合景泰富集團
KWG GROUP HOLDINGS

KWG GROUP HOLDINGS LIMITED
合景泰富集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1813 and Debt Stock Codes: 40338, 40465, 40683 and 40117)

VOLUNTARY ANNOUNCEMENT
BUSINESS UPDATE

This announcement is made by KWG Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") on a voluntary basis.

References are made to the Company's announcements dated 14 May 2023, 15 May 2023, 6 July 2023, 7 December 2023, 8 March 2024, 12 June 2024, 16 September 2024 and 12 February 2025 (the "**Announcements**"). Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

The Company would like to provide an update to the market on the progress of the restructuring of its offshore debts (the "**Restructuring**").

1. UPDATE ON OFFSHORE DEBT RESTRUCTURING

(a) Restructuring Progress

The Company has been actively working with its financial advisor, Alvarez & Marsal, and its legal advisor, Sidley Austin, to develop a comprehensive solution to alleviate its liquidity pressure and allow adequate financial flexibility so as to enable the Group to better manage its business operations for the benefit of all stakeholders.

In this regard, the Company and its offshore advisors have been communicating and constructively engaging with an ad hoc group ("**AHG**") of certain holders of US$-denominated offshore senior notes (the "**Senior Notes**") which, as at the date of this announcement, is holding approximately 24% in aggregate principal amount of the Senior Notes and its advisors, together with a group of bank lenders in respect of the Company's syndicated loan (the "**Syndicated Loan**") and their respective advisors, to facilitate the formulation of a consensual and holistic restructuring proposal in respect of certain of the Company's offshore indebtedness with an aggregate principal amount of approximate US$4.5 billion (the "**Target Existing Debts**").

Over the past few months, the AHG together with their financial advisor and legal advisor as well as the lenders of the Syndicated Loan, have worked closely with the Company and its advisors to conduct in-depth due diligence on the Company's financial and operational conditions. The parties have also made progress in formulating a restructuring proposal.

Having considered the Company's debt servicing capability and the prevailing property market conditions, the Company's latest restructuring proposal (the "**Proposal**") entails various options to achieve a significant de-leveraging of the Target Existing Debts, the bid-ask gap on the de-leveraging ratio is subject to further negotiation between the AHG and the Company as at the date of this announcement, while accommodating the needs and preferences of different creditors.

The Proposal contemplates, among other things:

(i) converting the Target Existing Debts into new USD denominated notes ("**New Notes**") (with varying conversion ratios, maturities, interest rates, security and seniority arrangements) and/or mandatory convertible bonds which convert into new ordinary shares of the Company;

(ii) a cash sweep mechanism involving using net proceeds of certain projects as a designated source of funding for the repayment of certain New Notes;

(iii) the New Notes will be guaranteed and secured by certain key offshore subsidiaries; and

(iv) offering a consent fee to the creditors who provide their support to the Proposal.

(b) Potential Implementation Structure

The Company intends to implement the Restructuring by way of scheme(s) of arrangement in Hong Kong and/or other applicable jurisdiction(s) at the election of the Company to compromise the Target Existing Debts.

(c) Next Steps

As at the date of this announcement, the Company is still in negotiations with the AHG on the Proposal and there are certain aspects of the Proposal that are still being discussed. The Company expects to continue the proactive and constructive engagement and maintain a positive momentum with the AHG with a view to narrowing the bid-ask gap on the various economic terms of the Proposal as soon as practicable. Meanwhile, the Company intends to engage in discussions with other creditors (including holders of other Target Existing Debts) in parallel to ensure support from the creditors and to obtain feedback from those creditors on the Company's restructuring proposal. In this regard, the Company will continue to provide material updates on the restructuring process to all stakeholders as appropriate.

2. UPDATE ON THE BUSINESS DEVELOPMENT

(a) Overview of the Company

As at 30 June 2024:

(i) the Group had 148 major projects located in 42 cities in Chinese Mainland, and 1 project located in Hong Kong, China.

(ii) the Group had investment properties including shopping malls, office buildings, service apartments and retail shops located in Chinese Mainland with total value of approximately RMB23,773 million, which primarily consisted of completed investment properties of approximately RMB19,587 million and properties under construction of approximately RMB3,858 million. In addition, the major investment properties held by the Group's joint venture and associates has a total value of approximately RMB12.3 billion and total value attributable to the Group of approximately RMB5.8 billion.

(iii) the Group had 12 self-held hotels and 7 hotels under operating leases that are in operations. In addition, the Group received income from 5 hotels that are operated by third parties.

(b) Debt Overview

As at 30 June 2024:

(i) in relation to offshore debts, the Group had total interest-bearing liabilities (excluding accrued interest) of approximately RMB30,846 million, which comprised approximately RMB27,948 million in outstanding principal amount of senior notes, approximately RMB2,898 million of bank and other borrowings.

In addition, the Company had interest-bearing financial liabilities to offshore joint ventures and third parties in the outstanding principal amount of approximately RMB9,386 million.

(iv) in relation to its onshore debts, the Group had total interest-bearing liabilities of approximately RMB41,809 million in outstanding principal amount, which comprised approximately RMB38,325 million of bank and other borrowings, and approximately RMB3,484 million of corporate bonds. The Group's onshore debts accounted for approximately 58% of the Group's total indebtedness.

In addition, the Group had interest-bearing financial liabilities to onshore joint ventures, associates, third parties and a related company in the outstanding principal amount of approximately RMB14,353 million.

(c) Projected Cash Flow for Offshore Debt Repayment

Based on various assumptions that include, among others, (i) the market environment of the Chinese real estate sector returns to normal in the near future; (ii) the Group is able to maintain normal business operations; and (iii) the Group will get continuous support from its onshore creditors and be able to extend or refinance the onshore borrowings, the Company's projected cash flow is as follows:

(i) The Group plans to continue to develop its existing onshore property development projects and operate its core investment properties and hotels while gradually dispose of part of the investment properties and hotels over the course of six (6) years from 2024 to 2029, subject to the market conditions and asset operation circumstances (the "**Asset Disposal**"). On this basis, it is estimated that the cumulative total cash available for the repayment of certain offshore debt from its onshore operations, including its joint ventures and associates, during the period of 2024 to 2036 (the "**Forecast Period**") attributable to the Group (the "**Onshore CADS**") is estimated to be between RMB7.1 billion and RMB12.1 billion (which included the estimated net proceeds from the Asset Disposal (after deduction of associated debt) attributable to the Group in the range of

RMB4.1 billion to RMB8.3 billion). For the first six (6) years of the Forecast Period from 2024 to 2029, the cumulative Onshore CADS is projected to range from approximately RMB227 million to RMB1.2 billion, which is based on reasonable commercial assumptions and may vary depending on market conditions; and

(ii) On the basis that the offshore project remains to be operated and controlled by the Group and its joint venture partner, it is estimated that the cumulative total cash available for the repayment of certain offshore debt from its offshore operations during the Forecast Period to be approximately RMB5.7 billion to RMB6.2 billion.

The above information regarding the Group's projected cash flow is based primarily on a preliminary assessment by the management of the Company in around November 2023 with reference to the information then available to it and based on a series of assumptions made at the relevant time. Any variation of such assumptions may materially and adversely affect the cash flow projections. Such projections also do not constitute any forecast or estimate of the Group's profit of any relevant period which are determined and affected by other factors. The above cash flow projections contain forward-looking financial estimates or forecasts that involve important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, the Company's financial results may differ from those expressed in such forward-looking statements. Holders of securities of the Company and potential investors are advised to treat this information with caution as the actual cash flows of the Group at the relevant time may be different from what is disclosed in this announcement. The Company will announce the financial information of the Group in accordance with the applicable requirements under the Listing Rules.

Holders of securities of the Company and potential investors are advised to read the interim report of the Company as of and for the six months ended 30 June 2024 which was published on 28 August 2024 and contains the unaudited interim results of the Group for the six months ended 30 June 2024.

The Company has appointed advisors and the advisors have been working with the Company and its offshore creditors to explore all feasible options to pursue a holistic solution to its offshore debts that ensures a fair and equitable treatment to its creditors and stakeholders, and provides a sustainable capital structure. The Group has been in active negotiation with its creditors and stakeholders to reach such holistic solution. The Company will keep holders of its securities and other investors updated by way of further announcement(s) as and when appropriate. The Company will maintain active communication with the noteholders and noteholders may contact the Company's financial advisor, Alvarez & Marsal, at projectreborn@alvarezandmarsal.com, if necessary.

The implementation of any holistic solution to the offshore debt issue will be subject to many factors beyond the control of the Company. As there is no assurance that any holistic solution will be successfully implemented, holders of securities of the Company and other investors are (i) advised not to rely solely on the information contained in this announcement or any other announcements as may be issued by the Company from time to time; and (ii) reminded to consider the related risks and exercise caution when dealing in the securities of the Company. When in doubt, holders of securities of the Company and other investors are advised to seek professional advice from their own professional or financial advisors.

By order of the Board
KWG Group Holdings Limited
KONG Jianmin
Chairman

Hong Kong, 7 March 2025

As at the date of this announcement, the Board comprises seven Directors, of whom Mr. KONG Jianmin (Chairman), Mr. KONG Jiantao (Chief Executive Officer), Mr. KONG Jiannan and Mr. CAI Fengjia are executive Directors; and Mr. TAM Chun Fai, Mr. LAW Yiu Wing, Patrick and Ms. WONG Man Ming, Melinda are independent non-executive Directors.