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IN THE GRAND COURT OF THE CAYMAN ISLANDS

FINANCIAL SERVICES DIVISION

CAUSE NO: FSD 254 of 2026 (DDJ)

IN THE MATTER OF SECTION 86 OF THE COMPANIES ACT (2026 REVISION)

IN THE MATTER OF REDCO PROPERTIES GROUP LIMITED

Before:	The Hon. Justice David Doyle
Appearances:	Hamid Khanbhai of Campbells LLP for Redco Properties Group Limited
Heard:	21 September 2026
Date of decision:	21 September 2026
Reasons for judgment circulated:	21 September 2026
Reasons for judgment delivered:	22 September 2026

Determination of issues in respect of the convening of a meeting to consider a proposed scheme pursuant to section 86(1) of the Companies Act (2026 Revision)

JUDGMENT

Introduction

1. Hard on the heels of *Logan Group Company Limited* [2026] CIGC FSD 47 and 65 there was before the court on 21 September 2026 another parallel scheme of arrangement involving both the Cayman Islands and Hong Kong. This case further evidences the close connection between those two leading international finance centres and the desirability of international judicial cooperation as further highlighted in *Judicial Cooperation in Commercial Litigation* Third edition, General Editors Ian R. C. Kawaley, David Doyle and Shade Subair Williams, published by Wildy, Simmonds & Hill Publishing London (with the Cayman Islands law chapters being contributed by Kawaley J, as he then was).

2. Redco Properties Group Limited (the "Company") seeks an order granting permission to convene a single meeting of certain of its creditors (the "Scheme Creditors") to consider and, if thought fit, approve a scheme of arrangement (the "Scheme") under section 86(1) of the Companies Act (2026 Revision) (the "Act").

3. As is well established in such cases the first step in the legal process is what is commonly referred to as the convening hearing. If a meeting of creditors is convened and the requisite vote in favour of the scheme is obtained there is then a subsequent hearing known as the sanction hearing.

4. The legal position is governed by section 86 of the Act, Practice Direction No 2 of 2010 and a lot of case law. In my judgment in *Logan Group Company Limited* [2026] CIGC (FSD) 65 I endeavoured at [17] to briefly summarise the 8 main hurdles that the case law establishes a company must jump if it is to get to the finish line of satisfying the court that it is appropriate to sanction a scheme.

5. On 21 September 2026 I made an order in respect of the convening of a meeting to consider the Scheme. I now provide my reasons for doing so.

6. Mr Hamid Khanbhai, who appeared on behalf of the Company, summarised well the function of the court at the convening hearing. It is not to consider the merits or fairness of the proposed

scheme. Those issues arise for consideration at the sanction hearing if the scheme is approved by the requisite majority of creditors.

7. As Segal J made clear in *Re E-House (China) Enterprise Holdings Limited* (FSD unreported judgment 17 November 2022) at [52] the narrower range of issues at a convening hearing are (1) issues which may arise as to the constitution of the meeting or meetings of creditors (2) issues as to the existence of the court's jurisdiction to sanction the scheme and (3) issues (not going to the merits or fairness of the scheme) which might lead the court to refuse to sanction it (which will usually include a review of the extent to which the scheme will be effective abroad in other relevant jurisdictions). At [53] Segal J added that the court will also consider whether adequate notice has been given to creditors of the purpose and effect of the proposed scheme and of the convening hearing. In the case before him Segal J noted at [55] that there was no issue as to jurisdiction as the company was a company incorporated under the laws of the Cayman Islands and liable to be wound up under the Act and the scheme was clearly an arrangement within the meaning of section 86 of the Act. Segal J at [56] noted that in the case before him issues arose in respect of (1) notice of the convening hearing; (2) class composition; (3) the international effectiveness of the scheme; and (4) the adequacy of disclosure in the explanatory explanation and the directions to be given for the convening and conduct of the scheme meeting.

8. The Scheme is being promoted in parallel with a scheme of arrangement in Hong Kong (the "HK Scheme"). The Scheme and the Hong Kong Scheme are inter-conditional on the other being approved. On 9 September 2026, a busy Linda Chan J (who also dealt with *Logan Group Company Limited* and on 16 September 2026 delivered detailed reasons for judgment in another important sanction case namely *Re China Changbaishan International Holdings Limited* [2026] HKCFI 5285) sitting in the High Court of the Hong Kong Special Administration Region Court of First Instance (the "Hong Kong Court") made an order giving the Company liberty to convene a meeting of the Scheme Creditors. Linda Chan J, with her usual thoroughness, did however raise various concerns at the convening hearing in Hong Kong. I considered the concerns expressed by Linda Chan J.

9. In particular I considered the revised transcript of the convening hearing in Hong Kong on 9 September 2026 exhibited to the affirmation of Chian Jian Kuang Anthony of White & Case in Hong Kong affirmed on 18 September 2026 and noted the apologies in respect of the errors in the transcript initially provided by TransPerfect Legal Solutions. I also considered the draft order the Company placed before the Hong Kong Court and the Order made by Linda Chan J on 9 September 2026.

10. Amongst the points raised by Linda Chan J at the Hong Kong convening hearing were the following (1) the absence of enforceable commitments from the relevant project companies and intermediate holding companies to make distributions up the corporate chain for the benefit of Scheme Creditors and the absence of any objective benchmarks or trigger mechanisms if such distributions are not made; (2) the proposed long stop date (3) the basis upon which the chairperson should calculate the vote at the Scheme Meeting. The Company acted on those concerns and produced an updated Explanatory Statement and connected documents.

<u>The position of the Company</u>

11. The Company is an investment holding company of a group which is principally engaged in property development and related services in the People's Republic of China ("PRC") (the "Group"). The Company is the sole owner of shares in Redco Properties Holdings Limited, a holding company incorporated under the laws of the British Virgin Islands ("Redco Holdings"). Below Redco Holdings are subsidiaries incorporated in various jurisdictions including the British Virgin Islands, Hong Kong and the PRC.

12. As has been well publicised in recent years there has, to put it mildly, been a substantial downturn in the PRC real estate sector. As a result, the Company and the Group have fallen into severe financial distress. The Company has consequently defaulted in respect of its financial indebtedness and faces enforcement action by creditors.

13. I considered the updated Explanatory Statement which included the updated Scheme.

14. The basic purpose of the Scheme is to release the liabilities of the Company and its co-obligors (the "Existing Obligors"). In return, all Scheme Creditors will be entitled to elect to receive their entitlement under the Scheme (the "Scheme Entitlement") consisting of cash or asset-backed

financial instruments issued by a special purpose vehicle to be incorporated as part of the restructuring, which are described as passthrough instruments backed by cashflows from certain underlying property development projects of the Group.

15. If the Scheme does not go ahead it is stated that the Company will have no choice but to enter into liquidation. The Company says in a liquidation, the Scheme Creditors' recoveries would be catastrophic (falling within an expected recovery range of 0.1% to 0.3%). It is said that the recoveries from the Existing Obligors would be similarly poor (falling within an expected recovery range of 0% to 3.8%), bringing recovery (in aggregate) if both are taken into account to only 1.4% to 4.1%. The Company adds that if the Scheme is approved the Scheme Entitlement will provide a much better outcome for all Scheme Creditors.

16. The Scheme Creditors are described as financial creditors whose claims amount to approximately US$2.2 billion. A full list of the Scheme Debt is at Schedule 2 (Existing Liabilities) of the Scheme. It is said that some creditors of the Company have been granted security by the Company over the Company's shares in Redco Holdings which are the Company's sole asset (the "Company Security"). It appears however that the Company Security is worthless. FTI's Liquidation Analysis shows that Redco Holdings has no residual value. In a liquidation creditors with the Company Security are in no better or different position to unsecured creditors of the Company.

17. Some of the Scheme Debt is secured by Security interests granted by other Existing Obligors. That security will be released under the Scheme but the Company says it is also worthless.

18. The Company says that some of the Scheme Debt is secured by various security interests granted by companies which are not Existing Obligors (the "Excluded Collateral"). The Company adds that the Excluded Collateral comprises security interests granted by PRC-incorporated members of the Group in respect of certain onshore projects in the PRC and their intermediate holding companies. These are apparently valuable rights that will not be released under the Scheme.

Determination

19. I now turn to my consideration and determination of the relevant issues which were before the court at the convening hearing.

Jurisdiction

20. In the case presently before the court, the Company is incorporated pursuant to the laws of the Cayman Islands and liable to be wound up and the Scheme is plainly a scheme of arrangement within the meaning of section 86 of the Act. The court therefore has jurisdiction.

Notice of convening hearing and purpose of the Scheme

21. I was satisfied that adequate notice has been given to creditors of the purpose and effect of the Scheme and of the convening hearing.

22. The Scheme Creditors were given notice of the convening hearing on 28 August 2026.

23. Sufficient information as to the purpose of the Scheme had been provided in the Practice Statement Letter.

Sufficient information

24. It is well established (see for example *Re Heron International BV* [1994] 1 BCLC 667 at 672-673 per Donald Nicholls V-C as applied in *Re Indah Kiat International Finance Co BV* [2016] EWHC 246 (Ch), [2016] B.C.C. 418 at [41] per Snowden J, as he then was, Linda Chan J in *aCommerce Group Limited* [2024] HKCFI 2216, Harris J in *CIFI Holdings (Group) Co. Ltd* [2026] HKCFI 3250 at [31] and Linda Chan J in *Re China Changbaishan International Holdings Limited* [2026] HKCFI 5285 at [86] to [89]) that a company has a duty to place before the scheme creditors sufficient information to enable them to make a reasonable judgment as to whether the scheme is in their commercial interests or not.

25. In the case presently before the court adequate and sufficient information was to be provided to the Scheme Creditors, in the updated Explanatory Statement. It contained disclosure of relevant risk factors as well as the expected outcomes under the Scheme and in the comparator.

Class composition

26. In *Cable & Wireless Jamaica Ltd v Abrahams* [2025] UKPC 44 Lord Richards and Lord Doherty at [29] and beyond applied parts of Lord Millett's judgment in *UDL Argos Engineering & Heavy Industries Co Ltd v Li Oi Lu* [2001] 3 HKLRD 634 and stressed that the relevant test was based on similarity of rights rather than interests. See also [26] to [32] of my judgment in *Logan Group Company Limited* [2026] CIGC (FSD) 47 and Parker J's judgment in *Ocean Rig UDW Incorporated* 2017 (2) CILR 495 at [67].

27. The Board in *Cable & Wireless Jamaica Ltd v Abrahams* at [34] agreed with Lord Millett's analysis and with the principles which he derived from the authorities, subject to three qualifications, the first of which was the fact that in England and Wales so far as possible claim composition issues are dealt with at the convening hearing. The other two related to interests and rights. The Board at [36] stated that it was "better to acknowledge that Tomlinson J's reasoning in relation to class constitution" in *Re Hellenic & General Trust Ltd* [1976] 1 WLR 123 was "erroneous". The Board had doubts in respect of Lord Millett's analysis in *UDL* of *Re Hellenic & General*.

28. Lord Richards and Lord Doherty at [37] stated:

> "The focus ought to be on rights before the scheme and the effect of the scheme on those rights (be it removing, varying or conferring them). If members' or creditors' legal rights against the company before the scheme are so dissimilar that they cannot consult together on their common interest, or if the rights which are to be released or varied under the scheme, or the new rights which the scheme gives in their place, are so different that the two groups cannot so consult, more than one class meeting will be required."

29. At [38] Lord Richards and Lord Doherty added:

> "The emphasis on rights, as opposed to interests, as the determining factor for the composition of classes does not mean that differing interests are irrelevant to the decision whether to sanction a scheme. On the contrary, the existence of conflicting interests within the same class may be a highly relevant, and sometimes decisive, factor in the exercise of the court's discretion to give or to withhold its sanction to a scheme."

30. Linda Chan J put it well and concisely at [83] of her recent judgment in *Re China Changbaishan International Holdings Limited* [2026] HKCFI 5285:

> "… it is the rights of creditors (both before and under the scheme), not their separate commercial or other interests, which determine whether they form a single class or separate classes. The court takes a broad approach to the composition of classes so as to avoid giving unjustified veto rights to a minority group of creditors …".

31. At [84] Linda Chan J added:

> "No class issue arises in relation to those Scheme Creditors who can continue to seek repayment from the primary obligors (subsidiaries of the Company), as it is the rights against the Company which is the relevant comparator, not the rights against third parties …".

32. In a nutshell the basic test is that a class must be confined to those persons whose rights are not so dissimilar as to make it impossible for them to consult together with a view to their common interest. Is there more to unite than to divide the relevant creditors? The modern tendency has been to resist any tendency to increase the number of classes unnecessarily. The unnecessary proliferation of classes should be avoided.

33. I considered all that Mr Khanbhai has had to write and say in respect of class composition. The Company's position, in a nutshell, is that all Scheme Creditors' rights against the Company are materially the same in economic terms. There is more to unite than to divide the Scheme Creditors, and the class should therefore not be fractured. Mr Khanbhai had very properly, fairly and professionally, brought to the court's attention various other arguments that might be put forward to support a contention that more than one class is required. I was not persuaded that any of those arguments should lead this court to fracture the class. I was, like Linda Chan J, content with a single class.

Substantial effect of the Scheme and international dimension

34. I was satisfied that the Scheme would have substantial effect and that the court would not be acting in vain. It is true that the Scheme Debt is governed by the laws of various jurisdictions. The mere

fact that the Scheme Debt is governed by foreign law is no bar to a substantially effective scheme. I was satisfied that the Scheme, if sanctioned, would achieve its purpose. The case law (see for example *Freeman Fintech Corporation Limited* 2021 (1) CILR 426 at [22] to [32], *China Aoyuan Group Limited* unreported FSD judgment Doyle J, 7 December 2023 at [23] and *Logan Group Company Limited* [2026] CIGC (FSD) 47 at [25]) establishes that the court does not have to be satisfied that there is certainty that the Scheme will be given effect in every relevant jurisdiction.

35. Linda Chan J in *Re China Changbaishan International Holdings Limited* [2026] HKCFI 5285 at [93] stated "… the court would consider whether the scheme is effective in other foreign jurisdictions, as the court would not act in vain and would not exercise its powers to sanction a scheme which did not serve any useful purpose. The utility and international effectiveness of a scheme concerning a foreign company whose shares are listed on SEHK is "not normally a matter of real concern in our court" as (1) there would be sufficient creditors who are either subject to the *in personam* jurisdiction of the court or (2) their debts are governed by Hong Kong law, or (3) that the creditors have elected to participate in the scheme to be sanctioned by the Hong Kong court …".

36. The Scheme is being proposed in parallel with an inter-conditional scheme in Hong Kong and, if sanctioned, the Scheme will be effective in Hong Kong where the Company's shares are listed and where some creditors are presently taking enforcement action.

37. I agree that the Scheme will be an effective discharge in the Cayman Islands and in Hong Kong of all the Scheme Debt (regardless of the law by which it is governed). The Scheme Creditors will not be able to receive their Scheme Entitlement unless they agree to be bound by the Scheme.

38. Snowden J, as he then was, in *Re ColourOz Investment 2 LLC* [2020] EWHC 1864 (Ch); [2020] B.C.C. 926 at [120] commented on "international effectiveness" and had "no reason to believe that the schemes are unlikely to be effective in the relevant jurisdictions in which the Group operates and has material assets." At [121] he added "at this stage I will indicate that I see no obvious roadblock or reason why the court would inevitably decline to exercise its discretion to sanction the schemes in due course." I concur in the circumstances of the case presently before me.

Long stop date

39. Following comments made by Linda Chan J at the Hong Kong convening hearing the long stop date by which the Restructuring Conditions are to be satisfied or waived had been revised from 30 September 2027 to a date falling 6 months after the Scheme Effective Date. The long stop date may be extended with (1) the consent of Scheme Creditors holding more than 75% in value of the Voting Scheme Claims, or (2) the court's approval.

40. In the Company's evidence it was stated that the revised long stop date was broadly consistent with the approval timeline of the National Development and Reform Commission of the PRC. It was stated that the Company believed that the revised long stop date represented one that a fair and reasonable creditor could approve, given the time required to obtain regulatory approvals (paragraph 64 of the first affirmation of Huang Ruoqing affirmed on 15 September 2026).

41. Linda Chan J in *Re China Changbaishan International Holdings Limited* [2026] HKCFI 5285 referred to the ability to extend the approximately 6 months long stop date ("LSD") in that cause with the agreement of the Scheme Creditors holding not less than 75% in value of the aggregate Admitted Scheme Claims and stated:

> "This aligned with the court's usual requirement that given the importance of the LSD, any extension thereof should only be made with the agreement of the same majority of Scheme Creditors required for approving the Scheme." ([23 (2)])

42. I was content with the provisions in respect of the LSD in this case.

<u>Order</u>

43. The draft order (updated version provided by email Sunday 20 September 2026 at 6.44pm) was not identical to the Order made by Linda Chan J on 9 September 2026. I was satisfied however that the proposed directions in respect of the summoning and conduct of the Scheme Meeting as set out in the draft order put before this court were appropriate subject to the amendments I specified during my exchanges with counsel.

44. I agreed with Mr Khanbhai that a scheme meeting is *sui generis* and under the control of the court and this is the basis upon which the court has power to give directions as to the conduct of the meeting including in relation to voting (see *Re Dee Valley Group plc* [2017] EWHC 184 (Ch) Sir Geoffrey Vos C at [27], [42] and [44]).

45. In the draft order the Company sought an order that the Chairperson may, for the purposes of avoiding any double counting consider only the voting indications of the ultimate beneficial owner or principal in respect of any Scheme Claim and also an order that the Chairperson shall not take into account any vote cast by the Depositary and others in their capacity as holder of the global notes representing the Existing Securities. In the context of a scheme of arrangement, having heard further from Mr Khanbhai, I was content with this approach (see my judgment in *Shinsun Holdings* 2023 (1) CILR 473 at [92] to [98]) and section 4 of Practice Direction No 2 of 2010).

46. The Hong Kong sanction hearing has been listed for 17 November 2026 at 10am (Hong Kong time). Campbells indicated that their dates to avoid were 17-26 November 2026 inclusive. I therefore ordered that the sanction hearing in the Cayman Islands take place on 9 December 2026 at 10am (Cayman Islands time).

47. For the reasons stated in this judgment, I was content to make an Order substantially in terms of the draft put before the court, together with the amendments I specified during my exchanges with counsel.

48. I should also reiterate my thanks to Mr Khanbhai for his helpful assistance to the court. It is most appreciated.

David Doyle

THE HON. JUSTICE DAVID DOYLE
JUDGE OF THE GRAND COURT