the US dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the US dollar would decrease (i) the Investor's Currency equivalent yield on the New Notes or the New Loans, as the case may be; (ii) the Investor's Currency equivalent value of the principal payable on the New Notes or the New Loans, as the case may be; and (iii) the Investor's Currency equivalent market value of the New Notes or the New Loans, as the case may be.

- (oo) Governments and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, a holder or lender of the New Debt Instruments may receive less interest or principal than expected, or no interest or principal.

The Group's ability to utilise its cash effectively is subject to certain regulatory requirements over currency conversion and remittance.

- (pp) The convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China are subject to certain regulatory requirements under PRC laws over foreign currency conversion and remittance. The Group receives the majority of its revenue in Renminbi. As a holding company, the Company needs to rely on dividend payments from its PRC subsidiaries to fund any cash and financing requirements it may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange ("SAFE") by complying with certain procedural requirements. But approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of debts denominated in foreign currencies. This could affect the Company's ability to remit cash offshore, including remitting proceeds from certain asset disposals for cash sweep purposes. There is no assurance that new regulations will not be promulgated in the future that would have further requirements. Shortages in the availability of foreign currency may restrict the Company's ability to satisfy its obligations under the New Debt Instruments.

Fluctuations of the Renminbi could affect the Group's financial condition and results of operations.

- (qq) Most of the Group's revenues are generated by its subsidiaries in the PRC and are denominated in Renminbi. A portion of such revenues must be converted into other currencies to meet the relevant subsidiary's own foreign currency obligation. The value of the Renminbi against other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. Any appreciation or depreciation of Renminbi against U.S. dollars or any other foreign currencies may result in the change in the value of the Group's foreign currency-denominated assets. In addition, the New Debt Instruments will be denominated in U.S. dollars. Any depreciation of Renminbi may adversely affect the Group's ability to service the New Debt Instruments. The value of Renminbi against U.S. dollars and other foreign currencies is subject to changes in the PRC's policies, as well as international economic and political developments.
- (rr) In addition, the value of Renminbi has depreciated significantly against U.S. dollars in recent years and there can be no assurance that the Renminbi will not experience significant depreciation or appreciation against U.S. dollars or against any other currency in the future. Furthermore, the Group is required to obtain the SAFE's approval before converting significant amounts of foreign currencies into Renminbi. As a result, any significant increase in the value of

Renminbi against foreign currencies could reduce the value of the Group's foreign currency-denominated revenue and assets and could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

- (ss) There can be no assurance as to how and to what extent the exchange rate of the Renminbi will fluctuate against the U.S. dollar or any other foreign currency in the future. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. However, there can be no assurance if or when these further reforms will occur. Depreciation of the Renminbi against the U.S. dollar or any such other relevant foreign currencies could have a material adverse effect on the Group's business, financial condition and results of operations. Furthermore, the Group is also subject to translation risks as its consolidated financial statements are denominated in Renminbi while the financial statements of its subsidiaries are measured and presented in the currency of the primary economic environment in which the entity operates.

Decisions that may be made on behalf of all holders or lenders (as the case may be) of the New Debt Instruments may be adverse to the interests of individual holders or lenders (as the case may be) of the New Debt Instruments

- (tt) The governing documents of the New Debt Instruments contain provisions for soliciting consent or calling meetings of holders or lenders (as the case may be) of the New Debt Instruments to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders or lenders (as the case may be) of the New Debt Instruments including holders or lenders (as the case may be) who did not attend and vote at the relevant meeting and holders or lenders (as the case may be) who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders or lenders (as the case may be) of the New Debt Instruments may be adverse to the interests of the individuals.

Conversion in respect of the Mandatory Convertible Bonds and risk of fluctuation in the value of the Company's shares

- (uu) In respect of Mandatory Convertible Bonds, holders may elect to convert their Mandatory Convertible Bonds pursuant to the Voluntary Conversion and the Mandatory Conversion (each as defined in the terms and conditions of the Mandatory Convertible Bonds), but each such conversion is subject to the restrictions and procedural requirements under the terms and conditions of the Mandatory Convertible Bonds. The Mandatory Convertible Bonds will not be redeemed for cash on their maturity date but will be mandatorily convertible into shares of the Company subject to the terms and conditions of the Mandatory Convertible Bonds.
- (vv) At the time the Mandatory Convertible Bonds are issued to the relevant Scheme Creditors on the Restructuring Effective Date, the price of the Company's shares upon conversion of the Mandatory Convertible Bonds will not be ascertainable. Holders of the Mandatory Convertible Bonds will therefore each bear the risk of fluctuation in the value of the Company's shares. In addition, the value of the

Company's shares to be delivered upon conversion may vary substantially between the date on which the relevant holder exercises its conversion right and the date on which such shares are delivered.

If a Mandatory Conversion Reply Form is not delivered by a holder of the Mandatory Convertible Bonds, the Company shall cause the sale of the shares underlying the Mandatory Convertible Bonds but the Company shall be under no obligation to obtain the best price in the sale of such shares

- (ww) In order to obtain delivery of the relevant conversion shares, the relevant holder of the Mandatory Convertible Bonds must deliver a duly completed Mandatory Conversion Reply Form in accordance with the terms and conditions of the Mandatory Convertible Bonds. If a duly completed Mandatory Conversion Reply Form is not so delivered, the relevant conversion shares will be issued and/or transferred and delivered to a person selected by the Company (acting reasonably). Upon issue of the relevant conversion shares to or to the order of such person, the holders shall have no further rights to delivery of shares and their entitlement shall instead be to the net proceeds of sale of the relevant shares. The Company shall procure that all of such shares shall be sold by or on behalf of such person as soon as practicable, and the net proceeds of sale shall be paid to the trustee to be held on trust and distributed to the relevant holders, but the Company shall be under no obligation to obtain the best price in the sale of such shares.

Conversion of the Mandatory Convertible Bonds may dilute the ownership interest of existing shareholders and could also adversely affect the market price of the Company's shares

- (xx) The conversion of some or all of the Mandatory Convertible Bonds (as the case may be) may dilute the ownership interests of existing shareholders of the Company. Any sales in the public market of the Company's shares issuable upon such conversion could adversely affect prevailing market prices for the Company's shares. In addition, the conversion of the Mandatory Convertible Bonds might encourage short selling of the Company's shares by market participants.

Short selling of the Company's shares by holders of the Mandatory Convertible Bonds could materially and adversely affect the market price of the Company's shares.

- (yy) The issuance of the Mandatory Convertible Bonds may result in downward pressure on the market price of the Company's shares. Investors in convertible securities may seek to hedge their exposure in the underlying equity securities, often through short selling of the underlying equity securities or similar transactions. Any short selling and similar hedging activity could place significant downward pressure on the market price of the Company's shares, thereby having a material adverse effect on the market value of the Company's shares owned by an investor as well as on the trading price of the Mandatory Convertible Bonds.

Holders of the Mandatory Convertible Bonds are not entitled to rights with respect to the Company's shares, but are subject to changes made with respect to the Company's shares

- (zz) Holders of the Mandatory Convertible Bonds are not entitled to any rights with respect to the Company's shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on the Company's shares) prior to the time when the Mandatory Convertible Bonds are converted into the Company's shares and are themselves registered as holders thereof. However, such bondholders are subject to all changes affecting the Company's shares. For example, in the event that an amendment is proposed to the Company's articles requiring shareholder approval, and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to the date of conversion of the Mandatory Convertible Bonds for such shares and (as applicable) the date of registration by the relevant bondholder as the holder thereof, that bondholder would not be entitled to vote on the amendment but would nevertheless be subject to any resulting changes in the powers, preferences or special rights that affect the Company's shares after conversion.

Holders of Mandatory Convertible Bonds have limited anti-dilution protection

- (aaa) The conversion price as defined in the terms and conditions of the Mandatory Convertible Bonds will be adjusted on the occurrence of certain events, including a subdivision, consolidation or reclassification of shares, rights issue of shares or options over shares below current market price, capital distributions, issue of shares below current market price or other events as specified in the terms and conditions of the Mandatory Convertible Bonds. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Company's shares. Events in respect of which no adjustment is made may adversely affect the value of the Company's shares and, therefore, adversely affect the value of the Mandatory Convertible Bonds.

Certain of the initial Subsidiary Guarantors of the New Notes and the New Loans (as defined in the New Notes Indentures and the New Facility Agreements, respectively) do not have significant operations. The Company cannot assure you that the initial Subsidiary Guarantors of the New Notes and the New Loans or any subsidiaries that may become Subsidiary Guarantors of the New Notes or the New Loans in the future will have the funds necessary to satisfy the Company's financial obligations under the New Notes or the New Loans, as the case may be, if the Company is unable to do so

- (bbb) The Subsidiary Guarantees may be challenged under applicable financial assistance, insolvency, corporate benefit or fraudulent transfer or unfair preference laws, which could impair the enforceability of the Subsidiary Guarantees.
- (ccc) Under bankruptcy laws, insolvency laws, fraudulent transfer laws, corporate benefit, financial assistance, insolvency or unfair preference or similar laws in the British Virgin Islands, Hong Kong, or other jurisdictions where future Subsidiary Guarantors of the New Notes may be established, a guarantee could

be voided, or claims in respect of a guarantee could be subordinated to all other debts of that Subsidiary Guarantor if, among other things, the Subsidiary Guarantor, at the time it incurred the indebtedness evidenced by, or when it gives its guarantee:

- (i) incurred the debt to put the beneficiary of the Subsidiary Guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the Subsidiary Guarantee not been given;
 - (ii) received less than the reasonably equivalent value or fair consideration for the incurrence of such Subsidiary Guarantee and/or there was otherwise an absence of or insufficient corporate benefit under applicable laws;
 - (iii) was insolvent or rendered insolvent by reason of such incurrence;
 - (iv) was engaged in a business or transaction for which the Subsidiary Guarantor's remaining assets constituted unreasonably small capital; or
 - (v) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.
- (ddd) The measure of insolvency for purposes of the foregoing will vary depending on the law of the jurisdiction which is being applied. A Subsidiary Guarantor would commonly be considered insolvent at a particular time if it is unable to pay its debts as they fall due.
- (eee) If a Subsidiary Guarantee is voided or is subordinated to other indebtedness of the Subsidiary Guarantor, or held unenforceable for any other reason, holders of the New Notes and lenders of the New Loans would, among other things, cease to have a claim against that Subsidiary Guarantor based upon such guarantee or would be subject to the prior payment of all liabilities (including trade payables) and any preferred stock of such Subsidiary Guarantor and would solely be creditors of the Company and any remaining Subsidiary Guarantors. The Company cannot assure you that, after the voiding or subordination of any Subsidiary Guarantee, the Company and any remaining Subsidiary Guarantees will be able to satisfy the claims of holders of the New Notes or lenders of the New Loans in full.

The Collateral may be released

- (fff) The Collateral will consist of the capital stock of the Major Offshore Subsidiary (as defined in the CSA Term Sheet), Specified SSSL Shares (as defined in the CSA Term Sheet), certain offshore receivables, the Designated Account (as defined in the CSA Term Sheet) and subject to compliance with applicable laws, rules, regulations, policies or measures and the receipt of all relevant regulatory, judicial and/or governmental approvals and certain priority deeds, all relevant assets relating to any Specified Offshore Assets (as defined in the CSA Term Sheet) which are subject to the security in favor of relevant Project Lender (as defined in the CSA Term Sheet). The security interest in respect of certain

Collateral may be released upon the disposition of such Collateral in compliance with the covenants under the relevant New Finance Documents.

The value of the Collateral is unlikely to be sufficient to satisfy the Group's obligations under the New Notes, New Loans and/or the Subsidiary Guarantees

- (ggg) The ability of the New Collateral Agent, on behalf of the New Notes Trustee and The New Facility Agent, to foreclose on the Collateral upon the occurrence of an Event of Default or otherwise, will be subject in certain instances to perfection and priority issues. Although procedures will be undertaken to support the validity and enforceability of the security interests, the Group cannot assure you that the New Collateral Agent, the New Notes Trustee, the New Facility Agent, holders of the New Notes or lenders of the New Loans will be able to enforce the security interest.
- (hhh) The value of the Collateral in the event of a liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. No independent appraisals of any of the Collateral have been prepared by or on behalf of the Company in connection with the New Notes or the New Loans. Accordingly, the Company cannot assure you that the proceeds of any sale of the Collateral following an acceleration of the New Notes or the New Loans would be sufficient to satisfy, or would not be substantially less than, amounts due and payable on the New Notes, the New Loans or the Subsidiary Guarantees. By their nature, some or all of the Collateral may be illiquid and may have no readily ascertainable market value. Likewise, the Company cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation.

It may be difficult to realise the value of the Collateral

- (iii) The security interest of the New Collateral Agent may be subject to practical problems generally associated with the realization of security interests in the Collateral. For example, the New Collateral Agent may need to obtain the consent of a third-party or governmental agency to obtain or enforce a security interest in a license or contract or to otherwise dispose of the Collateral. The Company cannot assure you that the New Collateral Agent will be able to obtain any such consent. If the New Collateral Agent exercises its rights to foreclose on certain assets, transferring required government approvals to, or obtaining new approvals by, a purchaser of assets may require governmental proceedings with consequent delays.
- (jjj) In addition, the New Collateral Agent may need to evaluate the impact of potential liabilities before determining to foreclose on the Collateral. In this regard, the New Collateral Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification to its satisfaction from the holders of the New Notes and/or the lenders of the New Loans.

Rights of holders of the New Notes and the lenders of the New Loans in the Collateral may be adversely affected by the failure to perfect the security interests

- (kkk) The New Collateral Agent's ability to foreclose on the Collateral may be subject to restrictions, including but not limited to priority issues, state and provincial law requirements, applicable bankruptcy law, prior liens and practical problems associated with the realization of the New Collateral Agent's lien on the Collateral, including cure rights, foreclosing on the Collateral within the time periods permitted by third parties or prescribed by laws, obtaining third-party consents, making additional filings, statutory rights of redemption and the effect of the order of foreclosure. There can be no assurance that the consents of any third parties and approvals by governmental entities or courts of competent jurisdiction will be given when required to facilitate a foreclosure on such assets or that foreclosure on the Collateral will be sufficient to make all payments on the New Notes, New Loans and/or the Subsidiary Guarantees.

14. TAXATION

14.1 Overview

- (a) 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, including the tax consequences in any jurisdiction of the exchange of interests in the Existing Debt for any Restructuring Consideration, and the receipt, ownership and disposition of such Restructuring Consideration. 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 Existing Subsidiary Obligors, the Company's Advisors, the Existing Notes Trustee, the Existing Notes Paying and Transfer Agent and Registrar, the Existing Common Depositary, the Existing Facility Agent, the New Trustee, the New Agents, the Information Agent or any other person in respect of such taxes or any filing obligation with respect thereto.

APPENDIX 1
INTERPRETATION

In this Explanatory Statement, unless the context otherwise requires or otherwise expressly provided:

- (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) references to an agreement, deed or document shall be deemed also to refer to such agreement, deed or document as amended, supplemented, restated, verified, replaced and/or novated (in whole or in part) from time to time and to any agreement, deed or document executed pursuant thereto;
- (e) references 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;
- (f) unless expressed otherwise, references to U.S. dollars or US\$ are references to the lawful currency of the United States of America, references to HKD or HK\$ are references to the lawful currency of Hong Kong, references to Renminbi or RMB are references to the lawful currency of the PRC, and references to SGD or S\$ are references to the lawful currency of Singapore;
- (g) any reference in this Appendix 1 (*Interpretation*) to any document whose meaning is stated to be the meaning given to a document as defined in this 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;
- (h) the words "include" and "including" are to be construed without limitation, general words introduced by the word "other" are not to be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things and general words are not to be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words; clause, section and schedule headings are for ease of reference only;
- (i) a company is a "subsidiary" of another company, its "holding company", if that other company: (a) holds a majority of the voting rights in it; (b) is a member of it and has the right to appoint or remove a majority of its board of directors; or (c) is a member of it and controls alone, pursuant to an agreement with other members, a majority of the voting rights in it, or, if it is a subsidiary of a company that is itself a subsidiary of that other company;
- (j) an "undertaking" means a body corporate or partnership; or an unincorporated association carrying on a trade or business, with or without a view to profit; and an undertaking is a parent undertaking in relation to another undertaking, a "subsidiary undertaking", if: (a) it holds the majority of voting rights in the

undertaking; (b) it is a member of the undertaking and has the right to appoint or remove a majority of its board of directors; (c) it has the right to exercise a dominant influence over the undertaking: (i) by virtue of provisions contained in the undertaking's articles; or (ii) by virtue of a control contract; or (d) it is a member of the undertaking and controls alone, pursuant to an agreement with other shareholders or members, a majority of the voting rights in the undertaking;

- (k) clause, section and schedule headings are for ease of reference only;
- (l) unless otherwise stated, a reference to a time of day shall be construed as a reference to Hong Kong time;
- (m) a reference to this Explanatory Statement includes a reference to the preliminary sections and appendices of this Explanatory Statement; and
- (n) references to any person shall include references to his successors, transferees and assigns and any person deriving title under or through him.

APPENDIX 2
DEFINITIONS

In this Explanatory Statement:

"Accession Letter"	means a letter pursuant to which a person becomes a party as a Consenting Creditor to the CSA substantially in the form set out in Schedule 2 (<i>Form of Accession Letter</i>) to the CSA, and "Accession Letters" shall be construed accordingly.
"Account Holder"	means any Person who is recorded in the books of a Clearing System as being a holder of a book-entry interest in the Existing Notes in an account with that Clearing System or, as the context may require, is or was recorded in such books as being such a holder of Existing Notes in such an account at the Record Time.
"Account Holder Letter"	means a letter submitted to the Information Agent from an Account Holder on behalf of the relevant Scheme Creditor via the Transaction Website or (if agreed by the Information Agent) via email at shimaogroup@is.kroll.com, substantially in the form of the account holder letter set out in Appendix 6 (<i>Solicitation Packet</i>) to this Explanatory Statement.
"Accredited Investors"	means "accredited investors" as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the U.S. Securities Act.
"Additional Short Term Notes"	has the meaning given to in Section 5.7(e) of this Explanatory Statement.
"Ad Hoc Group"	means the ad hoc group of noteholders of the Existing Notes (or nominees or investment managers of such noteholders) as constituted from time to time who are Consenting Creditors and advised by the AHG Advisors.
"Adjudication"	means the adjudication of a Disputed Claim by an Adjudicator pursuant to Clause 17 (<i>Claims Resolution Procedures</i>) of the Scheme.
"Adjudicator"	means the person appointed by the Company, in accordance with and subject to the requirements of Clause 25 (<i>Adjudicator</i>) of the Scheme, to act as an adjudicator in respect of one or more Disputed Claims.
"Admiralty Harbour"	means Admiralty Harbour Capital Limited
"Advisor"	means each of the Company Advisors, the CoCom Advisors, the AHG Advisors, the Trustee Advisor, the Existing Facility Agent Advisor and any advisor of the New Facility Agent in relation to the Scheme; and "Advisors" shall be construed accordingly.
"Affiliates"	means in relation to any Person, its current and former direct and indirect subsidiaries, subsidiary undertakings, parent companies, holding companies, partners, related partnerships, equity holders, members and managing members, and any of their respective Affiliates.

“AHG Advisors”	means (i) Weil, Gotshal & Manges LLP as legal counsel to the Ad Hoc Group; (ii) Houlihan Lokey (Singapore) Private Limited as financial advisor to the Ad Hoc Group; and (iii) any barristers and local counsel in their capacities as advisors to the Ad Hoc Group.
“AHG Advisor Fee”	means any fees payable to the AHG Advisors by the Company pursuant to the terms of relevant fee letters entered into by the Company and each AHG Advisor.
"AHG Work Fee"	has the meaning given to it in the AHG Work Fee Letter.
"AHG Work Fee Letter"	means the letter dated 2 October 2024 entered into between the Company and the Ad Hoc Group in regard to the Ad Hoc Group's work fees in respect of the Restructuring.
"Amendment to the CSA"	means the amendment to the CSA dated 26 July 2024 and entered into between the Company, the PropCo, the InvestCo, the Participating Creditors (as defined therein) and the Information Agent.
"Amendment to the CSA Term Sheet"	means the amendment to the CSA Term Sheet dated 2 October 2024 effected and announced by the Company in accordance with the terms of the CSA.
“Ancillary Claim”	means a Claim (except for fraud, gross negligence, wilful default and wilful misconduct) held by a Scheme Creditor against a Released Person (other than the Company) arising directly or indirectly out of, in relation to and/or in connection with the Existing Finance Documents, whether before, at or after the Record Time (including, for the avoidance of doubt, all accrued and unpaid interest on the Existing Debt up to (but excluding) the Restructuring Effective Date, or accretions arising in respect of such Claims before, at or after the Record Time, but, excluding, for the avoidance of doubt, any Claims arising out of, relating to or in respect of (i) the New Finance Documents, (ii) fraud, wilful default, gross negligence, or wilful misconduct by a Released Person, (iii) a failure by any Released Person to comply with any of the terms of the Scheme or any Restructuring Documents), or (iv) any Excluded Liability and/or Excluded Collateral) and "Ancillary Claims" shall be construed accordingly.
"Applicable Sanctions"	means laws, regulations, rules and/or orders relating to economic, financial or trade sanctions, restrictive measures or embargoes administered, enacted, maintained and/or enforced 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 (including, for the avoidance of doubt, The Russia (Sanctions) (EU Exit) Regulations 2019), as amended from time to time and as applicable in the Cayman Islands and the

British Virgin Islands pursuant to The Russia (Sanctions) (Overseas Territories) Order 2020 (as amended).

"Applicable Sanctions List"

means each of:

- (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 U.S. Treasury, the U.S. Department of Commerce, the U.S. Department of State and any other Governmental Entity of the United States;
- (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; or
- (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, the Cayman Islands or the British Virgin Islands, or any other similar sanctions list of persons and entities 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 case as amended, supplemented or substituted from time to time, and “**Applicable Sanctions Lists**” includes, collectively, (a), (b) and (c) of this definition.

“Applicant”

means a Pre-Record Time Disputing Creditor or a Post-Record Time Disputing Creditor who is applying for a review of its Disputed Claim by the Adjudicator.

"Bar Time"

means 5:00 p.m. Hong Kong time on the date which is 140 calendar days after the Restructuring Effective Date (or, if such date is not a Business Day, the next Business Day after that date).

"Base Consent Fee"	means, with respect to each Eligible Base Consenting Creditor, subject to and in accordance with Clause 10 (<i>Consent Fee</i>) of the CSA, (i) an amount in cash (" Base Cash Consent Fee ") equal to 0.1% of the aggregate principal amount of Eligible Restricted Debt held by such Eligible Base Consenting Creditor as at the Base Consent Fee Deadline and as at the Record Time, and (ii) Short Term Instrument (in the form of either Short Term Notes or Short Term Loan at such Eligible Base Consenting Creditor's election) (the " Base STI Consent Fee ") in a principal amount equal to 0.5% of the aggregate principal amount of Eligible Restricted Debt held by such Eligible Base Consenting Creditor as at the Base Consent Fee Deadline and as at the Record Time.
"Base Consent Fee Deadline"	means 5:00 p.m. Hong Kong time on 10 December 2024.
"Blocked Scheme Consideration"	means the Residual Scheme Consideration to which the Blocked Scheme Creditors may be entitled under the Scheme, that is held on trust by the Holding Period Trustee for the benefit of the Blocked Scheme Creditors pursuant to the terms of the Holding Period Trust Deed during the Holding Period and, subject to Applicable Sanctions being in place on or around the Holding Period Expiry Date, which shall be transferred to the Successor Escrow and forms part of the Scheme Consideration which remains undistributed after distributions have been made in accordance with Clause 9.2(c) of the Scheme.
"Blocked Scheme Creditor"	means a Scheme Creditor (other than a Sanctioned Scheme Creditor, unless that Sanctioned Scheme Creditor has the benefit of a relevant license) 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 Applicable Sanctions affecting the Scheme Creditor or its custodian as reasonably determined by the Clearing Systems.
"Blocked Scheme Creditor Form"	means a form submitted by, or on behalf of, a Blocked Scheme Creditor substantially in the form of the blocked scheme creditor form set out in Appendix 6 (<i>Solicitation Packet</i>) to this Explanatory Statement.
"Blocked Scheme Creditor Tabulation Agent"	means GLAS Specialist Services Limited, acting in its capacity as tabulation agent in respect of the Blocked Scheme Creditors.
"Blocked Trust Assets"	means, collectively, the Blocked Scheme Consideration and the Residual Consent Fee to which Blocked Scheme Creditors may be entitled under the Scheme and in accordance with the CSA and Applicable Sanctions.
"Blocking Regulation"	means:

- (a) Council Regulation (EC) No 2271/1996 of 22 November 1996 (as amended) and/or any applicable national law or regulation relating to it;
- (b) Council Regulation (EC) No 2271/1996 of 22 November 1996 (as amended) as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018; or
- (c) The Protection of Trading Interests Act 1980 of the United Kingdom.

"Board"	means the board of directors of the Company.
"Business Day"	means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in Hong Kong, the City of New York, Singapore, the Cayman Islands and the PRC are authorised or required by law or governmental regulation to close.
"C(WUMP)O"	means the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong).
"CCASS"	means the Central Clearing and Settlement System, established and operated by Hong Kong Securities Clearing Company Limited.
"CCASS Participant"	means a person admitted by Hong Kong Securities Clearing Company Limited as a participant of CCASS.
"Chairperson"	means the chairperson of the Scheme Meeting.
"Chapter 15"	means Chapter 15 of Title 11 of the United States Code as in effect on the date of the Chapter 15 Filing.
"Chapter 15 Filing"	means a proceeding under Chapter 15 seeking, among other things, recognition of the Scheme.
"Chapter 15 Order"	means an order of the U.S. Bankruptcy Court which, among other things, recognises the Scheme as a "foreign main proceedings" (or in the alternative, a "foreign non-main proceeding") under Chapter 15, enforces the Sanction Order within the territorial jurisdiction of the United States and grants relief.
"Claims"	means all and present and future Liabilities together with any refinancing, novation, deferral or extensions relating to or arising in respect of those Liabilities, any actions, causes of action, claims, counterclaims, suits, debts, set-offs sums of money, accounts, contracts, agreements, promises, contribution, subrogation, indemnification, damages, judgments, executions, court judgments or arbitration awards, demands or rights whatsoever or howsoever arising, whether present, future, prospective or contingent, known or unknown, whether directly or indirectly, whether in person or through another Person, whether or not for a fixed or

	unliquidated amount, whether or not involving the payment of money or the performance of an act or obligation or any failure to perform any obligation or any omission, whether arising at common law, in equity or by statute in or under the laws of Hong Kong, England and Wales, the Cayman Islands, the British Virgin Islands, the PRC, New York, or under any other law or in any other jurisdiction howsoever arising; and "Claim" shall be construed accordingly.
"Clearing Systems"	means each of Euroclear and any successor and Clearstream and any successor; and "Clearing System" means either one of them.
"Clearstream"	means Clearstream Banking S.A.
"CoCom"	means the co-ordination committee of lenders of certain Existing Loans (or nominees or investment managers) as constituted from time to time who are Consenting Creditors and advised by the CoCom Advisors.
"CoCom Advisors"	means (i) Allen Overy Shearman Sterling and Allen Overy Shearman Sterling LLP, a limited liability partnership registered in England and Wales, as legal counsel to the CoCom; (ii) Deloitte Touche Tohmatsu Limited as financial advisor to the CoCom; and (iii) any barristers and local counsel in their capacities as advisors to the CoCom.
"CoCom Advisor Fee"	means any fees payable to the CoCom Advisors by the Company pursuant to the terms of relevant fee letters entered into by the Company and each CoCom Advisor.
"CoCom Work Fee"	has the meaning given to it in the CoCom Work Fee Letter.
"CoCom Work Fee Letter"	means the letter dated 3 January 2025 entered into between the Company and the CoCom in regard to the CoCom's work fees in respect of the Restructuring.
"Collateral"	means all collateral granted pursuant to the New Security Documents securing or purporting to secure, directly or indirectly, the New Notes, the New Loans and certain other permitted pari passu secured indebtedness.
"Companies Ordinance"	means the Companies Ordinance (Cap 622) of Hong Kong, as amended, modified or re-enacted from time to time.
"Company"	means Shimao Group Holdings Limited 世茂集團控股有限公司(formerly known as Shimao Property Holdings Limited 世茂房地產控股有限公司), an exempted company incorporated with limited liability under the laws of the Cayman Islands (with registration number 140189), the shares of which are listed on the Hong Kong Stock Exchange (stock code: 0813), with its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and whose principal place of

	business in Hong Kong is at 38th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong.
“Company Advisors”	means (i) Admiralty Harbour Capital Limited as financial advisor to the Company, (ii) Sidley Austin as legal counsel to the Company; (iii) Appleby as legal counsel to the Company in respect of Cayman Islands law and British Virgin Islands law; (iv) Fangda as legal counsel to the Company in respect of PRC law and (v) any barristers and other local counsel in their capacities as advisors to the Company.
“Company’s Guaranteed Onshore Debts”	has the meaning given to in Section 5.8(e) of this Explanatory Statement.
"Consent Fee"	means, the Early Consent Fee to be paid to each Eligible Early Consenting Creditor or the Base Consent Fee to be paid to each Eligible Base Consenting Creditor, in each case subject to and in accordance with Clause 10 (<i>Consent Fee</i>) of the CSA.
"Consent Fee Deadline"	means the Early Consent Fee Deadline or the Base Consent Fee Deadline, as applicable.
"Consenting Creditor"	means each person who is a party to the CSA as a “Participating Creditor” (as defined in the CSA) and "Consenting Creditors" means such persons collectively.
"Consenting Lender"	means a Consenting Creditor holding a beneficial interest as principal in any Existing Loans.
"Consenting Noteholder"	means a Consenting Creditor holding a beneficial interest as principal in any Existing Notes.
"Convening Hearing"	means the hearing before the Court following which the Court issued the Convening Order.
"Convening Order"	means the order of the Court dated 16 January 2025 ordering, amongst other things, that the Company be at liberty to convene a single meeting of Scheme Creditors for the purpose of considering and, if thought fit, approving the Scheme.
“Core Consenting Creditors”	means, at any time the Consenting Creditors holding (beneficially or as principal) an aggregate outstanding principal amount of 25% or more of the outstanding principal amount of the Participating Debt (as defined in the CSA) held in aggregate by all Consenting Creditors at that time.
“Court”	means the Court of First Instance of the High Court of Hong Kong and any court capable of hearing appeals therefrom.
“CPYM Guarantee”	means the Company’s guarantee of the CPYM Loan.
“CPYM Loan”	means the 6.9% RMB300 million loan due on 31 October 2023, borrowed by Nuosi.

“Credit Support”		means any security, encumbrance, collateral, guarantee, bond, indemnity, repurchase obligation, put option, assumption of any Liability or other form of credit support or assurance.
"Credit Document"	Support	means any document or instrument documenting or constituting or purporting to document or constitute any Credit Support (howsoever described).
“Cross-Border Recognition”		means any Proceeding in relation to recognising or giving effect to the Scheme and/or the orders made by the Court in connection with the Scheme in a court or tribunal of competent jurisdiction outside of Hong Kong, 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.
"CSA"		means the creditor support agreement dated 25 March 2024 between the Company, the PropCo, the InvestCo and the Information Agent (as amended by the Amendment to the CSA dated 26 July 2024 and the Amendment to the CSA Term Sheet dated 2 October 2024 and as amended, supplemented and/or restated from time to time, including by the accession or cessation of parties thereto).
“CSA Longstop Date”		means 30 April 2025 or such later date and time as agreed by the Company on one hand and the Majority Consenting Creditors or the Core Consenting Creditors on the other (<i>provided</i> the CSA Longstop Date shall not be extended beyond 30 June 2025).
“CSA Participants”		means, collectively, the Consenting Creditors, the Company, PropCo and InvestCo.
"CSA Term Sheet"		means the term sheet set out in Schedule 6 (<i>Transaction Term Sheet</i>) to the CSA (as amended by the Amendment to the CSA dated 26 July 2024 and the Amendment to the CSA Term Sheet dated 2 October 2024 and as amended, supplemented and/or restated from time to time).
"Custody Instruction"		means an instruction to the relevant Clearing System to block the Existing Notes from trading in the relevant Clearing System.
"Custody Instruction Deadline"		means 11:00 p.m. Hong Kong time on 14 February 2025.
"Custody Instruction Reference Number"		means, the unique reference provided by Euroclear or Clearstream following an instruction from an Account Holder to block the relevant Existing Notes in accordance with the instructions contained in this Explanatory Statement.

“December 2021 Bilateral Loan”	has the meaning given to in Section 6.5(h) of this Explanatory Statement.
“December 2021 Bilateral Loan Restructuring”	has the meaning given to in Section 6.5(h) of this Explanatory Statement.
"Deed of Undertaking"	means the Hong Kong law governed deed of undertaking to be entered into by (amongst others) the Company, the Existing Subsidiary Obligors, the Subsidiary Guarantors, the New Security Providers, the Excluded Liabilities Party Persons, the Existing Notes Trustee, the Existing Notes Paying and Transfer Agent and Registrar, the Existing Facility Agent, the New Trustee, the New Agents, the Scheme Administrators, the Holding Period Trustee, the Information Agent and the Blocked Scheme Creditor Tabulation Agent substantially in the form set out in Appendix 13 (<i>Deed of Undertaking</i>) to this Explanatory Statement.
"Deeds of Release"	means the deeds of release, governed by the laws of Hong Kong and the State of New York respectively, to be executed by the Scheme Creditors (acting via the Company as their attorney and agent) for the benefit of the Company and other Released Persons on the Restructuring Effective Date, substantially in the form set out in Appendix 5 (<i>Deeds of Release</i>) to this Explanatory Statement.
"Designated Recipient"	means in relation to any Scheme Creditor (who is not a Sanctions-Affected Scheme Creditor), any single entity that is designated by that Scheme Creditor in a valid Designated Recipient Form as the recipient of the New Debt Instruments to be issued to that Scheme Creditor as Restructuring Consideration, subject to limitations in accordance with applicable securities laws and, provided that the Designated Recipient shall only be validly designated if it or an Account Holder and/or Existing Lender on its behalf has submitted a Distribution Confirmation Deed and/or any other applicable forms that its designating Scheme Creditor is required to submit pursuant to the Scheme and the Designated Recipient is an Eligible Person.
“Designated Recipient Form”	means the form appended to the Account Holder Letter and Lender Proxy Form and available on the Transaction Website by which a Scheme Creditor who is not a Sanctions-Affected Scheme Creditor may appoint a Designated Recipient to be the recipient of the Restructuring Consideration that would otherwise be issued to such Scheme Creditor.
“Directors”	means the directors of the Company from time to time.
“Disputed Claim”	has the meaning given to in Section 7.8(a) of this Explanatory Statement.

“Disputed Claim Creditor”	refers to either a Pre-Record Time Disputing Creditor or a Post-Record Time Disputing Creditor.
“Disputed Claims Resolution Procedures”	means the procedures for the resolution of any disagreement or dispute with respect to the determination of a Distribution Scheme Claim for the purposes of distributions under or in connection with the Scheme, as set out in Clause 17 (<i>Claims Resolution Procedures</i>) of the Scheme.
“Distribution Confirmation Deed”	means the distribution confirmation deed in the form appended to the Account Holder Letter and/or Lender Proxy Form and available on the Transaction Website confirming, amongst other things, that the Scheme Creditor or its Designated Recipient may lawfully be issued the Restructuring Consideration.
“Distribution Scheme Claim”	means, in respect of each Scheme Creditor, the Scheme Consideration allocated in accordance with Clause 10 (<i>Scheme Consideration Allocation</i>) of the Scheme and calculated with reference to the sum of (a) the Scheme Creditor’s Principal Amount; and (b) all accrued and unpaid interest at the Original Interest Rate on such Existing Debt up to (but excluding) 31 December 2023.
“Early Consent Fee”	means, with respect to each Eligible Early Consenting Creditor, subject to and in accordance with Clause 10 (<i>Consent Fee</i>) of the CSA, (i) an amount in cash (“Early Cash Consent Fee”) equal to 0.1% of the aggregate principal amount of Eligible Restricted Debt held by such Eligible Early Consenting Creditor as at the Early Consent Fee Deadline and as at the Record Time, and (ii) Short Term Instrument (in the form of either Short Term Notes or Short Term Loan at such Eligible Early Consenting Creditor’s election) (the “Early STI Consent Fee”) in a principal amount equal to 1.0% of the aggregate principal amount of Eligible Restricted Debt held by such Eligible Early Consenting Creditor as at the Early Consent Fee Deadline and as at the Record Time.
“Early Consent Fee Deadline”	means 5:00 p.m. Hong Kong time on 29 November 2024.
“EEA”	means the European Economic Area.
“EIT Law”	means the Enterprise Income Tax Law of the PRC.
“Election Form”	means in respect of a Scheme Creditor, Part 3 of the Account Holder Letter and/or Section 6 of the Lender Proxy Form, or in the case of the Blocked Scheme Creditors, Part 3 of the Blocked Scheme Creditor Form, as the case may be.
“Eligible Base Consenting Creditor”	means an Existing Lender or Existing Noteholder who has either agreed to be bound by the terms of the CSA as a Consenting Creditor after the Early Consent Fee Deadline but on or prior to the Base Consent Fee Deadline, or is a

	Consenting Creditor who is the transferee by a valid Transfer (or, if applicable, a chain of valid Transfers) (as defined in the CSA) of Eligible Restricted Debt in accordance with Clause 8 (<i>Restrictions on dealing with Participating Debt</i>) of the CSA after the Base Consent Fee Deadline, and, as a result, holds such Eligible Restricted Debt at the Record Time (provided that it fully complies with the requirements of Clause 7 (<i>Undertakings of the Participating Creditors</i>) of the CSA).
“Eligible Consenting Creditor”	means an Eligible Base Consenting Creditor or an Eligible Early Consenting Creditor.
“Eligible Early Consenting Creditor”	means an Existing Lender or Existing Noteholder who has either agreed to be bound by the terms of the CSA as a Consenting Creditor on or prior to the Early Consent Fee Deadline, or is a Consenting Creditor who is the transferee by a valid Transfer (or, if applicable, a chain of valid Transfers) (as defined in the CSA) of Eligible Restricted Debt in accordance with Clause 8 (<i>Restrictions on dealing with Participating Debt</i>) of the CSA after the Early Consent Fee Deadline, and, as a result, holds such Eligible Restricted Debt at the Record Time (provided that it fully complies with the requirements of Clause 7 (<i>Undertakings of the Participating Creditors</i>) of the CSA).
“Eligible Person”	means a person who has provided or will provide affirmative Securities Law Representations before the applicable deadline.
“Eligible Restricted Debt”	means any Restricted Debt which was made subject to the terms of the CSA by an Eligible Early Consenting Creditor on or prior to the Early Consent Fee Deadline or by an Eligible Base Consenting Creditor after the Early Consent Fee Deadline but on or prior to the Base Consent Fee Deadline, as applicable.
“Enforcement Action”	means, any action taken under or in connection with any indebtedness of any member of the Group (other than any indebtedness owed by a member of the Group to another member of the Group), constituting one or more of the following: (a) the acceleration of any sum payable or the making of any declaration that any sum payable is due and payable or payable on demand; (b) the making of any demand against any member of the Group under any guarantee or surety provided by that member of the Group; (c) the suing for, commencing, or joining of any legal or arbitration proceedings against any member of the Group to recover any sums payable or under any

guarantee or surety provided by any member of the Group;

- (d) the taking of any steps to enforce or require the enforcement of any security granted by any member of the Group;
- (e) the levying of any attachment, garnishment, sequestration or other legal process over or in respect of any assets of the Group;
- (f) the petitioning, applying, or voting in relation to any Insolvency Proceedings in relation to any member of the Group;
- (g) the commencing or continuation of any legal action or other proceedings against any member of the Group (or any director or officer thereof) or any of their respective assets;
- (h) joining any other entity or person in the exercise of any of the foregoing rights;
- (i) exercising any right, power, privilege or remedy in connection with the foregoing; or
- (j) directing any trustee or agent to do any of the foregoing,

other than as required to implement the Restructuring, which shall be confirmed by the Company in writing.

“Euroclear”

means Euroclear Bank SA/NV.

“Excluded Collateral”

means any security, collateral, guarantee, indemnity or other form of Credit Support granted by an Excluded Liabilities Party Person for the purpose of, and only to the extent of, securing and/or guaranteeing against and/or supporting the CPYM Loan (as applicable).

“Excluded Liabilities”

means any Liability of an Excluded Liabilities Party Person in respect of the CPYM Loan (as applicable).

<u>“Excluded Liabilities Party Persons”</u>	Means, collectively (a) Nuosi, (b) Shimao Jianshe, (c) 苏州世茂置业有限公司 (indicative English name being Suzhou Shimao Real Estate Co., Ltd.), (d) 青岛世茂新城房地产开发有限公司 (indicative English name being Qingdao Shimao Xincheng Real Estate Development Co., Ltd.), (e) 青岛世茂世悦置业有限公司 (indicative English name being Qingdao Shimao Shiyue Real Estate Co., Ltd.), (f) 杭州世茂新领航房地产有限责任公司 (indicative English name being Hangzhou Shimao Xinlinghang Real Estate Co., Ltd.), and (g) 杭州世茂新体验房地产有限责任公司 (indicative English name being Hangzhou Shimao Xintiyang Real Estate Co., Ltd.), each being a Person (other than the Company) who is an obligor, guarantor, security or collateral pledgor or other Credit Support provider in respect of the CPYM Loan.
“Existing Common Depositary”	means Citibank Europe plc, in its capacity as common depositary for the Clearing Systems.
“Existing Debt”	means the Existing Notes and the Existing Loans.
“Existing Debt Documents”	means all documents, agreements and instruments governing the Existing Debt, including the Existing Notes Indentures and the Existing Loan Documents.
“Existing Facility Agent”	means The Hongkong and Shanghai Banking Corporation Limited, the facility agent under row 1 to row 3 set out in Annex A (<i>Existing Debt</i>) to the Scheme.
“Existing Facility Agent Advisor”	means Allen Overy Shearman Sterling and Allen Overy Shearman Sterling LLP, a limited liability partnership registered in England and Wales as legal counsel to the Existing Facility Agent.
“Existing Finance Documents”	means the Existing Debt Documents, the Existing Notes Documents and the Existing Loan Finance Documents, as amended, varied and supplemented from time to time.
“Existing Global Notes”	means the global notes evidencing the Existing Notes.
“Existing Lender”	means a lender of the Existing Loans at the Record Time.
“Existing Loans”	means, collectively, such loans in row 1 to row 16 and row 27 to 42 set out in Annex A (<i>Existing Debt</i>) to the Scheme.
“Existing Loan Documents”	means the facility agreements, other finance or transaction documents entered into in respect of the Existing Loans, as amended, varied and supplemented from time to time.

“Existing Loan Finance Documents”	means the Existing Loan Documents and any related Credit Support Document.
“Existing Noteholder”	means a Person with a beneficial interest as principal in the Existing Notes held in global form or global restricted form through the Clearing Systems as at the Record Time, each of whom have a right, upon satisfaction of certain conditions, to be issued definitive registered notes in accordance with the terms of the Existing Notes and the Existing Notes Indentures.
“Existing Notes”	means the Private 2022 Notes, the Private 2022 Zero-Coupon Notes, the 2022 Notes, the 2023 Notes the 2024 Notes, the 2025 Notes, the 2026 Notes, the 2027 Notes, the 2030 Notes and the 2031 Notes, each as defined in Annex A (<i>Existing Debt</i>) to the Scheme.
“Existing Notes Documents”	means the Existing Notes Indentures and any related Credit Support Document.
“Existing Notes Indentures”	means the indentures governing the Existing Notes, as amended, varied and supplemented from time to time.
“Existing Notes Paying and Transfer Agent and Registrar”	means Citibank, N.A., London Branch, in its capacity as paying and transfer agent and as registrar (together with any successor thereto) under the Existing Notes.
“Existing Notes Trustee”	means Citicorp International Limited, in its capacity as trustee (together with any successor thereto) under the Existing Notes Indentures.
“Existing Subsidiary Obligor”	means, collectively, (a) PropCo, (b) InvestCo, (c) Peak Castle Assets Limited, (d) Vicking International Ltd, (e) All Vision Limited 碩全有限公司, (f) Bonus Goal Investments Limited 鉅品投資有限公司, (g) Dokino International Limited, (h) Goodie Chance Limited 達行有限公司, (i) Lion Kingdom Investments Limited 碩天投資有限公司, (j) Marvel Joyday International Limited, (k) Money Raider Enterprises Limited, (l) Penders Enterprises Limited, (m) Power One Holdings Limited 華尚控股有限公司, (n) Running Leopard International Limited,

	(o) Rushing Lion Group Limited (formerly known as Running Lion Group Limited), and (p) Sino Future Holdings Limited 祥程控股有限公司, each being either a primary obligor, a guarantor or otherwise an obligor under the Existing Loans.
“Explanatory Statement”	means this composite document dated 3 February 2025 containing, <i>inter alia</i> , the explanatory statement of the Company and all appendices, schedules and annexures thereto, distributed to all Scheme Creditors in accordance with Section 671(4) of the Companies Ordinance, the directions of the Court and the terms of the Scheme.
"Extended December 2021 Bilateral Loan"	has the meaning given to in Section 6.5(h) of this Explanatory Statement.
“Governmental Entity”	means any federal, national or local government, governmental, regulatory or administrative authority, agency or commission or any court, tribunal or judicial body of Hong Kong, England and Wales, the Cayman Islands, the PRC, the United States of America or any other relevant jurisdiction.
“Group”	means the Company and any and all of its subsidiaries and “a member of the Group” means any one of them.
“HKFRS”	means the Hong Kong Financial Reporting Standards.
“Holding Period”	means the period from the Restructuring Effective Date, up to the Holding Period Expiry Date.
“Holding Period Distribution Date”	means the date falling 182 calendar days after the Restructuring Effective Date (or if such date is not a Business Day, the next Business Day after that date).
“Holding Period Expiry Date”	means the date which is expected to be on the Holding Period Distribution Date or as soon as reasonably practicable thereafter.
“Holding Period Trust”	means the holding period trust constituted pursuant to the Holding Period Trust Deed.
“Holding Period Trust Deed”	means the trust deed to be executed on or before the Restructuring Effective Date by the Holding Period Trustee and the Company for the benefit of the Residual Creditors, substantially in the form set out at Appendix 12 (<i>Holding Period Trust Deed</i>) to this Explanatory Statement.
“Holding Period Trustee”	means GLAS Trustees Limited, as bare trustee of the Trust Assets for and on behalf of the Residual Creditors, pursuant to the terms of the Holding Period Trust Deed.
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC.
“Information Agent”	means Kroll Issuer Services Limited acting as information agent for the Company in connection with the Restructuring.

“Insolvency Proceeding”	means, in relation to any Person, any action, legal proceedings, process, appointment, application or other procedure or step taken in relation to: (a) the service of statutory demands, suspension of payments under court supervision, a moratorium of any indebtedness, petition, winding-up, dissolution, administration, bankruptcy, provisional supervision or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise, other than as contemplated by the Scheme) of that Person; (b) a composition or arrangement with any creditor of that Person, or an assignment for the benefit of creditors generally of that Person or a class of such creditors, other than as contemplated by the Scheme; (c) the appointment of a liquidator, provisional liquidator, receiver, administrator, administrative receiver, compulsory manager, provisional supervisor, restructuring officer or other similar officer in respect of that Person or any of its assets; (d) enforcement of any security over any assets of that Person; or (e) any procedure or step taken in any jurisdiction analogous to those set out in paragraphs (a) to (d) above.
“Intercreditor Agreement”	means the intercreditor agreement to be executed on the Restructuring Effective Date between, among others, the Company, the New Notes Trustee, the New Facility Agent, the New Collateral Agent and the other security providers as named therein with respect to the Collateral.
“Intermediary”	means a Person (other than an Account Holder) who holds an interest in the Existing Notes on behalf of another Person or other Persons.
“InvestCo”	means Shimao Investment Holdings Limited 世茂投資控股有限公司, an indirect wholly-owned subsidiary of the Company incorporated with limited liability in Hong Kong with business registration number 17910666.
"July 2021 Bilateral Loan"	has the meaning given to in Section 6.5(i) of this Explanatory Statement.
“Lender Proxy Form”	means a form submitted to the Information Agent by, or on behalf of, an Existing Lender who is a Scheme Creditor via the Transaction Website or (if agreed by the Information Agent) via email at shimaogroup@is.kroll.com, substantially in the form of the lender proxy form set out in Appendix 6 (<i>Solicitation Packet</i>) to this Explanatory Statement.
“Liability”	means any debt, liability or obligation (including guarantees) whatsoever or howsoever arising, whether it is present,

future, prospective or contingent, whether directly or indirectly, 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 Hong Kong, England and Wales, the Cayman Islands, the British Virgin Islands, the PRC, the State of New York or under any other law or in any other jurisdiction howsoever arising; and “**Liabilities**” shall be construed accordingly.

“Liquidation Analysis”	means the liquidation analysis prepared by Acclime as set out in Appendix 3 (<i>Recovery Analysis Report</i>) to this Explanatory Statement.
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“Lock-Up Notice”	means a document substantially in the form set out in schedule 1 (<i>Form of Lock-Up Notice</i>) to the CSA.
“Longstop Date”	means 29 August 2025 or such later date and time as agreed by the Company on one hand and the Majority Scheme Creditors on the other.
“Long Term Facility Agreement”	means the facility agreement in respect of the Long Term Loan to be provided pursuant to the Restructuring to be entered into between, amongst others, the Company, the Subsidiary Guarantors and the New Facility Agent on the Restructuring Effective Date.
“Long Term Instrument”	means, collectively, the Long Term Notes and the Long Term Loan.
“Long Term Loan”	means the three loans with a tenor of 9 years in the amount to be provided under the Long Term Facility Agreement on the Restructuring Effective Date (or as soon as practicable thereafter) as part of the Restructuring, on the terms set forth in the Long Term Facility Agreement.
“Long Term Notes”	means the US\$ denominated bonds issued in three series with a tenor of between 7 to 9 years in the amount to be issued by the Company on the Restructuring Effective Date (or as soon as practicable thereafter) as part of the Restructuring, on the terms set forth in the Long Term Notes Indentures.
“Long Term Notes B”	means the US\$ denominated bonds issued with a tenor of 9.5 years in the amount to be issued by the Company on the Restructuring Effective Date (or as soon as practicable thereafter) as part of the Restructuring, on the terms set forth in the Long Term Notes B Indenture.
“Long Term Notes Indentures”	means the indentures in respect of the Long Term Notes to be issued pursuant to the Restructuring to be entered into

	between the Company, the Subsidiary Guarantors and the New Notes Trustee on the Restructuring Effective Date.
“Long Term Notes B Indenture”	means the indenture in respect of the Long Term Notes B to be issued pursuant to the Restructuring to be entered into between the Company, the Subsidiary Guarantors and the New Notes Trustee on the Restructuring Effective Date.
“Majority Consenting Creditors”	means, at any time, Consenting Creditors holding (beneficially or as principal) an aggregate outstanding principal amount of more than 50% of the outstanding principal amount of the Participating Debt (as defined in the CSA) held in aggregate by all Consenting Creditors at that time.
“Majority Scheme Creditors”	means the Scheme Creditors collectively holding more than 50% in aggregate outstanding principal amount of the Existing Debt.
“Management”	means the key management personnel of the Group, including the Board.
“Mandatory Convertible Bonds”	means the mandatory convertible bonds to be issued by the Company on the Restructuring Effective Date (or as soon as practicable thereafter) as part of the Restructuring, on the terms set forth in the MCB Trust Deed.
“MCB Calculation Agent”	means GLAS Trust Company LLC, in its capacity as calculation agent under the Mandatory Convertible Bonds.
“MCB Conversion, Paying and Transfer Agent and Registrar”	means GLAS Trust Company LLC, in its capacity as principal conversion, paying and transfer agent and as registrar under the Mandatory Convertible Bonds.
“MCB Trust Deed”	means the trust deed relating to the Mandatory Convertible Bonds to be issued pursuant to the Restructuring, substantially in the form of the document in Part C of Appendix 11 (<i>Form of New Finance Documents</i>) to this Explanatory Statement to be entered into between the Company and the MCB Trustee on the Restructuring Effective Date.
“MCB Trustee”	means GLAS Trust Company LLC in its capacity as trustee under the MCB Trust Deed or any successor trustee under the MCB Trust Deed.
“MiFID II”	means Directive 2014/65/EU.
“Minimum Denomination”	means the minimum denomination of the principal amount of each series of the New Securities, being US\$1, and integral multiples of US\$1 in excess thereof.
“NDRC”	means the National Development and Reform Commission of the PRC (including its successors) and its local counterparts.

“NDRC Order”	means the Administrative Measures for Examination and Registration of Medium and Long-term Foreign Debts of Enterprises (《企业中长期外债审核登记管理办法》(国家发展和改革委员会令第 56 号)) issued by the NDRC which takes effect on 10 February 2023 and its subsequent implementation rules and interpretations.
“NDRC Registration Certificate”	means enterprise foreign debt review and registration certificate (企业借用外债审核登记证明) or equivalent document issued by NDRC evidencing that the foreign debt review and registration in respect of the New Debt Instruments (for an aggregate principal amount of not less than the aggregate principal amount of the New Debt Instruments) has been duly completed in accordance with the NDRC Order.
“New Agents”	means the New Notes Paying and Transfer Agent and Registrar, the MCB Conversion, Paying and Transfer Agent and Registrar, the MCB Calculation Agent, the New Facility Agent and the New Collateral Agent.
“New Collateral Agent”	means GLAS Trust Corporation Limited, in its capacity as collateral agent or its successors under the New Finance Documents and with respect to the Security Documents.
“New Common Depositary”	means China Construction Bank (Asia) Corporation Limited, as common depositary for the Clearing Systems, acting through its nominee as registered holder of the New Securities, CCB Nominees Limited.
“New Debt Instruments”	means the New Notes, the New Loans and the Mandatory Convertible Bonds.
“New Facility Agent”	means Global Loan Agency Services Australia Specialist Activities Pty Limited, as the facility agent under the New Loans.
“New Facility Agreements”	means the Short Term Facility Agreement and the Long Term Facility Agreement.
“New Finance Documents”	means, collectively, the New Notes Indentures, the New Facility Agreements, the MCB Trust Deed and any related guarantees and securities related documents.
“New Global Notes”	means the global notes evidencing the New Notes and the global certificates evidencing the Mandatory Convertible Bonds offered and sold outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act, and the restricted global notes evidencing the New Notes and the restricted global certificates evidencing the Mandatory Convertible Bonds offered and sold to institutional accredited investors or qualified institutional buyers in the United States, each in the form attached to the New Notes Indentures and the MCB Trust Deed (as the case may be), and registered in the name

	of CCB Nominees Limited (as nominee of the New Common Depositary).
“New Loans”	means the Short Term Loan and the Long Term Loan.
“New Notes”	means the Short Term Notes and the Long Term Notes.
“New Notes Indentures”	means the Short Term Notes Indenture and the Long Term Notes Indentures.
“New Notes Paying and Transfer Agent and Registrar”	means GLAS Trust Company LLC, in its capacity as principal paying agent and transfer agent and as registrar under the New Notes.
“New Notes Trustee”	means GLAS Trust Company LLC in its capacity as trustee or any successor trustee under the New Notes Indentures.
“New Securities”	means the New Notes and the Mandatory Convertible Bonds.
“New Security Documents”	means the security documents to be entered into in connection with Collateral of the New Notes, the New Loans and certain other permitted pari passu secured indebtedness which will be made available (in substantially final form) on the Transaction Website.
“New Security Providers”	means each security provider in respect of the Collateral under the New Security Documents.
"New Trustee"	means the New Notes Trustee and the MCB Trustee.
“Notice of Objection”	has the meaning given to in Section 7.8(a) of this Explanatory Statement.
“Nuosi”	means 诺斯（上海）企业管理有限公司 (indicative English name being Nuosi (Shanghai) Enterprise Management Co., Ltd), formerly known as 诺斯（上海）融资租赁有限公司 (indicative English name being Nuosi (Shanghai) Financing Leasing Co., Ltd.), a joint venture entity and not a wholly-owned subsidiary of the Group.
“Option”	has the meaning given to in Section 8.5 of this Explanatory Statement.
“Original Interest Rate”	means, with respect to the Existing Debt, the interest rate as set forth across each Existing Debt (with further details available at the “Description” column in Annex A (<i>Existing Debt</i>) to the Scheme).
“Out-of-Scope Debt”	has the meaning given to it in Section 6.5 (<i>The Out-of-Scope Debt</i>) of this Explanatory Statement.
“Participating Blocked Scheme Creditor”	means a Blocked Scheme Creditor who validly submitted its Blocked Scheme Creditor Form (including its non-binding Scheme Creditors’ Election) to the Blocked Scheme Creditor Tabulation Agent prior to the Record Time.
“Participating Creditor”	means a Scheme Creditor who submits a validly completed Account Holder Letter and/or Lender Proxy Form (including

	its non-binding Scheme Creditors' Election), Distribution Confirmation Deed (including affirmative Securities Law Representations) and, if applicable, Designated Recipient Form, such that they are received by the Information Agent prior to the Record Time. For the avoidance of doubt, a Blocked Scheme Creditor shall not qualify as a Participating Creditor even if it is a Participating Blocked Scheme Creditor.
"Pending Out-of-Scope Debt"	has the meaning given to it in Section 6.5 (<i>The Out-of-Scope Debt</i>) of this Explanatory Statement.
"Permitted Pari Passu Secured Indebtedness"	has the meaning given to it in the form of New Notes Indentures.
"Perpetuity Period"	means the period from the date the Successor Escrow is established until 21 years after that date, or such further period as the Successor Escrow Agent determines in its sole discretion (and without any obligation to do so).
"Person"	means any natural person, corporation, limited or unlimited liability company, trust, joint venture, association, corporation, partnership, Governmental Entity or other entity whatsoever.
"Personnel"	means, in relation to any Person, its current and former officers, partners, directors, employees, staff, agents, counsel, advisors and other representatives, including without limitation, consultants and information agents.
"Post"	means delivery by pre-paid first-class post or air mail or generally recognised commercial courier service; and "Posted" shall be construed accordingly.
"Post -Record Time Disputed Claim"	is as defined in Clause 17.12 of the Scheme.
"Post-Record Time Disputing Creditor"	means a Scheme Creditor who: (a) disagrees with the determination of their Distribution Scheme Claim by the Scheme Administrators or the Blocked Scheme Creditor Tabulation Agent (as applicable) in accordance with Clause 17 (<i>Claims Resolution Procedures</i>) of the Scheme; and (b) validly submits a validly completed Account Holder Letter, Lender Proxy Form and/or Blocked Scheme Creditor (including its non-binding election of Selection Consideration), Distribution Confirmation Deed and, if applicable, Designated Recipient Form, such that they are received by the Information Agent or the Blocked Scheme Creditor Tabulation Agent (as applicable) after the Record Time and prior to the Bar Time.
"PRC"	means the People's Republic of China, (which for the purpose of this Explanatory Statement does not include Hong Kong, Macau and Taiwan).

“Pre-Record Time Disputed Claim”	is as defined in Clause 17.4 of the Scheme.
“Pre-Record Time Disputing Creditor”	means a Scheme Creditor who: (a) disagrees with the determination of their Distribution Scheme Claim by the Scheme Administrators or the Blocked Scheme Creditor Tabulation Agent (as applicable) in accordance with Clause 17 (<i>Claims Resolution Procedures</i>) of the Scheme; and (b) validly submits a validly completed Account Holder Letter, Lender Proxy Form and/or Blocked Scheme Creditor (including its non-binding election of Selection Consideration), Distribution Confirmation Deed and, if applicable, Designated Recipient Form, such that they are received by the Information Agent or the Blocked Scheme Creditor Tabulation Agent (as applicable) prior to the Record Time.
"Proceeding"	means any process, suit, action, or legal or other proceeding in any jurisdiction, 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.
“PropCo”	means Shimao Property Holdings (BVI) Limited 世茂房地產控股(BVI)有限公司 (formerly known as Shimao Property Holdings Limited), a wholly-owned subsidiary of the Company incorporated with limited liability under the laws of the British Virgin Islands with company number 510464 with its registered office at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands and registered in Hong Kong as a non-Hong Kong Company with business registration number 62001242, whose principal place of business in Hong Kong is at 38th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong.
“PropCo Loan 2 GSA”	has the meaning given to in Section 5.7(e) of this Explanatory Statement.
"QIBs"	means "qualified institutional buyers" as defined in Rule 144A under the U.S. Securities Act.
"Record Time Balance"	means a credit balance created by the Clearing Systems and maintained in the records of the Clearing Systems and the Existing Common Depositary in favour of those Scheme Creditors as at the Record Time who did not submit, or did not have submitted on their behalf, the Custody Instructions by the Custody Instruction Deadline, and/or a validly completed Account Holder Letter, Distribution Confirmation Deed and, if applicable, a Designated Recipient Form, by the Record Time.

"Record Time"	means the time designated by the Company as the deadline for the determination of Scheme Claims of the Scheme Creditors for the purposes of voting at the Scheme Meeting, and the deadline for Scheme Creditors to validly submit their voting instructions in their respective Account Holder Letter and/or Lender Proxy Form to the Information Agent in connection with the Scheme, or in the case of Blocked Scheme Creditors, the deadline to submit their Blocked Scheme Creditor Form to the Blocked Scheme Creditor Tabulation Agent in connection with the Scheme, being 11:00 p.m. Hong Kong time on 19 February 2025.
"Registrar of Companies"	means the Registrar of Companies appointed under the Companies Ordinance.
"Regulation D"	means Regulation D under the U.S. Securities Act.
"Regulation S"	means Regulation S under the U.S. Securities Act.
"Released Claim"	means any Scheme Claim, Ancillary Claim or any other past, present and/or future Claim arising out of, relating to or in respect of: (a) the Existing Finance Documents; (b) the preparation, negotiation, sanction or implementation of the Scheme, the Restructuring Documents and/or the CSA; and/or (c) the execution of the Restructuring Documents and the carrying out of the steps and transactions contemplated in the Scheme in accordance with their terms (for the avoidance of doubt, excluding, any Claims arising out of, relating to or in respect of (i) the New Finance Documents, (ii) fraud, wilful default, gross negligence, or wilful misconduct by a Released Person, (iii) a failure by any Released Person to comply with the terms of the Scheme or any Restructuring Document), or (iv) any Excluded Liability and/or Excluded Collateral).
"Released Person"	means (i) the Company, the Existing Subsidiary Obligors and any member of the Group, and their respective Affiliates, Personnel and advisors, (ii) each member of the CoCom, and their respective Personnel and advisors, (iii) each member of the Ad Hoc Group, and their respective Personnel and advisors, (iv) the Existing Notes Trustee, the Existing Notes Paying and Transfer Agent and Registrar, the Existing Common Depositary and the Existing Facility Agent, (v) the New Agents, the New Trustee and the New Common Depositary, (vi) the Holding Period Trustee, (vii) the Information Agent, (viii) the Scheme Administrators, (ix) the Adjudicator, (x) the foreign representative appointed in connection with the recognition proceeding under Chapter 15 (if such recognition proceeding is sought), (xi) the Blocked Scheme Creditor Tabulation Agent and (xii) the Advisors; and, regarding each of the above, includes each of their respective predecessors, successors and assigns (where applicable) and their respective Affiliates, their respective

	Personnel, and their respective advisors and in their capacities as such, and " Released Person " shall be construed accordingly.
"Relevant Persons"	has the meaning given to it in Section 3 (Important Securities Law Notices) of this Explanatory Statement.
"Required NDRC Registration"	means the due approval by and filing with NDRC in respect of the New Debt Instruments as foreign debt pursuant to NDRC Order.
"Residual Consent Fee"	means the aggregate Consent Fee payable by the Company to the Blocked Scheme Creditors in respect of their Eligible Restricted Debt (if any).
"Residual Creditor"	means a Scheme Creditor who is not a Participating Creditor and shall include, for the avoidance of doubt, all Blocked Scheme Creditors.
"Residual New Debt Instruments"	means the New Debt Instruments with a principal amount equal to: (a) the principal amount of the Residual Scheme Consideration and the Short Term Instrument portion of the Residual Consent Fee (if any); less (b) the aggregate principal amount of New Debt Instruments distributed to all Residual Creditors who are not Sanctions-Affected Scheme Creditors and who establish, prior to the Bar Time, their entitlement to the Residual Scheme Consideration in accordance with the Holding Period Trust Deed; (c) the aggregate principal amount of New Debt Instruments claimable by Blocked Scheme Creditors who establish, prior to the Bar Time, their entitlement to the Blocked Scheme Consideration and the Residual Consent Fee (if applicable) by the submission of a validly completed Blocked Scheme Creditor Form to the Blocked Scheme Creditor Tabulation Agent, together with supporting evidence as required, and in accordance with the Holding Period Trust Deed and (d) if any, the aggregate principal amount of New Debt Instruments payable to the Post-Record Time Disputing Creditor, in accordance with the Holding Period Trust Deed, the Scheme and the Adjudicated Distribution Instruction (as defined in the Scheme).
"Residual Scheme Consideration"	means the New Debt Instruments constituting Scheme Consideration held on the terms of the Holding Period Trust Deed by the Holding Period Trustee during the Holding Period, which form part of the New Debt Instruments that remain after distribution in accordance with Clause 9.2(c) of the Scheme.
"Restricted Debt"	means, with respect to a Consenting Creditor at any time, the aggregate outstanding principal amount of Existing Debt set out in the Accession Letter (or the Lock-Up Notice, as applicable) then most recently delivered by that Consenting Creditor to the Information Agent, as modified from time to

time by any Transfer Notices (as applicable) delivered by Consenting Creditors to the Information Agent, subject to evidence satisfactory to the Information Agent having been provided in accordance with Clause 8 (*Restrictions on dealing with Participating Debt*) of the CSA but shall exclude the amount of any Existing Debt held or controlled by such Consenting Creditor in its capacity as a Qualified Market-maker (as defined in the CSA); and **"Restricted Debt"** means any portion of the Restricted Debts (as applicable).

"Restricted Subsidiaries"	has the meaning given to it in the New Finance Documents.
"Restructuring"	means the proposed restructuring of the Existing Debt, in accordance with and as intended to be implemented by the terms of the CSA, the Scheme and the Restructuring Documents.
"Restructuring Conditions"	means each of the conditions precedent to the occurrence of the Restructuring Effective Date as set out in Clause 7.2 of the Scheme.
"Restructuring Consideration"	means, together, the New Debt Instruments to be issued as Scheme Consideration (and, without double counting, any Residual Scheme Consideration) and the Consent Fee (if applicable) (including, without double counting, the Residual Consent Fee), but excluding (a) the Long Term Notes B and the portion of the Mandatory Convertible Bonds to be issued to the Ultimate Controlling Shareholder; (b) the Additional Short Term Notes to be issued to the relevant creditor(s) in connection with the PropCo Loan 2 GSA; (c) the Extended December 2021 Bilateral Loan and the Short Term Loan C to be issued to the relevant creditor(s) in connection with the restructuring of the December 2021 Bilateral Loan; and (d) the Short Term Loan D to be issued to the relevant creditor(s) in connection with the restructuring of the July 2021 Bilateral Loan.
"Restructuring Documents"	means, collectively, the Scheme, the Solicitation Packet (including all relevant voting forms), the New Global Notes, the New Finance Documents, the Deeds of Release, the Deed of Undertaking, the Holding Period Trust Deed, the Intercreditor Agreement, the New Security Documents and any other documents, agreements and instruments necessary to implement the Restructuring in accordance with the CSA and the CSA Term Sheet.
"Restructuring Effective Date"	means the date publicly announced by the Company to be the Restructuring Effective Date, which date shall only occur on or after the date on which the Restructuring Conditions have been satisfied or, to the extent permissible, waived, which shall be on or prior to the Longstop Date.
"Rule 144A"	means Rule 144A under the U.S. Securities Act.

"Sanction Hearing"	means the hearing at the Court of the petition in respect of the sanctioning of the Scheme.
"Sanctioned Country"	means any country or territory that is the target of any comprehensive country or territory-wide Applicable Sanctions (being, as at the date of this Explanatory Statement, the territories of Crimea, Donetsk and Luhansk, and the countries of Cuba, Iran, North Korea and Syria).
"Sanction Order"	means the order of the Court sanctioning the Scheme (with or without modification).
"Sanctioned Scheme Creditor"	means a Scheme Creditor that is: (a) designated on any Applicable Sanctions List; (b) resident in, ordinarily located in, or incorporated or domiciled under the laws of any Sanctioned Country; (c) in the aggregate, 50 percent or greater owned, directly or indirectly, or otherwise controlled, directly or indirectly, (in each case with reference to Applicable Sanctions) by any Person or Persons described in (a) or (b) above of this definition; or (d) acting on behalf of or at the direction of any Person or Persons described in (a) or (b) above of this definition, and which does not have a sanctions licence in respect of the Applicable Sanctions which would allow that Scheme Creditor to freely deal in the Scheme Consideration (and Consent Fee, if applicable) and submit instructions or settle through the Clearing Systems.
"Sanctions-Affected Scheme Creditor"	means a Blocked Scheme Creditor or a Sanctioned Scheme Creditor.
"Scheme"	means the scheme of arrangement to be effected between the Company and the Scheme Creditors pursuant to Sections 670, 673 & 674 of the Companies Ordinance, in the form set out in Appendix 4 (<i>The Scheme</i>) to this Explanatory Statement or with or 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.
"Scheme Administrators"	means Ms. GE Jun and Mr. Patrick BANCE of AlixPartners Singapore Pte. Ltd. and its affiliates, acting jointly and severally as scheme administrators for the Company in connection with the Scheme.
"Scheme Claim"	means a Claim of any Scheme Creditor against the Company arising directly or indirectly out of, in relation to and/or in connection with the Existing Finance Documents, whether before, at or after the Record Time, excluding, for the avoidance of doubt, any Claims arising out of, relating to or in respect of (i) the New Finance Documents, (ii) fraud,

	wilful default, gross negligence or wilful misconduct by a Released Person, (iii) a failure by any Released Person to comply with any of the terms of the Scheme or any Restructuring Document, or (iv) any Excluded Liability and/or Excluded Collateral; and "Scheme Claims" shall be construed accordingly.
"Scheme Conditions"	means each of the conditions precedent to the effectiveness of the Scheme, as set out in Clause 4.2 of the Scheme.
"Scheme Consideration"	means the New Debt Instruments (and including, without double counting, any Residual Scheme Consideration), but excluding (a) the Long Term Notes B and the portion of the Mandatory Convertible Bonds to be issued to the Ultimate Controlling Shareholder; (b) the Additional Short Term Notes to be issued to the relevant creditor(s) in connection with the PropCo Loan 2 GSA; (c) the Extended December 2021 Bilateral Loan and the Short Term Loan C to be issued to the relevant creditor(s) in connection with the restructuring of the December 2021 Bilateral Loan; and (d) the Short Term Loan D to be issued to the relevant creditor(s) in connection with the restructuring of the July 2021 Bilateral Loan.
"Scheme Consideration Allocation"	has the meaning given to in Section 8.2(c) of this Explanatory Statement.
"Scheme Consideration Election Deadline"	means the deadline by which Participating Creditors may amend their previously submitted non-binding Scheme Creditors' Election (and any election for the Short Term Instrument component of the Consent Fee, if applicable) and upon which the Scheme Creditors' Election (and any election for the Short Term Instrument component of the Consent Fee, if applicable) as submitted and amended shall become binding, being 11:00 p.m. Hong Kong time on 3 March 2025 (being five (5) Business Days after the Scheme Meeting).
"Scheme Creditor Parties"	means, in respect of a Scheme Creditor, its predecessors, successors, assigns, Designated Recipients, Affiliates and Personnel.
"Scheme Creditors"	means, as at the Record Time (A) an Existing Noteholder; and/or (B) Persons who have a legal interest as principal in the Existing Notes including (but without double counting, in each case) the Existing Common Depositary and the Existing Notes Trustee; and/or (C) Persons with a legal or beneficial interest as principal under any Existing Loan Finance Documents including (but without double counting, in each case) the Existing Facility Agent.
"Scheme Creditors' Election"	has the meaning given to in Section 8.5(b)(ii) of this Explanatory Statement.
"Scheme Creditor's Principal Amount"	means the outstanding principal amount of the Existing Debt held by a Scheme Creditor at the Record Time.

"Scheme Effective Date"	means the first date on which all of the Scheme Conditions have been satisfied, as notified in the Scheme Effective Notice.
"Scheme Effective Notice"	means the notice to be issued by the Company in accordance with Clause 5.2 of the Scheme, confirming satisfaction of the Scheme Conditions and confirming the occurrence of the Scheme Effective Date.
"Scheme Meeting"	means the meeting of Scheme Creditors convened at the direction of the Court for the purpose of considering and, if thought fit, approving the Scheme with or without modification and any adjournment thereof.
"SEC"	means the U.S. Securities and Exchange Commission.
"Securities Law Representations"	means the securities law confirmations and undertakings set out in Annex B to the Distribution Confirmation Deed.
"SEHK"	means The Stock Exchange of Hong Kong Limited.
"SFA"	means the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time.
"SFO"	means the Hong Kong Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).
"SGX-ST"	means the Singapore Exchange Securities Trading Limited.
"Shareholder"	means a person who holds Shares at any time.
"Shareholder Loans"	means the loans by the Ultimate Controlling Shareholder to the Group as further described in Section 6.12 of this Explanatory Statement.
"Shareholder New Instruments"	has the meaning given to in Section 6.12(b) of this Explanatory Statement.
"Shares"	means the issued and unissued ordinary shares of the Company.
"Shimao Services"	means Shimao Services Holdings Limited (" Shimao Services "), a subsidiary of the Company incorporated with limited liability in the British Virgin Islands, the shares of which are also listed on the HKEX (Stock Code 0873).
"Shimao Jianshe"	means 上海世茂建设有限公司 (indicative English name being Shanghai Shimao Jianshe Co., Ltd.), a wholly-owned subsidiary of the Company established in the PRC.
"Short Term Facility Agreement"	means the facility agreement in respect of the Short Term Loan to be provided pursuant to the Restructuring, substantially in the form of the document in Part B of Appendix 11 (<i>Form of New Finance Documents</i>) to this Explanatory Statement to be entered into between, amongst others, the Company, the Subsidiary Guarantors and the New Facility Agent on the Restructuring Effective Date.

“Short Term Instrument”	means, collectively, the Short Term Notes and the Short Term Loan.
"Short Term Loan"	means the loan with a tenor of 6 years in the amount to be provided under the Short Term Facility Agreement on the Restructuring Effective Date (or as soon as practicable thereafter) as part of the Restructuring, on the terms set forth in the Short Term Facility Agreement.
"Short Term Loan C"	has the meaning given to in Section 6.5(h) of this Explanatory Statement.
"Short Term Loan D"	has the meaning given to in Section 6.5(i) of this Explanatory Statement.
"Short Term Notes"	means the US\$ denominated bonds issued with a tenor of 6 years in the amount to be issued by the Company on the Restructuring Effective Date (or as soon as practicable thereafter) as part of the Restructuring, on the terms set forth in the Short Term Notes Indenture.
"Short Term Notes Indenture"	means the indenture in respect of the Short Term Notes to be issued pursuant to the Restructuring, substantially in the form of the document in Part A of Appendix 11 (<i>Form of New Finance Documents</i>) to this Explanatory Statement to be entered into between the Company, the Subsidiary Guarantors and the New Notes Trustee on the Restructuring Effective Date.
"Solicitation Packet"	means the packet of materials, including the Account Holder Letter and accompanying instructions, the Lender Proxy Form and accompanying instructions, the Designated Recipient Form, the Distribution Confirmation Deed and the Blocked Scheme Creditor Form, all of which are available to Scheme Creditors in Appendix 6 (<i>Solicitation Packet</i>) to this Explanatory Statement and, aside from the Blocked Scheme Creditor Form, on the Transaction Website.
"Specified Asset"	has the meaning given to it in Schedule 5 (<i>Term Sheet</i>) to the CSA (as amended).
"Subsidiary Guarantees"	has the meaning given to it in Appendix 11 (<i>Form of New Finance Documents</i>) to this Explanatory Statement.
"Subsidiary Guarantors"	means: (a) All Vision Limited 碩全有限公司, (b) Bonus Goal Investments Limited 鉅品投資有限公司, (c) Dokino International Limited, (d) Goodie Chance Limited 達行有限公司, (e) Lion Kingdom Investments Limited 碩天投資有限公司, (f) Marvel Joyday International Limited, (g) Money Raider Enterprises Limited,

(h) Peak Castle Assets Limited,
 (i) Penders Enterprises Limited,
 (j) Power One Holdings Limited 華尚控股有限公司,
 (k) Running Leopard International Limited,
 (l) Rushing Lion Group Limited (formerly known as Running Lion Group Limited),
 (m) InvestCo,
 (n) Sino Future Holdings Limited 祥程控股有限公司,
 (o) Vicking International Ltd.,
 (p) Best Cosmos Limited,
 (q) Ease Reach Group Limited 宜達利集團有限公司 (formerly known as Easy Reach Group Limited),
 (r) Ever Dean Limited 金徹有限公司,
 (s) Intellect Joy Investments Limited,
 (t) Topwise Limited 通永有限公司,
 (u) Genuine Victory Holdings Limited,
 (v) Shimao Property Investments Limited 世茂房地產投資有限公司,
 (w) Speedy Gains Limited,
 (x) PropCo,
 (y) Peak Gain International Limited 峰盈國際有限公司,
 (z) Upper Bonus Limited 皓升有限公司,
 (aa) Daily Right Holdings Limited 昇朗控股有限公司,
 (bb) Rise Max International Limited 昇智國際有限公司,
 (cc) Excel Mode Investments Limited 智先投資有限公司,
 (dd) Future Right Limited 先迅有限公司, and
 (ee) New Sincere Investments Limited 栢貿投資有限公司,
 each a wholly-owned subsidiary of the Company to guarantee the New Notes and the New Loans.

"Successor Escrow"

means an escrow account to be established for the Perpetuity Period or the lifting of Applicable Sanctions, whichever is earlier, by an agent to be appointed by the Company for the purposes of holding the Blocked Trust Assets after the Holding Period Expiry Date for the Blocked Scheme Creditors who have submitted a validly completed Blocked Scheme Creditor Form together with supporting evidence to the Holding Period Trustee prior to the Bar Time.

"Successor Escrow Agent"

means the Person appointed by the Company as agent of the Successor Escrow.

"Transaction Website"

means <https://deals.is.kroll.com/shimaogroup>, the document posting website where all relevant announcements and

	documents will be available and the Account Holder Letters and/or Lender Proxy Form may be submitted.
"Transfer Notice"	means a notice substantially in the form set out in Schedule 3 (<i>Form of Transfer Notice</i>) to the CSA.
"Trust Assets"	has the meaning given to it in the Holding Period Trust Deed.
"Trustee Advisor"	means Allen Overy Shearman Sterling LLP, a limited liability partnership registered in England and Wales as legal counsel to the New Trustee.
"Ultimate Controlling Shareholder"	means the ultimate controlling shareholder of the Company, namely Mr. Hui Wing Mau.
"U.S. Bankruptcy Court"	means the United States Bankruptcy Court for the Southern District of New York or other court of competent jurisdiction presiding over any case filed under Chapter 15 seeking, among other things, recognition of the Scheme as a foreign main proceeding and enforcement of the Sanction Order in the United States.
"U.S. Securities Act"	means the U.S. Securities Act of 1933, as amended, including the rules and regulations promulgated by the SEC thereunder.
"United States"	means the United States of America.
"US\$" or "USD"	means the lawful currency for the time being of the United States.
"US GAAP"	means the United States Generally Accepted Accounting Principles.
"Voting Requirements"	means the requirements that a Participating Creditor submits to the Information Agent or the Blocked Scheme Creditor Tabulation Agent (as applicable) by the Record Time (1) a valid Custody Instruction by the Custody Instruction Deadline (if applicable) and (2) a validly completed Account Holder Letter and/or Lender Proxy Form or Blocked Scheme Creditor Form (as applicable) and (3) any other documentation required under the terms of the Restructuring Documents .
"Voting Rights"	means the right generally to vote at a general meeting of shareholders of a person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency, and any such voting power shall therefore be excluded for the purpose of this definition).
"Voting Scheme Claims"	means, for assessing a Scheme Creditor's Scheme Claims for voting purposes, a value equal to the sum of (i) outstanding principal amount of the Existing Debt in which each Scheme Creditor held a legal or beneficial interest as principal at the Record Time (without double counting) and (ii) all accrued and unpaid interest at the Original Interest Rate on such

Existing Debt up to (but excluding) the date of the Record Time.

"VWAP"

means volume-weighted average price.

APPENDIX 3

RECOVERY ANALYSIS REPORT

APPENDIX 4
THE SCHEME

APPENDIX 5
DEEDS OF RELEASE

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SOLICITATION PACKET

APPENDIX 7

GROUP STRUCTURE CHART

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APPENDIX 10

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APPENDIX 11

FORM OF NEW FINANCE DOCUMENTS

APPENDIX 12

HOLDING PERIOD TRUST DEED

APPENDIX 13

DEED OF UNDERTAKING

APPENDIX 14

PRO FORMA BALANCE SHEETS