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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: 5008, 5607,
5811, 40117, 40338, 40465 and 40683)**

INSIDE INFORMATION

This announcement is made by KWG Group Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09(2), 13.19, 37.47A, 37.47B and 37.47E of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement of the Company dated 19 September 2022 (the “**September Announcement**”) and the 2022 annual report of the Company published on 28 April 2023 (the “**2022 Annual Report**”).

INTRODUCTION

Since the second half of 2021, the Chinese real estate industry has faced unprecedented challenges. Due to the adverse macroeconomic factors, the waves of negative credit events and the limited financing channels of the industry, the liquidity pressure faced by privately-owned developers, including the Group, has increased. The industry-wide difficulties weakened homebuyers’ confidence in future economic growth and affected their demands for overall real estate sales in China. As a result of these changes in market conditions, many real estate developers in China experienced a decline in operating and financing cash flows.

In the face of industry fluctuations, the Group proactively took steps to manage its debts. In 2022, the Group repaid onshore corporate bonds, commercial mortgage-backed securities and asset-backed securities of RMB7,544 million, offshore bonds of US\$363 million and offshore syndicated loans of HK\$1,284 million, with a total repayment amount of approximately RMB11,300 million. In September 2022, the Company completed exchange offers for two offshore senior notes in an aggregate amount of US\$900 million due in September 2022 and the bonds in an amount of US\$700 million due in September 2023, which have alleviated its short-term liquidity pressure.

As disclosed in the September Announcement, the Company issued the 6.0% senior notes due 2024 (ISIN: XS2530437172/Common Code: 253043717) (the “**January 2024 Notes**”). Pursuant to the terms of the January 2024 Notes, 15% of the principal amount of the January 2024 Notes together with the accrued and unpaid interest thereon are due and payable on the mandatory redemption date of 14 May 2023. As of the date of this announcement, the Company has not made the redemption payment of US\$119,238,870 for such part of the principal, and the interest thereon. Under the terms of the January 2024 Notes, failure to pay such part of the principal on the mandatory redemption date will constitute an event of default, and so is the failure to pay such interest upon expiration of the 30-day grace period after the mandatory redemption date. As disclosed in the 2022 Annual Report, the Group’s default in payment of principal of RMB212 million of interest-bearing bank and other borrowings according to their scheduled repayment date on 28 April 2023 had triggered cross default of certain long term interest-bearing bank and other borrowings, including the debt securities disclosed in the section headed “The Company’s USD Denominated Senior Notes” below.

The Group has been relying on its internal cash resources and remitting cash from onshore to meet offshore payment obligations. Under the requirement of local government policies, substantially most of the Group’s cash are under strict pre-sale cash escrow at designated bank accounts in order to ensure completion of the properties under development. Notwithstanding the Group’s best efforts, the Group’s funds available for offshore debt payments are under continuous pressure.

As of the date of this announcement, the Company has not received any acceleration notice from the relevant creditors with respect to the January 2024 Notes.

ENSURING DELIVERY OF PROPERTIES AND STABLE BUSINESS OPERATIONS

Facing the industry-wide difficulties, the Group has been working relentlessly to ensure delivery of properties and prioritized stable business operations in order to preserve value for all stakeholders. For the year ended 31 December 2022, the Group had completed the delivery of an aggregated gross floor area of approximately 806,218 square meters. The real estate industry is expected to show healthy and steady recovery with operations gradually returning to normal this year, and the Group aims to continuously improve its asset and liability position and enhance its cash liquidity in all aspects through its “strengthening sales and reducing liabilities” measures, and continues to adopt effective measures to improve operating efficiency, implement precise marketing, control risks and reduce costs.

A HOLISTIC SOLUTION TO THE COMPANY’S OFFSHORE INDEBTEDNESS AND THE ENGAGEMENT OF EXTERNAL ADVISORS

In light of the existing challenges, the Group has concluded that it should immediately explore a holistic solution to the current offshore debts situation to secure the sustainable operations of the Group for the benefit of all of its stakeholders.

The Company is in discussion with potential candidates to take on the role as financial adviser to assess the Group’s capital structure, evaluate the liquidity of the Group and explore all feasible solutions to ease the current liquidity issue and reach an optimal solution for all the stakeholders as soon as possible. The Company has also engaged Sidley Austin as its legal adviser in support of this effort. The Group has been working diligently with its advisers on the preparatory work for a holistic solution to the current offshore debts situation.

The Company looks forward to engaging and working with the offshore creditors and calls for their patience, understanding and support in quest for a holistic solution to the offshore debts as a whole with the Company mutually to address the industry-wide issue together. The Company will maintain active communications with creditors and will update the market as soon as practicable on any material developments.

THE COMPANY'S USD DENOMINATED SENIOR NOTES

As of the date of this announcement, in addition to the January 2024 Notes, an event of default under the terms of each of the debt securities as set out in the following table has occurred.

Description of Debt Securities	ISIN/Common Code	Stock code
7.875% Senior Notes due September 2023 (the “ September 2023 Notes ”)	XS1954740285/195474028	5811
7.4% Senior Notes due March 2024 (the “ March 2024 Notes ”)	XS2034561584/203456158	5607
7.875% Senior Notes due August 2024	XS2530437339/253043733	Not applicable
5.875% Senior Notes due November 2024 (the “ November 2024 Notes ”)	XS1716631301/171663130	5008
5.95% Senior Notes due August 2025 (the “ August 2025 Notes ”)	XS2214229887/221422988	40338
6.3% Senior Notes due February 2026 (the “ February 2026 Notes ”)	XS2257830716/225783071	40465
6.0% Senior Notes due August 2026 (the “ August 2026 Notes ”)	XS2343325622/234332562	40683
7.4% Senior Notes due January 2027 (the “ January 2027 Notes ”)	XS2100654586/210065458	40117

GENERAL

The Company will make further announcement(s) as and when appropriate in accordance with the requirements of the Listing Rules, the SFO and/or other applicable laws and regulations.

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 of the Company 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 and other investors of the Company 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, 14 May 2023

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. LEE Ka Sze, Carmelo, Mr. TAM Chun Fai and Mr. LAW Yiu Wing, Patrick are independent non-executive Directors.